



# CHINA INNOVATION INVESTMENT LIMITED

## 中國創新投資有限公司

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

(Stock Code: 1217)

### ANNUAL REPORT

# 2020

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# CORPORATE INFORMATION

## DIRECTORS

### Executive Directors

Mr. Xiang Xin (*Chairman and Chief Executive Officer*)  
Mr. Chan Cheong Yee

### Independent Non-executive Directors

Ms. An Jing (Appointed on 18 February 2020)  
Mr. Zhang, Yu Clement (Appointed on 18 February 2020)  
Ms. Zhou Zan

### Alternate Director

Ms. Kung Ching, an alternate director to Mr. Xiang Xin

## AUTHORISED REPRESENTATIVES

Mr. Xiang Xin  
Mr. Li Wancheng

## COMPANY SECRETARY

Mr. Li Wancheng

## EXECUTIVE COMMITTEE

Mr. Xiang Xin (*Chairman*)  
Mr. Chan Cheong Yee

## NOMINATION COMMITTEE

Mr. Xiang Xin (*Chairman*)  
Ms. Zhou Zan  
Ms. An Jing (Appointed on 18 February 2020)

## AUDIT COMMITTEE AND REMUNERATION COMMITTEE

Ms. An Jing (*Chairman*) (Appointed on 18 February 2020)  
Ms. Zhou Zan  
Mr. Zhang, Yu Clement (Appointed on 18 February 2020)

## REGISTERED OFFICE

Sinclair Group Centre, 3rd Floor Genesis Building  
Genesis Close P.O. Box 498, George Town  
Grand Cayman KY1-1106  
Cayman Islands

## PRINCIPAL PLACE OF BUSINESS

26/F, No. 9 Des Voeux Road West,  
Sheung Wan, Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited  
Suite 3204, Unit 2A, Block 3, Building D  
P.O. Box 1586, Gardenia Court, Camana Bay  
Grand Cayman, KY1-1100  
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited  
Suites 3301-04  
33/F, Two Chinachem Exchange Square  
338 King's Road  
North Point  
Hong Kong

## INVESTMENT MANAGER

China Everbright Securities (HK) Limited  
(Resigned on 30 November 2020)  
Evergrande Securities (Hong Kong) Limited  
(Appointed on 1 December 2020)

## AUDITOR

McMillan Woods (Hong Kong) CPA Limited

## PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited  
UBS AG

## CUSTODIANS

China Everbright Securities (HK) Limited  
UBS Securities Hong Kong Limited  
Evergrande Securities (Hong Kong) Limited

## STOCK CODE

1217

## WEBSITE

[www.1217.com.hk](http://www.1217.com.hk)

# CHAIRMAN'S STATEMENT

On behalf of the Board (the "Board") of directors (the "Directors") of China Innovation Investment Limited (the "Company"), I am pleased to present to you the audited results of the Company for the year ended 31 December 2020.

## BUSINESS REVIEW

The Company is an investment company and the Company's shares were listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 28 August 2002 pursuant to Chapter 21 of the Rules Governing the Listing of Securities on The Stock Exchange (the "Listing Rules").

### Investing in unlisted companies

As at 31 December 2020, the Company held investments in five unlisted companies namely Topsun Creation Limited, Aesthetic Vision Limited, United Crown Future Company Limited, FengTian Capital Limited and Grand Far Sky Limited and carrying amount of these investments were approximately HK\$46,160,000, HK\$71,142,000, HK\$60,467,000, HK\$24,431,000 and HK\$73,986,000 respectively.

### Investing in listed companies

The Company also invest listed companies in Hong Kong on short terms. For the year ended 31 December 2020, the gross sales proceeds of investments is HK\$369,878,000 (2019: HK\$257,605,000).

## PROSPECT

The Company is one of the few investment companies in Hong Kong focusing on investment business. We invest in listed and unlisted companies with high quality to strive for medium-term gains from capital appreciation in the course of securitisation of corporate assets invested, and apply the same as our key operation strategy and income source.

Leveraging on our experience and well-connected network in the Mainland China over years, the Company invested in energy storage products, lighting products, energy-saving materials, health communications and asset management respectively through its investment. With energy conservation as our development goal, our investments have achieved breakthroughs in realising the five industries of "New Energy", "New Light", "New Materials", "New Health" and "New Capital" in real projects.

For "New Energy", the Company invests in Topsun Creation Limited ("Topsun"), which adopts the power reserve patent technology as its own core to develop the strategy of "Production — Research — Preliminary Research" for the research and manufacturing of solar photovoltaic system.

For "New Light", the Company invests in Aesthetic Vision Limited ("Aesthetic"). Aesthetic's major product is LED lighting. It possesses of LED ergonomics technology with features including LED illuminant, appropriate light flux, free colour temperature, healthy spectrum and compliance to ergonomics.

For "New Materials", the Company invests in United Crown Future Company Limited ("United Overseas"). Being the pioneer in the new energy-saving wall industry in People's Republic of China ("PRC") market, United Overseas mainly specialises in research and development of energy-saving materials for walls with features of energy saving and environmental protection, which are widely used in the field of construction and decoration.

# CHAIRMAN'S STATEMENT

For "New Health", the Company invested in FengTian Capital Limited ("FengTian"). Fengtian holds the solution of health communication products (health mobile phones) and the copyright of a sizeable children's animation series, specializing in health communication products and developing children health industries.

For "New Capital", the Company invested in Grand Far Sky Limited ("Grand Far Sky"). Grand Far Sky is engaged in the asset management business of providing new industries, providing solutions for innovative companies to increase revenue and reduce costs, and at the same time obtain management benefits.

Being dedicated to outline a completed industry chain of energy conservation and to contribute its effort to green low-carbon living style, the Company is actively seeking more lucrative investment opportunities related to this sector.

Looking forward, the Company will continue to explore the investment opportunities to achieve medium-term capital appreciation.

## APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my appreciation and heartfelt thanks to those who have given their utmost supports and contributions to the Company during the year.

**Xiang Xin**

*Chairman and Chief Executive Officer*

Hong Kong, 26 March 2021

# MANAGEMENT DISCUSSION AND ANALYSIS

## OVERALL PERFORMANCE

The realised gains (excluding bank interest income) for the year ended 31 December 2020 was approximately HK\$15,657,000, comparing to the realised gain of approximately HK\$21,369,000 for the same period in 2019.

Due to the continuous impact of the global pandemic and the Sino-US trade war etc., the Company recorded a loss attributable to equity shareholders of approximately HK\$9,813,000 for the year ended 31 December 2020, compared to a profit attributable to equity shareholders of approximately HK\$23,872,000 for the same period in 2019. Such loss was mainly come from unrealised holding losses of approximately HK\$27,725,000 on investments at fair value through profit or loss.

As at 31 December 2020, the net assets of the Company were approximately HK\$653,748,000 (2019: HK\$700,255,000), with a net asset value per share of approximately HK\$0.05 (2019: HK\$0.05). The decrease of net asset of the Company mainly come from the loss of approximately HK\$9,813,000 attributable to equity shareholders and the loss of approximately HK\$37,008,000 to the fair value changes of equity investments at fair value through other comprehensive income.

The Company recorded total comprehensive expense of approximately HK\$46,821,000 for the year ended 31 December 2020, compared to total comprehensive income of approximately HK\$15,998,000 for the same period in 2019.

## MATERIAL ACQUISITIONS AND DISPOSALS OF INVESTMENTS

In 2020, the Company continued to seek out and rigorously evaluate investment opportunities. Due to the economic prospects very uncertainty caused by the continuing Sino-US Trading friction and the impact of COVID-19, the Company holds a cautious and wait-and-see attitudes towards the securities market for the upcoming year.

The influence of Sino-US trade friction had a negative impact on the operating results of the entities of the equity investments at fair value through other comprehensive income ("Equity Investments") for the year ended 31 December 2020 and 2019. The management of the Company is full of confidence in the future prospects of the Equity Investments.

On 12 April 2017, the Company invested USD353,000 (amount to approximately HK\$2,747,970) on derivative product – 4 years JPM-3-YR CALL WARRANT-JUPITER JGF – DYNAMIC BOND ("Warrant 1") issued by J. P. Morgan Structure Products B. V. with the maturity date on 13 April 2020 ("Maturity Date 1"), at the Initial Price of USD11.73. On 12 February 2020, before the Maturity Date 1, the Company sold the Warrant 1 at the vale of HK\$3,615,062, with net income of HK\$2,515,262 from Warrant 1.

On 12 April 2017, the Company invested USD452,000 (amount to approximately HK\$3,518,531) on derivative product – 5 years BNP-Q WARRANTS-PIMCO FUNDS GLB INVESTORS SERIES INCOME FD ("Warrant 2") issued by BNP Paribas Arbitrage Issuance B.V. with the maturity date on 13 April 2021 linked with PINEEHA ID Equity, at the Initial Price of USD12.82.

On 20 January 2020, the Company invested USD10,000,000 (amount to approximately HK\$78,000,000) on structured product – 12 Months USD Booster on a Basket of Indices ("ILN1") issued by BNP Paribas acting through its Hong Kong Branch with the maturity date on 5 February 2021 ("Maturity Date 3"), linked with sets of Indices FTSE 100 INDEX and HANG SENG INDEX, at strike level of FTSE 100 INDEX@7664.9, HANG SENG INDEX@28682.5 respectively. On the Maturity Date 3, the Company received the denomination together net income of HK\$USD9,800,000 (amount to approximately HK\$76,440,000) from ILN1.

# MANAGEMENT DISCUSSION AND ANALYSIS

On 20 January 2020, the Company invested USD10,000,000 (amount to approximately HK\$78,000,000) on structured product – 12 Month Capital Return Note linked to a Basket of Indices (“ILN2”) issued by Barclays Bank PLC with the maturity date on 5 February 2021 (“Maturity Date 4”), linked with sets of Indices S&P 500 Index and HANG SENG INDEX, at strike level of S&P 500 Index @3330, HANG SENG INDEX@28877 respectively. On the Maturity Date 4, the Company received the denomination together net income of USD10,105,822 (amount to approximately HK\$78,825,415) from ILN2.

On 19 February 2020, the Company invested USD227,000 (amount to approximately HK\$1,752,440) on derivative product – 12 Month USD Performance Linked to Fund Linked Note (“Warrant 3”) issued by UBS AG acting through its London branch with the maturity date on 10 March 2021 (“Maturity Date 5”), redemption linked to PIMCO GIS Diversified Income Fund (Bloomberg: PIMEHED ID Equity), at the Initial Price of USD16.37. On the Maturity Date 5, the Company received the denomination together net income of USD67,196 (amount to approximately HK\$524,128) from Warrant 3.

On 16 March 2020, the Company invested HK\$78,000,000 on structured product – 6 months equity linked note (“ELN1”) issued by Nomura International Funding Pte. Ltd. with the maturity date on 6 October 2020 (“Maturity Date 6”), linked with sets of Hong Kong listed equities 0005.HK/388.HK, at strike price of 0005.HK@HK\$35.0440, 388.HK@HK\$182.7200 respectively, with fixed coupon annual rate of 19.45%. On the Maturity Date 6, the Company received the stocks of HSBC HOLDINGS PLC (Stock code: 0005.hk) (“HSBC Stocks”) at the value of HK\$78,000,000. In November 2020, the Company disposed the HSBC Stocks. The total amount of interest income from ELN1 and the gain from disposal of the HSBC Stocks is approximately HK\$11,394,296.

As at 31 December 2020, the Company’s net realised gain on disposal of investments at fair value through profit or loss is amounted to approximately HK\$15,657,000 (“Realised Gains”). The breakdown of the Realised Gains is as follows:

No.	Investment Project	Introduction of the Investment	Cost of the Investment/ Value at the Year Beginning HK\$'000	Disposal Consideration HK\$'000	Realised Gains HK\$'000
1	Warrant 1	Jupiter JGF – Dynamic Bond	1,100	3,615	2,515
2	ELN1	Delivered by 0005.hk stocks as shares of the listed company on its maturity and disposed 0005.hk stocks	78,000	81,813	3,813
3	Hong Kong listed stocks				9,329
<b>Sum</b>					<b>15,657</b>

# MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2020, the Company's unrealised holding gains (loss) from investments at fair value through profit or loss is amounted to approximately HK\$27,725,000 ("Unrealised Gains (Loss)"). The breakdown of the Unrealised Gains (Loss) is as follows:

No.	Investment Project	Introduction of the Investment	Cost of the Investment/ Value at the Year Beginning HK\$'000	Value at the Year End HK\$'000	Unrealised Gains (Loss) HK\$'000
1	Warrant 2	PIMCO Funds Global Investors Series plc – Income Fund	3,463	5,718	2,255
2	Warrant 3	PIMCO GIS Diversified Income Fund	1,752	516	(1,236)
3	ILN1	BNP Paribas – USD Booster on a Basket of Indices	78,000	75,604	(2,396)
4	ILN2	Barclays – Capital Return Note linked to a Basket of Indices	78,000	77,962	(38)
5	Hong Kong listed stocks held on 31 December 2020	China Merchants Commercial Real Estate Investment Trust (01503.hk) 3,470,000 shares	11,555	8,501	(3,054)
6	Hong Kong listed stocks held on 31 December 2020	HSBC Holdings Plc (00005.hk) 1,060,000 shares	64,501	43,195	(21,306)
7	Hong Kong listed stocks held on 31 December 2020	Da Yu Financial Holdings Limited (01703.hk) 8,355,000 shares	3,843	2,590	(1,253)
8	Hong Kong listed stocks held on 31 December 2020	Budweiser Brewing Company APAC Ltd (01876.hk) 20,000 shares	526	512	(14)
9	Others				(683)
<b>Sum</b>					<b>(27,725)</b>



# MANAGEMENT DISCUSSION AND ANALYSIS

On 20 December 2019, Nopo International Limited (“Nopo International”), a wholly owned subsidiary of China Trends Holdings Limited (Stock Code: 8171.hk), entered into a Share Transfer Agreement (the “Agreement”) of 25% shareholdings in FengTian Capital Limited (“FengTian Capital”) with Rich Group International (HK) Limited and the Company, pursuant to which Nopo International transfers 25% shareholdings (the “Share for Sale”) in FengTian Capital to the Company at a consideration of HK\$22,781,000 (equivalent to the cost paid by Nopo International when acquired the Share for Sale) and transfer the payment obligation of the unpaid investment capital in RMB1,500,000 to the Company at the same time. The payment method was that the Company paid 50% in cash (ie. HK\$11,390,500) to Nopo International within two business days after signing the Agreement, and the balance 50% (ie. HK\$11,390,500) was paid to Nopo International before 31 December 2020.

## INVESTMENT PORTFOLIOS

As at 31 December 2020, the Company holds certain listed equity securities and derivatives and structured products which are disclosed in note 17 to the financial statements.

As at 31 December 2020, the Company holds the following unlisted investments which are disclosed in note 16 to the financial statements:

- (i) Topsun Creation Limited (“Topsun”) was incorporated in Hong Kong and principally engaged in investment holding. Topsun directly held 100% interest in a company incorporated in the PRC, which the principal activity was in relation to new energies as its major products. The Company holds 2,710 “B” non-voting shares in Topsun, representing 67.75% interest in the issued share capital of Topsun. No dividend was received during the year.
- (ii) Aesthetic Vision Limited (“Aesthetic”) was incorporated in Hong Kong and principally engaged in investment holding. The principal assets of Aesthetic include its wholly-owned subsidiary incorporated in the PRC. Aesthetic possesses LED ergonomics technology with features including LED illuminant, appropriate light flux, free colour temperature, healthy spectrum and compliance to ergonomics. The Company holds 8,500 “B” non-voting shares in Aesthetic, representing 85% interest in the issued share capital of Aesthetic. No dividend was received during the year.
- (iii) United Crown Future Company Limited (“United Overseas”) was incorporated in British Virgin Islands and principally engaged in investment holding. The principal asset of United Overseas holds 100% interest in a company incorporated in the PRC, of which is principally engaged in conducting research and development of energy-saving materials for walls. The Company holds 1,621 “B” non-voting shares in United Overseas, representing 52.68% interest in the issued share capital of United Overseas. No dividend was received during the year.
- (iv) FengTian Capital Limited (“FengTian”) was incorporated in Hong Kong and principally engaged in investment holding. The principal assets of FengTian include its 88% of equity shares of its subsidiary incorporated in the PRC with 100% equity interests. FengTian possesses the solution of health communication products (health mobile phones) and the copyright of a sizeable children’s animation series. The Company holds 2,200 voting shares in FengTian, representing 25% interest in the issued share capital of FengTian. No dividend was received during the year.

# MANAGEMENT DISCUSSION AND ANALYSIS

- (v) Grand Far Sky Limited (“Grand Far Sky”) was incorporated in Hong Kong and principally engaged in investment holding, intending to provide an all-rounded assets management service. Grand Far Sky holds a 100% interest in a subsidiary incorporated in the PRC, of which the principle activity is asset management. The Company holds 5,400 “B” non-voting shares in Grand Far Sky, which represented 56.84% interest in the issued share capital of Grand Far Sky. No dividend was received during the year.

## LIQUIDITY AND FINANCIAL POSITION

As at 31 December 2020, the Company had cash and bank balances of approximately HK\$16,816,000. All the cash and bank balances were mainly denominated in US dollars and Hong Kong dollars.

For the year under review, the Company financed its operations with its own available funding and did not have any banking facilities. In this regard, the Company had a net cash position and its gearing ratio is zero (ratio of net debt to shareholders’ funds) as at 31 December 2020. Taking into consideration the existing financial resources to the Company, it is anticipated that the Company should have adequate financial resources to meet its ongoing operating and development requirements.

## FOREIGN CURRENCY FLUCTUATION

During the year, the Company conducted its business transactions principally in US dollars and Hong Kong dollars. The Directors considered that the Company had no significant exposure to foreign exchange fluctuations and believed it was not necessary to hedge against any exchange risk. Nevertheless, management will continue to monitor the foreign exchange exposure position and will take any future prudent measure it deems appropriate.

## CHARGE ON COMPANY ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2020, the Company has not pledged its assets and the Company did not have significant contingent liabilities.

## SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors, throughout the year ended 31 December 2020.

## EMPLOYEE INFORMATION

As at 31 December 2020, the Company had 27 (2019: 27) staff, including full time and part-time persons. The total remuneration paid to staff (including Directors’ remuneration) was approximately of HK\$1,698,000 (2019: 1,061,000), of which HK\$314,000 (2019: NIL) share-based payments expenses were incurred. The total amount comprised salaries, wages and allowance, medical and insurance coverage, pension scheme contributions, discretionary bonus and share-based payments. The Company ensured that its employees were remunerated according to the prevailing manpower market condition, and individual performance with its remuneration policies reviewed on a regular basis.

# MANAGEMENT DISCUSSION AND ANALYSIS

## REVIEW OF INVESTMENTS

The following table shows the major investment projects held by the Company as at 31 December 2020:

	<b>Name of projects</b>	<b>Location of headquarters</b>	<b>Main business</b>	<b>Listed (Stock Exchange)/ unlisted</b>	<b>Carrying value</b> HK\$'000	<b>Percentage of total assets</b> %	<b>Percentage of net assets</b> %
1	United Overseas	BVI	Investment holding	Unlisted	60,467	9.19	9.22
2	Aesthetic	Hong Kong	Investment holding	Unlisted	71,142	10.82	10.85
3	Topsun	Hong Kong	Investment holding	Unlisted	46,160	7.02	7.04
4	FengTian	Hong Kong	Investment holding	Unlisted	24,431	3.71	3.73
5	Grand Far Sky	Hong Kong	Investment holding	Unlisted	73,986	11.25	11.29
				<b>Total:</b>	<b>276,186</b>	<b>41.99</b>	<b>42.13</b>

### 1. United Overseas

As of 31 December 2020, the fair value of the Company's interest in United Overseas, according to the Hong Kong Financial Reporting Standards No.9 (2014) ("HKFRS 9"), is HK\$60,467,000. The principal asset of United Overseas holds 100% interest in a company incorporated in the People's Republic of China ("PRC"). In 2020, United Overseas did not make any significant investment, acquisition or assets disposal.

### 2. Aesthetic

As of 31 December 2020, the fair value of the Company's interest in Aesthetic, according to HKFRS 9, is HK\$71,142,000. The principal asset of Aesthetic holds 100% interest in a company incorporated in the PRC. In 2020, Aesthetic did not make any significant investment, acquisition or assets disposal.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 3. Topsun

As of 31 December 2020, the fair value of the Company's interest in Topsun, according to HKFRS 9, is HK\$46,160,000. The principal asset of Topsun holds 100% interest in a company incorporated in the PRC ("Topsun China"). In 2020, Topsun did not make any significant investment, acquisition or assets disposal.

## 4. FengTian

As of 31 December 2020, the fair value of the Company's interest in FengTian, according to HKFRS 9, is HK\$24,431,000, equal its carrying value. The principal asset of FengTian holds 88% shareholding but 100% interest in a company incorporated in the PRC ("FengTian China"). In 2020, FengTian did not make any significant investment, acquisition or assets disposal.

## 5. Grand Far Sky

As of 31 December 2020, the fair value of the Company's interest in Grand Far Sky, according to HKFRS 9, value is HK\$73,986,000. The principal asset of Grand Far Sky holds 100% interest in a company incorporated in the PRC ("Grand Far Sky China"). In 2020 Grand Far Sky did not make any significant investment, acquisition or assets disposal.

## PROSPECTS

The global economy is likely to make growth in 2021 and the US-China trade disputes will remain the primary source of uncertainty. In 2021, PRC's economy will be challenged by a number of factors, including a mixed global environment, and the big impact caused by COVID-19. All things considered, PRC's macro economy may begin to recover in 2021. Given that PRC's economic growth in 2021 show signs of recovery, it is expected that the operating results of the investment projects (mainly operating in PRC) held by the Company will be impacted to a certain degree. The Company will continue to seek out good investment opportunities.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS STRATEGY AND INVESTMENT RESTRICTIONS

The Company is one of the few investment companies in Hong Kong focusing on investment. We invest in listed and unlisted companies with high quality to strive for medium-term gains from capital appreciation in the course of securitisation of corporate assets invested, and apply the same as our key operation strategy and income source. Our strategies are:

- (a) the Company's primary investment objective is to achieve medium to long-term capital appreciation by investing in listed and unlisted companies mainly in Hong Kong and the PRC (this means that at least 70% of the Company's investments (if and when they are made) will be made in Hong Kong and the PRC). To a lesser extent, the Company may also invest in other countries should the Board of Directors consider that such investments would provide attractive returns to the Company;
- (b) investments will normally be made in the form of equity-related securities and debt instruments in listed and unlisted companies engaged in industries including (but not limited to) information technology, telecommunications, manufacturing, service, property, infrastructure, life science and environmental sectors to maintain a balance in the Company's exposure to different industry sectors in order to minimize the impact on the Company in the event of any downturn in any particular sector;
- (c) investments will normally be made in companies that have long been established in the respective fields which they operate in and in companies which the Board believes there to be prospects of long-term growth. In particular, the Company will seek to identify businesses or entities with profit growth potentials, strong management, high level of technical expertise and research and development capabilities as well as management who are committed to long-term growth. The Company may also invest in companies or other entities which are considered by the Board or the Investment Manager as being special or which are in recovery situations. The Board believes that the current market conditions offer various special and attractive investment opportunities;
- (d) where possible, the Board or the Investment Manager would seek to identify investments where there will be synergy between the investments and the other investee companies in which the Company has invested and where co-operation between such companies would be of mutual benefit to each other;
- (e) the Company's investments are primarily intended to be held for medium to long term capital growth as well as for income streams of interests and dividends. Nevertheless, the Board of Directors will from time to time realize investments where they believe that realisation would be in the best interests of the Company or where the terms of such realization are particularly favorable to the Company;
- (f) the Company may seek borrowings to finance an investment provided that such borrowings when aggregated with the existing borrowings of the Company do not exceed 50% of the latest available Net Asset Value at the time the borrowing is made and the Company may charge or pledge its assets as security for borrowings;
- (g) the Company may hedge against interest rate risks by entering into forward interest rate agreements, interest rates and bond futures contracts, interest rate swaps, and may purchase and write or sell, put or call options on interest rates and put or call options on futures on interest rates. The Company will only engage in transactions in options and futures which are traded on recognized securities or futures exchanges and for the purpose of hedging only. The Company has no intention to purchase, write or sell derivatives;
- (h) the Company may not buy or sell commodities, commodity contracts or precious metals, except that it may purchase and sell futures contracts on stock indices and securities which are secured by commodities or precious metals; and

# MANAGEMENT DISCUSSION AND ANALYSIS

- (i) before suitable investment projects are identified, the Company may seek to protect the capital value of the Company's cash assets by placing the same in bank deposits in any currency, bonds or treasury securities issued by the government of the United States or the government of Hong Kong, or their respective agencies or securities or other instruments denominated in any currency issued by various governments or international government agencies.

Investors should note that while it is the intention of the Company to invest its funds in accordance with the investment objectives and policies outlines above as far as practicable subject to market and other investment considerations, it may take some time before the funds of the Company are fully invested.

For investment restrictions of the Company, please refer to the prospectus dated 16 August 2002 issued by the Company which is available on the HKEX news website.

## KEY RISK FACTORS

The Company faces various risks and uncertainties in its operations. Taking into account the operations of the Company, the key risks and uncertainties considered to be faced by the Company are listed below. Please note that in addition to those listed below, the Company may also be exposed to other risks and uncertainties.

### Economic Risk

The Company invests in listed and unlisted companies with high quality to strive for medium-term gains from capital appreciation in the course of securitization of corporate assets invested principally in PRC and Hong Kong. The businesses, financial conditions, operational results and prospects of Chinese enterprises are largely subject to the macroeconomic development of PRC. As PRC is still an emerging economy, its economy is different from developed economies in many respects, including but not limited to the government regulations, the models of economic growth, foreign exchange controls and the allocation of resources.

### Competition Risk

The main business of the Company is equity investments. With a booming private equity investment market in PRC, more and more investment companies or funds in the industry are entering the market, which results in keener competition among investment institutions for potential investment targets. The Company is also facing increasingly intense competition in the industry and the market challenges of rising prices of investment targets.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Operation Risk

In evaluating and screening investment projects, the Company must select relevant investment tools, consider the investment size, and adapt its investment strategies in different stages of an enterprise. This involves many complicated processes and factors. Although the Company strives to consider and manage risk with skill and experience, the potential risks and uncertainties in investment analysis cannot be fully mitigated. The enterprises in which the Company has invested face various risks in their businesses and operations, including changes in the market environment of the industry, economic recession, incorrect operational decisions (such as over expansion or premature diversification), improper internal controls, the failure of management to meet expectations, and unstable management teams. The risks from the businesses and operations of the enterprises in which the Company has invested will have an effect on the investment time cost and investment returns of the Company. In addition, according to the relevant listing rules of the Hong Kong Stock Exchange, the Company cannot, either on its own or in conjunction with any core connected parties, take legal or effective management control of enterprises in which the Company has invested, and furthermore cannot own or control more than 30% of the voting rights in any one enterprise or body. As a result, the Company may act only as a strategic investor in an enterprise and cannot actively participate in the management or operations of the enterprise. Although the Company strives to safeguard its rights according to applicable laws and regulations, it may incur investment losses if the controlling shareholder or management of an enterprise intentionally deceives or conceals significant matters related to the operations of the enterprise.

## Market Risk

The Company purchased and sold a quantity of stocks of listed companies during the year of 2020. The stock market is subject to political, economic, social and other macro factors, which will result in the fluctuation of stock prices. As the stocks of listed companies purchased by the Company are marked to market, such fluctuations will affect the value of the listed stocks held by the Company and will cause fluctuation in the net asset value of the Company.

## Legal Risk

The enterprises and assets in which the Company has invested are mainly located in PRC and are subject to the laws and regulations of PRC. PRC legal system is based on written statutes. Prior court decisions may be cited as reference but have limited precedential value. In addition, since the late 1970s, with a view towards developing a comprehensive system of commercial law to deal with economic matters, the Central Government has promulgated relevant laws and regulations on the issuance and trading of securities, shareholders' rights, foreign investment, corporate organization and governance, commerce, taxation, and trade, among other topics. However, as these laws and regulations are relatively new and the external environment continues to evolve, the effect of these laws and regulations on the rights and obligations of relevant institutions, enterprises and individuals may involve uncertainty. As a result, the legal protections for assets in PRC available to investors under Chinese commercial laws and regulations may be limited.

## Regulatory Risk

The enterprises in which the Company has invested involve different industries and their value is subject to the development of or changes in government policies, taxation, laws and regulations. The relevant policies, laws and regulations, or relevant interpretations of these statutes, may change in the future, which may affect the value of the enterprises in which the Company has invested.

# MANAGEMENT DISCUSSION AND ANALYSIS

## **Exchange Rate Risk**

Most of the Company's investments are located in PRC where the official currency is the RMB. The conversion rates of RMB against HK dollar and other currencies may fluctuate as they are subject to domestic and international political and economic conditions, as well as to the fiscal and monetary policies of governments, among other factors. The businesses, financial conditions, operational results and prospects of the enterprises in which the Company has invested may be affected by fluctuations in the RMB, which will in turn affect the value of the enterprises in which the Company has invested. In addition, the Company is also subject to fluctuations in the RMB exchange rate on currency swaps and conversions, which will eventually affect the net asset value of the Company reported in HK dollars.

## **Foreign Exchange Risk**

The RMB is not a freely convertible currency currently. The remittance of profits, dividends, investment principal and returns by overseas investors to jurisdictions outside of PRC is subject to relevant regulations of PRC. Generally speaking, overseas investors can remit their profits, dividends, investment principal and returns to jurisdictions outside of PRC, but they must first obtain approval from the relevant national foreign exchange authorities. The Company, as an overseas investor, cannot make assurances as to when it can obtain such approval if an application is made, which may limit the ability of the Company to pay dividends or make other distributions.



# CORPORATE GOVERNANCE REPORT

The Board is committed to establish and maintain high standards of corporate governance so as to enhance corporate transparency and protect the interests of the Company's shareholders. The Company devotes to best practice on corporate governance, and to the extent practicable, comply with the relevant requirements under the Hong Kong Companies Ordinance, the Hong Kong Securities and Futures Ordinance, the Listing Rules and the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules, except for the deviations as stated below:

- The roles of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual.
- The non-executive Directors of the Company are not appointed for a specific term, but are subject to retirement by rotation in accordance with the Company's Articles of Association and shall be eligible for re-election.
- at least three independent non-executive directors on the Board.
- independent non-executive directors who represent at least one-third of the Board.
- the Audit Committee comprising only non-executive directors with a minimum of three members.
- the Remuneration Committee comprising a majority of independent non-executive directors and chaired by an independent non-executive director; and
- the Nomination Committee comprising a majority of independent non-executive directors and chaired by the chairman of the board or an independent non-executive director.

During the year 2020, Mr. Xiang Xin is the Chairman of the Board and the Chief Executive Officer of the Company. This deviates from code provision A.2.1 of the Code which requires that the roles of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual.

After evaluation of the current situation of the Company and taking into account of the experience and past performance of Mr. Xiang, the Board is of the opinion that it is appropriate and in the best interests of the Company at the present stage for Mr. Xiang to hold both positions as the Chairman and the Chief Executive Officer of the Company as it helps to maintain the continuity of the policies and the stability of the operations of the Company.

None of the existing non-executive Directors are appointed for a specific term. This constitutes a deviation from code provision A.4.1 of the Code. However, all Directors (including independent non-executive Directors) are subject to retirement by rotation in accordance with the Company's Articles of Association. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

Mr. Chan, Wing Kong Ringo ("Mr. Chan") has resigned as an independent non-executive Director, the chairman of each of the Audit Committee (the "Audit Committee") and the remuneration committee (the "Remuneration Committee") and the member of the nomination committee (the "Nomination Committee") of the Company with effect from 27 November 2019 as he would like to pursue other business opportunities.

Mr. Lee Wing Hang ("Mr. Lee") has resigned as an independent non-executive Director, the member of each of the Audit Committee and the Remuneration Committee of the Company with effect from 27 November 2019 as he would like to pursue other business opportunities.

# CORPORATE GOVERNANCE REPORT

Following the resignation of Mr. Chan and Mr. Lee, the Board comprises one independent non-executive Director, hence fails to meet the requirements of having:

- (a) at least three independent non-executive directors on the Board under Rule 3.10(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules");
- (b) independent non-executive directors who represent at least one-third of the Board under Rule 3.10A of the Listing Rules;
- (c) the Audit Committee comprising only non-executive directors with a minimum of three members under Rule 3.21 of the Listing Rules;
- (d) the Remuneration Committee comprising a majority of independent non-executive directors and chaired by an independent non-executive director under Rule 3.25 of the Listing Rules; and
- (e) the Nomination Committee comprising a majority of independent non-executive directors and chaired by the chairman of the board or an independent non-executive director under code provision A.5.1 of the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

In order to comply with the Listing Rules and the terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee, the Board was actively in the process of identifying suitable candidate(s) to fill the vacancy of the positions of independent non-executive Director and the member of the Audit Committee and the member of the Nomination Committee and the member of the Remuneration Committee and ensure that the suitable candidate(s) is/are appointed as soon as possible and, in any event, within three months from the effective date of the resignation of Mr. Chan and Mr. Lee, pursuant to Rules 3.11, 3.23 and 3.27 of the Listing Rules.

On 18 February 2020, Ms. An Jing ("Ms. An") has been appointed as an independent non-executive director, the Chairperson of the Remuneration Committee, the Chairperson of the Audit Committee and a member of the Nomination Committee of the Company; Mr. Zhang, Yu Clement ("Mr. Zhang") has been appointed as an independent non-executive director, a member of the Remuneration Committee and a member of the Audit Committee of the Company.

Following the appointment of Ms. An and Mr. Zhang, the Board comprises five directors including two executive directors and three independent non-executive directors, one of independent non-executive directors have appropriate professional qualifications or accounting or related financial management expertise. As a result, the Company has complied with the requirements under Rules 3.10, 3.10(A), 3.21 and 3.25 of the Listing Rules and code provision A.5.1 of the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiry of all Directors, the Directors of the Company have complied with the required standard set out in the Model Code throughout the Year.

The Company also has established written guidelines on no less exacting terms than the Model Code for securities transactions by employees who are likely to be in possession of any unpublished inside information of the Company.

# CORPORATE GOVERNANCE REPORT

## BOARD OF DIRECTORS

As at 31 December 2020, the Board consists of two executive Directors and three independent non-executive Directors.

The non-executive Directors of the Company are not appointed for a specific term. All Directors (including independent non-executive Directors) are subject to retirement by rotation in accordance with the Company's Articles of Association and shall be eligible for reelection.

Any Director appointed as an addition to the Board or to fill a casual vacancy on the Board shall hold office until the next general meeting after their appointment and shall be eligible for re-election.

The Board is responsible for the leadership and control of the Company and oversees the Company's businesses, strategic decisions and performance. Approval of the Board is required for the strategy of the Company, major acquisition and disposal, major capital investment, dividend policy, appointment and retirement of Directors, remuneration policy and other major operational and financial matters. The Directors may have access to the advice and services of the company secretary of the Company with the view to ensure that the board procedures, and all applicable rules and regulations, are followed.

In addition, the Directors may, upon reasonable request, seek independent professional advice in appropriate circumstance at the Company's expenses. The Board shall resolve to provide separate appropriate independent professional advice to the Directors to assist the relevant Directors to discharge their duties.

The attendance of individual members at board meetings held during the year ended 31 December 2020 are set out as below:

<b>Name of Directors</b>	<b>Board meetings Attendance</b>
<i>Executive Directors:</i>	
Mr. Xiang Xin	6/6
Mr. Chan Cheong Yee	6/6
<i>Independent non-executive Directors:</i>	
Ms. Zhou Zan	6/6
Ms. An Jing (Appointed on 18 February 2020)	4/4
Mr. Zhang, Yu Clement (Appointed on 18 February 2020)	4/4
<i>Alternate Directors:</i>	
Ms. Kung Ching	

The biographical details of the Directors are set out on pages 25 of this annual report.

To the best knowledge of the Company, none of the Directors above has any financial, business and family or other material/relevant relationship with any of the other Directors.

All independent non-executive Directors are financially independent from the Company. The Company confirmed with all independent non-executive Directors as to their independence with reference to the factors as set out in Rule 3.13 of the Listing Rules.

# CORPORATE GOVERNANCE REPORT

## BOARD DIVERSITY POLICY

The Company has a Board Diversity Policy whereby it recognizes and embraces the benefits of a diversity of Board members. It endeavors to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. The following tables further illustrate the diversity of the Board members as of the date of this annual report:

Name of Director	Gender		Age Group		Area	
	Male	Female	30 to 49	50 to 59	Hong Kong	China Mainland
Mr. Xiang Xin	✓			✓	✓	
Mr. Chan Cheong Yee	✓			✓	✓	
Ms. Zhou Zan		✓		✓		✓
Ms. Kung Ching		✓		✓	✓	
Ms. An Jing		✓	✓			✓
Mr. Zhang, Yu Clement	✓		✓		✓	

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Xiang Xin is the Chairman of the Board and the Chief Executive Officer of the Company. The chairman's and the chief executive officer's responsibility is to manage the Board and the Company's day-to-day business, respectively. Management is responsible for the day-to-day operations of the Company under the leadership of the Chief Executive Officer. The Chief Executive Officer, working with other executive Directors, is responsible for managing the business of the Company, including implementation of the strategies and decisions approved by the Board and assuming full responsibility to the Board for operation of the Company.

# CORPORATE GOVERNANCE REPORT

## EXECUTIVE COMMITTEE

An executive committee (the “Executive Committee”) was established by the Board on 3 August 2007 and delegated with powers from the Board to deal with all matters relating to the daily operations of the Company. The Executive Committee comprises all executive Directors of the Company.

Full minutes of Executive Committee meetings are kept by a duly appointed company secretary. Draft and final versions of minutes of the Executive Committee meetings are sent to all members of the committee for their comments and records, in both cases within a reasonable time after the meeting.

The Executive Committee held periodical meetings during the financial year to review, discuss and evaluate the business performance and operational matters of the Company. The attendance of each member at the meeting(s) during the year is set out as follows:

<b>Name of Directors</b>	<b>Attendance</b>
Mr. Xiang Xin ( <i>chairman</i> )	2/2
Mr. Chan Cheong Yee	2/2

## REMUNERATION COMMITTEE

The Company established a remuneration committee (the “Remuneration Committee”) in 2006. All of the members of the Remuneration Committee are the independent non-executive Directors of the Company. The attendance of each member at the meeting(s) during the year is set out as follows:

<b>Name of Directors</b>	<b>Attendance</b>
Ms. Zhou Zan	0/0
Ms. An Jing (Appointed on 18 February 2020)	0/0
Mr. Zhang, Yu Clement (Appointed on 18 February 2020)	0/0

Full minutes of Remuneration Committee meetings are kept by a duly appointed company secretary. Draft and final versions of minutes of the Remuneration Committee meetings are sent to all members of the Remuneration Committee for their comments and records, in both cases within a reasonable time after the meeting.

The Remuneration Committee determines the policy for the remuneration of executive Directors, assesses performance of executive Directors and approves the terms of executive Directors’ service contracts.

# CORPORATE GOVERNANCE REPORT

## NOMINATION COMMITTEE

A nomination committee (the "Nomination Committee") was established by the Board in August 2007 in accordance with the terms of reference set out by the Board. The Nomination Committee comprises three Directors of the Company. The attendance of each member at the meetings during the year is set out as follows:

<b>Name of Directors</b>	<b>Attendance</b>
Mr. Xiang Xin ( <i>chairman</i> )	1/1
Ms. Zhou Zan	1/1
Ms. An Jing (Appointed on 18 February 2020)	0/0

Full minutes of Nomination Committee meetings are kept by a duly appointed company secretary. Draft and final versions of minutes of the Nomination Committee meetings are sent to all members of the committee for their comments and records, in both cases within a reasonable time after the meeting.

In considering the new appointment of Directors, the Nomination Committee will make reference to certain criteria such as integrity, independent mindedness, experience, skill and the ability to commit time and effort to carry out his duties and responsibility effectively.

## AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") on 28 August 2002 in accordance with the terms of reference set out by the Board. The Audit Committee comprises all independent non-executive Directors of the Company. The attendance of each member at the meetings during the year is set out as follows:

<b>Name of Directors</b>	<b>Attendance</b>
Ms. Zhou Zan	3/3
Ms. An Jing (Appointed on 18 February 2020)	2/2
Mr. Zhang, Yu Clement (Appointed on 18 February 2020)	2/2

Full minutes of Audit Committee meetings are kept by a duly appointed company secretary. Draft and final versions of minutes of the Audit Committee meetings are sent to all members of the Audit Committee for their comments and records, in both cases within a reasonable time after the meeting.

The Audit Committee reviews the interim and annual reports before submission to the Board. The Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company's, interim and annual reports.

## INTERNAL CONTROL

The Company conducted an annual review for the need of setting up an internal audit department. Given the Company's simple operating structure, it was decided by the Board that a person, being designated internal compliance officer, would be directly responsible for the internal control system of the Company and for reviewing its effectiveness.

# CORPORATE GOVERNANCE REPORT

Procedures have been designed to safeguard assets against unauthorised use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance of applicable laws, rules or regulations. However, such a system is designed to manage the Company's risk within an acceptable risk profile, rather than to eliminate the risk of failure, to achieve the business objectives of the Company. Accordingly, it can provide only reasonable assurance but not absolute assurance against material misstatement of management and financial information and records or against financial losses or frauds.

The Board has conducted a review of the effectiveness of the Company's internal control system, and is of the view that the system of internal controls in place for the year under review and up to the date of issuance of annual report and financial statements is sound and is sufficient to safeguard the interests of shareholders, employees, and the Company's assets.

The Audit Committee of the Company agreed with the Board that the adequacy and effectiveness of the Company's internal control systems is sufficient.

To enhance the Company's internal control, the Company has setup internal compliance officer position, which is independent of the Company's business operation departments. The internal compliance officer will monitor on the risk in the daily operation and internal control system of the Company and make annual internal audit report to the audit committee and the board of directors of the Company.

## FINANCIAL REPORTING

The Directors are responsible for the preparation and the true and fair presentation of the financial statements which give a true and fair view of the state of affairs and of the results and cash flow of the Company for each financial year. In preparing the financial statements for the year ended 31 December 2020, the Directors have:

- based on a going concern basis;
- approved the adoption of the applicable Hong Kong Financial Reporting Standards;
- selected suitable accounting policies and applied them consistently;
- made judgments and estimates that were prudent, fair and reasonable;
- ensured that the financial statements are prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance, the Listing Rules and the applicable accounting standards.

## EXTERNAL AUDITOR

The Audit Committee is mandated to monitor the independence of the external auditor to ensure true objectivity in the financial statements. Members of the Committee are of the view that the Company's auditor, McMillan Woods (Hong Kong) CPA Limited is independent and recommended to the Board to re-appoint it as the Company's external auditor at the forthcoming annual general meeting.

The responsibilities of the external auditor with respect to financial reporting are set out in the section of "Independent Auditor's Report" on pages 41 to 45.

# CORPORATE GOVERNANCE REPORT

## AUDITOR'S REMUNERATION

During the year under review, the remuneration paid and payable to the Company's auditor, McMillan Woods (Hong Kong) CPA Limited and other professional parties are set out as follow:

Audit fee for the year	HK\$282,000
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## ACCOUNTABILITY

The Directors acknowledge their responsibility for preparing the accounts of the Company. As at the year, the Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the financial statements of the Company on a going concern basis.

## DIRECTORS' TRAININGS

Newly appointed Directors receive briefings and orientation on legal responsibilities as a Director and the role of the Board. The Company Secretary also provides latest information of the business development, market changes and updates in the Listing Rules and relevant legal and regulatory requirements to the Directors in a timely manner in order to make an informed decision and discharge their duties and responsibilities.

The Company has also arranged for Directors to attend training sessions and forums which place emphasis on the roles, functions and duties of a listed company director, as well as the development of regulatory updates and issues.

All the current Directors have, during the financial year under review, pursued continuous professional development, such as attending seminars and/or conferences and/or forums, and/or reading journals, updates, articles and/or materials, etc.

## COMPANY SECRETARY

The Company Secretary, Mr. Li Wancheng, is a seasoned employee of the Company and is familiar with the Company's state of affairs. He reports to the Chairman and the Board of Directors directly. The main responsibility of the Company Secretary is supervision of the Company's compliances with laws and regulations, for instances, the Listing Rules, the Securities and Futures Ordinance (Cap 571 of the laws of Hong Kong), the Companies Ordinance (Cap 622 of the laws of Hong Kong) and the Codes on Takeovers and Mergers and Share Buy-back.

All Directors have access to the advices and services of the Company Secretary to ensure that Board procedures, and all applicable laws, rules and regulations, are obligated.

The Company Secretary confirmed that he had taken no less than 15 hours of relevant professional training during the financial year.



# CORPORATE GOVERNANCE REPORT

## RISK GOVERNANCE STRUCTURE

The Board has overall responsibilities for the Company's risk management and internal control systems to safeguard the interests of the Company and its Shareholders as a whole. To this end, the Board oversees and approves the Company's risk management and internal control strategies and policies, which are aimed at evaluating and determining the nature and extent of the risks that are compatible with the Company's strategic objectives and risk appetite, with the main purpose of providing of reasonable assurance against material misstatement or loss rather than absolute elimination of the risk of failure to achieve business objectives.

Reporting to the Board, the Audit Committee is delegated with the authority and responsibility for ongoing monitoring and evaluation of the effectiveness of the relevant systems.

## SHAREHOLDERS' RIGHTS

The Company maintains an on-going dialogue with its shareholders through various channels including announcements and annual and interim reports published on its website at [www.1217.com.hk](http://www.1217.com.hk) and the Company's general meetings. All shareholders are encouraged to attend general meetings and they may put to the Board any enquiries about the Company through its website at [www.1217.com.hk](http://www.1217.com.hk) or in writing sent to the principal office of the Company at 26/F, No. 9, Des Voeux Road West, Sheung Wan, Hong Kong.

The directors, company secretary or other appropriate members of senior management respond to enquiries from shareholders promptly.

The Chairman, chairman of board committees (or their respective delegates) and external auditor attend the annual general meeting and are available to answer questions raised by shareholders. Shareholders may also access the Company's corporate website for the Company's information.

Under code provision A.6.7, independent non-executive directors shall attend general meetings and develop a balanced understanding of the views of shareholders.

## RELATIONSHIP AMONG MEMBERS OF THE BOARD

There is no relationship among members of the Board in respect of financial, business, family or other material/relevant relationship.

## INVESTOR RELATIONS

The Company maintains a website at [www.1217.com.hk](http://www.1217.com.hk) where information and updates on the Company's business developments and operations, list of Directors and their role and function, constitutional documents, terms of reference of the Board and its committees, shareholders' rights and communication policy, corporate governance practices, announcements, circulars and reports released to the Stock Exchange and other information are posted. Information on the Company's website will be updated from time to time.

There was no significant change in the Company's constitutional documents during the Year.

## ENVIRONMENTAL ISSUES

The Company is committed to the sustainable development of the environment and our society. The Company has endeavoured to comply with laws and regulations regarding environmental protection and adopted effective environmental policies to ensure its projects meet the required standards and ethics in respect of environmental protection.

# BIOGRAPHICAL DETAILS OF DIRECTORS

## EXECUTIVE DIRECTORS

**Mr. Xiang Xin (“Mr. Xiang”)**, aged 57, was chairman of the Board (“Chairman”) and the chief executive officer (“Chief Executive Officer”) of the Company. Mr. Xiang once worked in a number of large organisations in the PRC and engaged in technology project management and corporate strategy research for a long time. Mr. Xiang also possesses many years of experience in project investment and information technology businesses. Mr. Xiang holds a bachelor’s degree in science and a master’s degree in engineering from Nanjing University of Science & Technology. Mr. Xiang is a chairman of China Technology Education Trust Association. Mr. Xiang is currently a chairman of the board, chief executive officer and an executive director of China Trends Holdings Limited (stock code: 8171), a company listed on GEM of the Stock Exchange. Mr. Xiang joined the Company on 14 January 2003.

**Mr. Chan Cheong Yee (“Mr. Chan”)**, aged 57, holds a bachelor degree of science majoring in finance and he is a registered and licensed person under the Securities and Futures Ordinance to carry on regulated activities in dealing in securities, advising on securities, dealing in futures contracts and undertaking asset management. Mr. Chan is currently the managing director of asset management of Evergrande Securities (Hong Kong) Limited and has been in the financial and investment field for over 30 years. Mr. Chan is directly involved in identifying investment opportunities, conducting due diligence, performing valuation, monitoring performance of investment portfolios and providing investment and divestment recommendations. Mr. Chan is an executive director of China Investment and Finance Group Limited, executive director of China Investment Development Limited, executive director of Capital VC Limited, executive director of China New Economy Fund Limited and an executive director of Core Economy Investment Group Limited, which are listed on the main board respectively, and also the non-executive director of China Trends Holding Limited, which are listed on GEM board. Mr. Chan joined the Company in June 2003.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Ms. Zhou Zan (“Ms. Zhou”)**, aged 50, is currently a lawyer of Grandall Law Firm (Shen Zhen), a law firm in the PRC. Ms. Zhou graduated from the Faculty of Law of Xiamen University in 1991. Ms. Zhou holds a bachelor degree in Law. Mr. Zhou’s practice area including corporate mergers and acquisitions, restructuring, foreign investment, economy and civil litigation and arbitration, criminal proceedings etc. Ms. Zhou joined the Company on 1 January 2018.

**Ms. An Jing (“Ms. An”)**, aged 48, received her bachelor’s degree in economics from Henan University of Finance and Economics. Ms. An is a practicing member of the Chinese Institute of Certified Public Accountants and the chief partner of 北京正清和會計師事務所 (transliterated as Beijing Zhengqinghe CPA Accounting firm). Ms. An has over 20 years of experience in accounting and auditing industry. During the period from 31 January 2011 to 17 February 2020, Ms. An was acted as the independent non-executive director, a member of the Nomination Committee, a member of the Audit Committee and a member of the Remuneration Committee of China Trends Holdings Limited (8171.HK). Ms. An joined the Company on 18 February 2020.

**Mr. Zhang, Yu Clement (“Mr. Zhang”)**, aged 37, received bachelor’s degree in science from East China University of Technology, and received master’s degree in science from the Hong Kong Polytechnic University. Mr. Zhang once served as the General Manager of NavInfo (002405.SZ) Hong Kong and South East Asia, and the Chief Strategic Officer of Orange Sky Golden Harvest Entertainment (Holdings) Limited (1132.HK). Mr. Zhang has rich experience in the business strategic planning, investment and M&A, investment management and asset management. Mr. Zhang joined the Company on 18 February 2020.

## ALTERNATE DIRECTOR

**Ms. Kung Ching (“Ms. Kung”)**, aged 51, graduated from Nanjing University of Science and Technology and holds a MBA from the University of South Australia. Ms. Kung worked for large organisations in China, such as China National Defense Science and Technology Information Centre and CITIC International Cooperation Limited, engaged in technology management and economic management for many years. Ms. Kung is the spouse of Mr. Xiang, and is an alternate director to Mr. Xiang in China Trends Holdings Limited, a company listed on GEM of the Stock Exchange. Ms. Kung joined the Company on 8 October 2012.

# REPORT OF THE DIRECTORS

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

## PRINCIPAL ACTIVITY

The principal activity of the Company has not changed during the year and is principally engaged in investment. The entire turnover, contribution to operating results, assets and liabilities of the Company are attributable to investment activities carried out or originated principally in Hong Kong and Mainland China.

## RESULTS AND APPROPRIATIONS

The results of the Company for the year are set out in the statement of profit or loss and other comprehensive income on page 46. The Board has resolved not to declare any dividend (2019: nil) for the year under review.

## RESERVES

Details of movements in the reserves of the Company during the year are set out in the statement of changes in equity on page 48.

## PROPERTY, PLANT AND EQUIPMENT

Details of movement in property, plant and equipment of the Company during the year are set out in note 14 to the financial statements.

## DISTRIBUTABLE RESERVES

Under the Companies Law of the Cayman Islands, the share premium of the Company is available for distribution of dividends to the shareholders subject to the provisions of the Articles of Association of the Company and a statutory solvency test. Under the Articles of Association of the Company, dividend may be declared or payable out of the profits and reserves of the Company lawfully available for distribution with the sanction of an ordinary resolution.

As at 31 December 2020, the Company had distributable reserves amounting to approximately HK\$566,281,000 (2019: approximately HK\$573,133,000).

## FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Company for the last five financial years, as extracted from the audited financial statements, is set out on page 92 of this annual report.

## SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 22 to the financial statements.

# REPORT OF THE DIRECTORS

## DIRECTORS

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

### Executive Directors:

Mr. Xiang Xin

Mr. Chan Cheong Yee

### Independent non-executive Directors:

Ms. An Jing (Appointed on 18 February 2020)

Mr. Zhang, Yu Clement (Appointed on 18 February 2020)

Ms. Zhou Zan

### Alternate Directors:

Ms. Kung Ching

In accordance with Article 99(1) of the Articles of Association of the Company, Mr. Xiang Xin and Ms. Zhou Zan shall retire by rotation and being eligible to offer themselves for re-election at the forthcoming annual general meeting of the Company.

The independent non-executive Directors are not appointed for specific term and are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles of Association of the Company.

None of the Directors being proposed for re-election at the forthcoming annual general meeting has service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

## BIOGRAPHICAL DETAILS OF DIRECTORS

Biographical details of the Directors are set out on pages 25 of this annual report.

# REPORT OF THE DIRECTORS

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 December 2020, the following Directors and the chief executive of the Company or any of their respective associates had the following interests and short positions in the ordinary shares of HK\$0.01 each in the capital of the Company (the "Share"), 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 (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules (the "Model Code").

### (i) Interest in the underlying shares of the Company — share options

Name of Director	Date of grant	Exercise period	Nature of interest	Exercise price per share HK\$	Number of underlying Shares for Share Options	Approximately percentage of interest
Xiang Xin	6 July 2014	6 July 2014 to 5 July 2024	Beneficial interest	0.0497	60,394,737(L)	0.47%
An Jing	14 April 2020	14 April 2020 to 13 April 2030	Beneficial interest	0.0497	30,000,000(L)	0.23%
Zhou Zan	4 April 2018	4 April 2018 to 3 April 2028	Beneficial interest	0.0497	30,000,000(L)	0.23%
Zhang Yu, Clement	14 April 2020	14 April 2020 to 13 April 2030	Beneficial interest	0.0497	30,000,000(L)	0.23%

### SHARE OPTION SCHEME

As regards to the share option scheme ("Share Option Scheme") approved by shareholders under annual general meeting on 22 May 2014, there were 529,065,790 Shares available for issue under Share Option Scheme which represents approximately 4.13% of the issued share capital of the Company as at 31 December 2020. Details of Share Option Scheme and share options movements are set out in note 24 to the financial statements.

# REPORT OF THE DIRECTORS

## SUBSTANTIAL SHAREHOLDERS

As at 31 December 2020, the persons/companies, other than a Director or chief executive of the Company, who 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 which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

### (i) Long positions of substantial shareholders in the Shares of the Company

Name	Capacity	Number of issued shares held	Approximate percentage of interests
Harvest Rise Investments Limited ( <i>note 1</i> )	Beneficiary	3,817,807,905(L)	29.82%
China Technology Education Trust Association ( <i>note 1</i> )	Interest of controlled corporation	3,817,807,905(L)	29.82%
Haitong Guotai ( <i>note 2</i> )	Trustee	2,121,200,000(L)	16.57%
Guotai Investment ( <i>note 2</i> )	Beneficiary	2,121,200,000(L)	16.57%

Notes:

- Harvest Rise Investments Limited is a private company wholly and beneficially owned by China Technology Education Trust Association (the "Trust Association"). Accordingly, the Trust Association is interested in the Shares and the underlying Shares of the Company held by Harvest Rise Investments Limited. The Trust Association is a society registered under the provisions of section 5A(1) of the Societies Ordinance in 2005, which is a charitable society providing charity and financial aid to technology education and employment in Hong Kong and Mainland China. Mr. Xiang is a chairman of the Trust Association.
- Haitong Guotai is a trust wholly and beneficially owned by Guotai Investment. Accordingly, Guotai Investment is interested in the shares of the Company held by Haitong Guotai. The shareholding is based on the disclosure of interest in the Stock Exchange.

Save as disclosed above, as at 31 December 2020, the Company has not been notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

## DIRECTOR'S RIGHT TO ACQUIRE SHARES AND DEBENTURES

Other than the Share Option Scheme as disclosed, at no time during the year was the Company a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debt securities, including debentures, of the Company or any other body corporate, and none of the Directors or the chief executive or any of their spouses or children under the age of 18 had any right to subscribe for the securities of the Company or exercised any such right.

# REPORT OF THE DIRECTORS

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

During the year, the Company had not purchased, sold or redeemed any of its listed securities.

## **DIRECTORS' INTERESTS IN CONTRACTS**

Save as disclosed in note 26 to the financial statements, no contracts of significance in relation to the Company's business to which the Company was a party, and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## **MANAGEMENT CONTRACTS**

Save as disclosed in note 26 to the financial statements, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

## **CONNECTED TRANSACTIONS**

All significant connected transactions entered by the Company during the year ended 31 December 2020 are disclosed in note 26 to the financial statements.

## **DIRECTORS' INTEREST IN COMPETING BUSINESS**

None of the Directors of the Company or their respective associates have any interests in a business which competes or may compete with the business of the Company.

## **PRE-EMPTIVE RIGHTS**

There is no provision for pre-emptive rights under the Company's Articles of Association nor is there any restriction against such rights under the laws of the Cayman Islands, being the jurisdiction under which the Company is incorporated.

## **RETIREMENT BENEFITS SCHEME**

The Company has participated in an approved Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Company in an independently-administered fund. The Company's employer contributions vest fully with the employees when contributed into the MPF Scheme. The Company's contributions to the MPF Scheme are recognised as an expense in the statement of profit or loss as incurred.

For the year ended 31 December 2020, no forfeited contribution to the retirement benefits scheme was credited to the statement of profit or loss (2019: nil).

## **CORPORATE GOVERNANCE**

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 16 to 24.

# REPORT OF THE DIRECTORS

## SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors, throughout the year ended 31 December 2020.

## AUDITOR

The financial statements for the year ended 31 December 2020 and 31 December 2019 have been audited by McMillan Woods (Hong Kong) CPA Limited. A resolution will be proposed to the AGM to re-appoint McMillan Woods (Hong Kong) CPA Limited, as auditor of the Company.

By order of the Board

**Xiang Xin**

*Chairman and Chief Executive Officer*

Hong Kong, 26 March 2021



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ABOUT THE REPORT

The report discloses the sustainability initiatives by the Company and was prepared in accordance with the Environmental, Social and Governance (“ESG”) Reporting Guide set out in Appendix 27 of the Rules of Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Unless otherwise specified, the time frame of this report is from 1 January 2020 to 31 December 2020.

The Company is an investment company under Chapter 21 of the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange of Hong Kong Limited (the Listing Rules) with its principle office in Hong Kong. Its principal investment objective is to achieve short and medium-term capital appreciation by investing in listed and unlisted companies mainly in Hong Kong and PRC. The Company realized that a socially responsible corporation earns supports from the public and its clients, thus it is able to create profit for its shareholders in the long run.

The Company seeks to facilitate the long-term sustainable development of the environment and the society in which it operates in, and is therefore committed to minimizing any negative social and environmental impacts resulting from our operations. The Company values the importance of compliance with all relevant laws and regulations.

## KEY ENVIRONMENTAL, SOCIAL AND GOVERNANCE ISSUES

As an investment company, the Company encounters and manages a range of environmental, social and governance (“ESG”) issues. This report is designed to focus on the set of ESG issues we have identified as among the most relevant to our business and of highest interest to our key stakeholders.

We have identified the following categories and specific key issues that are discussed in this report:

Categories	Key Issues
<b>Friendly Environment</b>	<ul style="list-style-type: none"> <li>• Managing our Environmental Impact</li> <li>• Reducing Emissions</li> <li>• Sustainable Paper Use</li> <li>• Managing Information Technology Equipment</li> <li>• Environmental Data</li> </ul>
<b>Social Responsibility</b>	<ul style="list-style-type: none"> <li>• Employment</li> <li>• Workforce, Recruitment and Promotion</li> <li>• Remuneration and Benefits</li> <li>• Health and Safety</li> <li>• Development and Training</li> <li>• Labour Standards</li> <li>• Supply Chain Management</li> <li>• Product Responsibility</li> <li>• Anticorruption</li> </ul>
<b>Sound Governance</b>	<ul style="list-style-type: none"> <li>• Accountability of Management</li> <li>• Independence of Board of Directors</li> </ul>

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

As a public listed company on the Main Board of the Hong Kong Stock Exchange, the company has always insisted on being a company with good social responsibility, not only strictly abiding by the requirements of the listing rules, but also standardizing the company's specific implementation plan in the several aspects with high standards such as: Social responsibility Propaganda, public welfare, carbon reduction, power management, greening the environment, air purification, environmental responsibility, caring for the community, social responsibility training, anti-corruption measures, paper-saving management, and social responsibility scheme competition.

The Company also reviews the effectiveness of various social responsibility work every year, and regularly changes the implementation plan to improve the sustainable development of corporate social responsibility.

Focus on the six perspectives of society, environment, community, market, operation, and charity to guide employees' diverse thinking and encourage comprehensive proposals. Encourage all employees to have thinking with innovation, research and design innovative solutions for social responsibility work, and set high bonuses for solution competition throughout the Company.

By publicizing the effectiveness of corporate social responsibility and the importance of social responsibility work in major medias, the Company shows to the society four benefits including image improvement, business promotion, capital appreciation and cost reduction.

Share the specific work methods and work results of fulfilling social responsibilities with partners (service providers, product suppliers, business partners, etc.). Promote the implementation of social responsibility to the community.

## FRIENDLY ENVIRONMENT

### Managing our Environmental Impact

As an investment corporation, our direct environmental impacts stem primarily from the operation of our office buildings in Hong Kong. Electricity Energy used and associated greenhouse gas ("GHG") emissions are the most significant environmental impacts of our facilities. The Company other key environmental impacts result from paper consumption and use of information technology (IT) equipment.

The Company recognizes its responsibility to protect the planet and preserve its beauty and resources to the next generation. We strive to enhance production efficiency and strengthen our environmental protection efforts on conserving resources and managing waste from our business activities. The Company should bring great focus on these issues, for its own benefits and for environmental protection consideration, in order to contribute to the continuous development of society.

The Company encourages employees to use internet, email, phone call and conference call etc. to contact with our clients and suppliers instead of making business travel.

The Company develops a "Green" office standard which requires the employees to select and place green plants in each functional area of the office. The Company believes such improvement helps to improve working efficiency, and protect the physical and mental health of employees.

The Company eliminates toner printing and use more environmentally friendly and energy-efficient ink printers with simple, non-heating, non-contact technology. Because there is low-heat involvement, daily office energy consumption is greatly reduced.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The management formulates the Company's energy-saving and environmental protection procurement standards for office electronic equipment, and uniformly use equipment that meets national environmental protection requirements. At the same time, in accordance with this procurement standard, all office equipment purchases use energy-saving equipment. On the other hand, environmentally friendly design is adopted in company's office, and environmentally friendly materials are also used in office decoration.

## Reducing Emissions

Operating our facilities generates GHGs indirectly through electricity purchased to power our facilities.

During the year of 2020, the Company continued to take the following specific measures for minimizing energy wastage from lighting, computer and central air-conditioning within the offices. The details are as follows:

1. Every employee is required to turn off the lights once they leave working area for more than 10 minutes.
2. Every employee is required to shut down office computer, and make sure the air conditioners and lights being switched off after office hours.
3. Install automatic controlling power socket to shut down the power supplying to those machine which is not necessary to run after workday, such as internal network switch, internet router, etc.

Committing to resources-saving and environmental protection is the Company's social responsibility and building a green community is its obligation to property owners.

## Sustainable Paper Use

It is important to select the paper we use from supplier with "Zero Deforestation Commitment", which supports responsible forest management and provides many significant long-term benefits for the environment and communities. In 2020, 100% (2019: 100%) of the paper we purchased was from suppliers with "Zero Deforestation Commitment".

We also strive to use paper efficiently and make it convenient for customers, suppliers and employees to do so. We offer paperless billing options for customers and suppliers and have implemented smart printing methods for employees. Meanwhile, we recycle the paper we have used. Some steps include:

1. Only in absolute necessary could the documents be printed.
2. If printing is unavoidable, it is highly recommended to use double-sided printing.
3. If possible, reusing used papers as scratch paper.

Formulate the Company's office paper management methods, standardize employees' requirements for paper-saving work, and calculate monthly paper usage across the Company to review paper usage.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Managing Information Technology Equipment

The use and disposal of IT equipment such as computers and servers is another focus of our operational sustainability efforts. IT hardware has a range of potential social and environmental impacts across its life cycle from production, use and disposal eventually.

The Company aims to maximize the lifespan of IT equipment by finding opportunities to refurbish and redeploy assets internally whenever feasible. When we cannot reuse equipment internally, we work with our suppliers to recycle the materials or seek to donate them to non-profit organizations. All IT equipment we refurbish, recycle or donate meets our strict data privacy standards.

Design standardized intelligent office control equipment solutions for controlling electric lights, air conditioners, etc., so as to reduce power waste and ensure the safety of the office environment.

## Environmental Data

### Headcount and Printing paper consumption

#### Printing paper consumption

Year	Employee headcount	Printing Paper Consumption (A4 Sheets)
2020	11	7,381
2019	11	8,783

### Electronic Energy consumption data and Greenhouse Gas Emissions

	2020		2019	
	Electronic Energy Consumption (kWh)	Greenhouse Gas Emissions tCO <sub>2</sub> e (Kg)	Electronic Energy Consumption (kWh)	Greenhouse Gas Emissions tCO <sub>2</sub> e (Kg)
Hong Kong Office <sup>1</sup>	8,020	6,496	9,299	7,439

<sup>1</sup> Using the emission factor stated in the 2019 Sustainability Reports of The Hong Kong Electric Co. Ltd., which is 0.81 CO<sub>2</sub>e per electricity unit sold (kg/kWh) (2019: 0.80).

## SOCIAL RESPONSIBILITY

### Employment

The Company has strictly complied with relevant standard and there was no material non-compliance event in 2020.

### Working Environment

In addition to air purification measures such as regular cleaning of the air-conditioning dust filter of the office, bamboo charcoal sheets were placed behind the corporate culture placards in various offices. This reflects the Company's inspirational culture while achieving air purification and employee care.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The integration of air purification and corporate cultural work is the innovation of this social responsibility fulfillment, so that social responsibility is not just a concept, but closely integrated with each employee's work.

## **Workforce, Recruitment and Promotion**

The Company has prepared a set of staff recruitment standards and position manuals, and recruited staff according to personal capability, experience and characters of candidates. The Company recruits and trains talents regardless of their gender, age, family status and religious belief. The Company offers equal opportunities to all employees and job applicants.

In 2020, the Company recruited talents mainly through third party online recruitment platforms which allowed effective sharing of information on candidates and enhanced recruitment efficiency.

As at 31 December 2020, the Company had a total of 27 (2019: 27) staff, including full time and part-time persons. Staff of the Company ranged in age from 20 to over 60, with the relative majority of around 45% aged between 40 and 50; The ratio of male to female is around 2:1 both in total and in the management level. The Company has a diverse workforce in terms of gender and age, providing a variety of ideas and levels of competencies which contribute to the Company's success.

The chief executive of the Company oversees the operation of the Company with the support of the department heads of the personnel, business, finance, investment, administration, project, legal and media departments.

The Personnel Department/ Business Department has six employees. It is mainly in charge of communication and business jobs. Their daily responsibility includes personnel recruitment, personnel management, business implementation and work follow-up.

The Finance Department/ Investment Department has six employees. It is mainly in charge of bookkeeping and accounting jobs. Their daily responsibility includes handling payment for goods, paying fees, remuneration insurance and asset management.

The Administration Department/ Project Department has eight employees. It is mainly in charge of administration and project jobs. Their daily responsibility includes property management, propagating information, guest reception and asset management.

The Legal Department/ Media Department has seven employees. It is mainly in charge of internal control and legal jobs. Their daily responsibility includes company registration, due diligence, legal opinion and litigation management.

There is no big difference for staff turnover rate by gender and by age group.

## **Remuneration and Benefits**

The Company is dedicated to employee development by providing them with incentives based on their performance and contribution.

The Company has a fair and open incentive award scheme whereby the remuneration structure and package will be reviewed annually and the performance will be reviewed monthly to ensure the remuneration is fair and competitive. The Company provides Mandatory Provident Fund and accident insurance for all employees. The employees can also enjoy discounts on various products and services provided by the Company's business partners, including welfare plan in the Wealth Storm Platform, in order to enhance employee's sense of belonging to the Company.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

To reflect the working performance of each department, the Company has set up performance evaluation guideline for employees. The bonus will be based on the employees' performance and the Company's business results. Through the performance evaluation guideline, the Company hopes to incentivize the employees to gain profits with integrity by taking active initiative in their work.

The Company adheres to the people-oriented employment policy by highly appreciating the staff as its most valuable assets and the vitality of enterprises. The Company encourages employees to obtain professional qualifications by providing necessary subsidies and allowances to employees to enhance their personal development, to further develop their working capability and then to be entitled competitive remuneration and benefits.

## Health And Safety

The Company has adopted a people-oriented principle and has endeavored to maintain a healthy and safe workplace for its employees. As an investment company, the Company has a low safety risk profile, but potential injury hazards from slips, trips and falls for staffs remain. The Company therefore gives great importance on the issue of health and safety.

There were no work-related fatalities in the Company in 2020. There was no case resulted in lost days of any employee due to work injury. The Company places much emphasis on safe and healthy work for employees. The Company always endeavors to build up a healthy and comfortable working environment.

The Company has arranged the Administration Department to be responsible for the management of all kinds of safety accidents. The Administration Department is responsible for monitoring health and safety performance, and reporting to the senior management of the Company on hazardous and unsafe practices in a timely manner. Once a health and safety incident happens, the Administration Department would be informed immediately to take all necessary actions. After investigation, all employees will be informed the reason leading to this accident. Relevant safety precautions will be taken timely with the aim to eliminate potential safety hazards. The Company emphasizes safety awareness and enhances emergency response and self-rescue capacity among employees. The Administration Department has always kept alert to monitor and examine the implementation of health and safety regulations, with a view to maintain a better work safety protection and environment.

The Company has strictly complied with relevant standard and there was no material non-compliance event in 2020.

## Charity Activities

The Company has been adhering to the tradition of charity care and enthusiasm for public welfare, actively fulfilling its corporate social responsibility, taking responsibility for consumers, communities and the environment while encouraging profitability and taking legal responsibility for shareholders and employees and encouraging employees to participate in different Charity activities, corporate social responsibility as an important part of sustainable development of the Company.

The Company encourages colleagues to donate used clothes to non-profit organizations.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## DEVELOPMENT AND TRAINING

The Company focuses on reserving talents and promoting their development. The Company organizes weekly one-hour internal training for all employees. Training were charged by the department managers and/or directors, with over 50 training hours in 2020 covering all important aspects of the business of the Company. Nearly 100% of all employees had joined in the weekly internal training in 2020. The Company made active progress in terms of talents pooling and promotion of their development, building up a training strategy as the catalyst of further development. Training efficiency was greatly enhanced as regular training subjects were implemented in the afternoon of every Friday meeting so that all employees can participate the training courses and discuss the topics in depth openly.

1. Every week, one department will be responsible for the training topics and contents. Every employee would act as tutor.
2. The training topics are discussed and confirmed in the regular management meeting of the Company on every Monday.

## Labour Standards

The Company always upholds core principles of fairness and compliance, and its personnel policies, salaries and benefits and business operation are in full compliance with Hong Kong laws and ordinances as well as industry standards. The Company has formulated transparent recruitment rules to provide equal employment opportunities and create a fair and harmonious working environment. Moreover, the Company bases its welfare policy upon Hong Kong regulations for ensuring that female employees are entitled to their legitimate rights and interests including maternal leave and breastfeeding leave, and in combination with strict workplace code of conduct, to eliminate gender discrimination and other injustices.

The Company's employment policy is in full compliance with the Employment Ordinance (CAP 57), the Mandatory Provident Fund Schemes Ordinance (CAP 485), the Race Discrimination Ordinance (CAP 602), the Disability Discrimination Ordinance (CAP 487), the Family Status Discrimination Ordinance (CAP 527) in Hong Kong, stipulating the code of conduct for the management in recruiting employees and entering into employment contracts and forbidding recruitment of child labor, forced labor and other illegal acts.

## Supply Chain Management

The Company adopts a personalised approach to build long-term relationships with its cooperative suppliers.

To regulate procurement activities, enhance the efficiency and effectiveness of procurements and promote fair transactions, the Company implements an open and transparent policy of selecting products and services suppliers. For example, before purchase of office utilities, the responsible staff will contact with at least three suppliers at the same time with the same requirements, and make competitive negotiation and price bidding. In addition, in daily business, the Company performs continuous training and assessment on the compliance of its merchandisers to the work standards set out on the management manual, procedural documents and ethical codes.

On the other hand, for upholding the principle of professionalism, the Company subcontracted some specialised works, including important legal issues, compliance, security and cleaning, to professional third-party enterprises. These cooperating parties constitute key part of the Company's business chain. The Company selects the subcontractors based on value includes service capabilities, experiences, personnel management skills and specialized equipment. The Company will assess sub-contractors' service performance in accordance with problem-solving skills and work efficiency . Furthermore, the Company adopted a series of measures, to ensure that the sub-contractors do not violate human rights or be not against the legitimate rights of workers. In 2020, the company engaged about 10 main professional service providers in Hong Kong.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Protection of consumer interests

The Company places significant emphasis on customer satisfaction. The Company ensures the great emphasis to that and put great efforts into providing high quality products and services. Customer satisfaction is regarded as one key indicator for business assessment.

The Company strictly complies with all the national, regional laws and regulations. Considering to the benefits of customers, the Company takes positive measures, including protecting the data privacy of customers. At the same time, the Company trains its employees on a regular basis on knowledge of customer's interests protection, and reviews its internal control system frequently.

The Company respects Intellectual Property Rights ("IPR") of other parties and requires its suppliers to ensure that all products and services would not infringe any third parties' IPR.

## Anti-Corruption

The Company lists the Code of Conduct into the Employees Handbook, and makes a set of internal control policies and measures in order to prevent corruption and deception, which are supervised and implemented by the Human Resources Department. The Human Resources Department is directly under the leadership of the Chief Executive Officer aim for maintaining a fair, open and transparent environment for business operations without corruption or deception.

Meanwhile, the Company clarifies its determined stance on fighting against corruption and deception to all employees, suppliers and business partners. Appropriate binding terms have been introduced into the respective contracts so as to ensure the relevant parties act under the Company's requirement. The Human Resources Department conducts separate supervision until the general mechanism is perfect.

In addition, having discovered any suspicious behavior, employees could report to the relevant business department, or the Human Resources Department or management of the Company. The Company provides anonymous reporting channels in case of corruption or deception.

The Company always remains vigilant of corruption and deception, and keep on exploring effective policies to constrain its staff and business partners. The Company will optimise its internal control system by means of continuous study and exploration. Special events will be held regularly for experience summarization.

From the perspective of daily operations of the company, the Company organically integrates anti-corruption awareness with daily work, strengthen by requiring all employees to sign and receive the "the Employee's Handbook" containing anti-corruption measures, enhance recognition of anti-corruption, and promote anti-corruption works, such as:

- Compare prices of at least three vendors for hotel and travel expense
- Compare prices of at least three vendors for fixed assets
- Multiple reviews of internal control procedures to prevent corruption
- Regular anti-corruption training courses



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## SOUND GOVERNANCE

### Accountability of Management

High ethical standards is what the Company consistently adheres to. To satisfy the expectation of shareholders, regulators and others, the Company clearly promotes sound governance, emphasizes on strong leadership and well management that properly incentivizes appropriate behaviors.

The senior management of the Company is responsible for developing company's strategic direction and overseeing execution, while the Board of Directors are in charged of oversight of management's performance.

Our Directors bring a strong combination of experience and expertise to their role. The Board has been engaged with management on the importance of strong corporate standards, working together to emphasize the Company's commitment to doing the right things.

Our annual report contains detailed information about the members of our Board, including the Director biographical information and the Board's role in risk management oversight.

### Independence of Board of Directors

Board independence is essential to effective governance. An independent Board serves the interests of shareholders by effectively carrying out its fundamental obligation of oversight of management. Three of our five Board members and each of the members of Audit Committee and Remuneration Committee are independent directors, and the majority of the Nomination Committee are independent director, under the standards established by the Hong Kong Stock Exchange and the firm's independence standards.

For more information, please refer to the part of corporate governance in the annual report.

## PROSPECTS

Considering itself as part of the society as a whole and the natural environment and integrate social responsibility with corporate culture, the Company:

- will be oriented towards sustainable development, actively face future opportunities and challenges, and engage in interactive cooperation with the interests of all parties;
- resists commercial bribery and unfair competition, oppose commercial fraud, and build cooperative relationships based on trust, honesty, frankness and integrity;
- in the context of the global trend of energy conservation and emission reduction, implements low-carbon production strategies, save energy, reduces consumption and reduce emissions, and actively responds to global climate change;
- builds a diverse staff team and train employees to value the relationship between the company and society in their daily work;
- helps more people through charitable donations;
- conducts rigorous compliance audits of partners and promotes the importance of social responsibility to all partners.

# INDEPENDENT AUDITORS' REPORT



## **TO THE SHAREHOLDERS OF CHINA INNOVATION INVESTMENT LIMITED**

中國創新投資有限公司

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

## **OPINION**

We have audited the financial statements of China Innovation Investment Limited (the "Company") set out on pages 46 to 91, which comprise the statement of financial position as at 31 December 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

## **BASIS FOR OPINION**

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

# INDEPENDENT AUDITORS' REPORT

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters we identified are (i) fair value measurement of equity investment at fair value through other comprehensive income and (ii) fair value measurement of investments at fair value through profit or loss.

### Equity investments at fair value through other comprehensive income

Refer to Note 16 to the financial statements.

The Company measured the amount of equity investments at fair value through other comprehensive income with the changes in fair value recognised in the other comprehensive income. This fair value measurement is significant to our audit because the balance of equity investments at fair value through other comprehensive income of HK\$276,186,000 as at 31 December 2020 and the fair value changes of equity investments at fair value through other comprehensive income of HK\$37,008,000 for the year then ended are material to the financial statements. In addition, the Company's fair value measurement involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

- Assessing the competence, independence and integrity of the external valuer engaged by client;
- Obtaining the external valuation reports and discussing with the external valuer to challenge the valuation process, methodologies used and market evidence to support significant judgements and assumptions applied in the valuation model;
- Engaging independent competent expert to review the valuation process, methodologies used and market evidence to support significant judgements and assumptions applied in the valuation model prepared by the external valuer;
- Checking key assumptions and input data in the valuation model to supporting evidence;
- Checking arithmetical accuracy of the valuation model; and
- Assessing the disclosure of the fair value measurement in the financial statements.

### Investments at fair value through profit or loss

Refer to Note 17 to the financial statements.

The Company measured the amount of investments at fair value through profit or loss with the changes in fair value recognised in the profit or loss. This fair value measurement is significant to our audit because the balance of investments at fair value through profit or loss of HK\$216,388,000 as at 31 December 2020 and the fair value changes of investments at fair value through profit or loss of HK\$27,725,000 for the year then ended are material to the financial statements. In addition, the Company's fair value measurement involves application of judgement and is based on assumptions and estimates.

# INDEPENDENT AUDITORS' REPORT

## KEY AUDIT MATTERS *(Continued)*

### Investments at fair value through profit or loss *(Continued)*

#### **(i) Equity securities listed in Hong Kong**

Our audit procedures included, among others:

- Assessing the processes and controls in place to record investment transactions and to value the portfolio;
- Agreeing the pricing of all the listed investments to externally quoted prices;
- Obtaining from independent third party custodian confirmations on all the listed investments; and
- Assessing the disclosure of the fair value measurement in the financial statements.

#### **(ii) Derivatives and structured products, at fair value**

Our audit procedures included, among others:

- Assessing the competence, independence and integrity of the external valuer engaged by client;
- Obtaining the external valuation reports and discussing with the external valuer to challenge the valuation process, methodologies used and market evidence to support significant judgements and assumptions applied in the valuation model;
- Engaging independent competent expert to review the valuation process, methodologies used and market evidence to support significant judgements and assumptions applied in the valuation model prepared by the external valuer;
- Checking key assumptions and input data in the valuation model to supporting evidence;
- Obtaining independent third party custodian confirmations on all derivatives and structured products;
- Checking arithmetical accuracy of the valuation model; and
- Assessing the disclosure of the fair value measurement in the financial statements.

## OTHER INFORMATION

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

Our opinion on the 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 financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the 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.

# INDEPENDENT AUDITORS' REPORT

## RESPONSIBILITIES OF DIRECTORS FOR THE FINANCIAL STATEMENTS

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

In preparing the financial statements, the directors are responsible for assessing the Company'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 Company or to cease operations, or have no realistic alternative but to do so.

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Company's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the 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 HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

# INDEPENDENT AUDITORS' REPORT

- 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 Company'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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the 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.

## **McMillan Woods (Hong Kong) CPA Limited**

*Certified Public Accountants*

### **Chan Chun Sing**

*Audit Engagement Director*

Practising Certificate Number P05537

3/F., Winbase Centre

208 Queen's Road Central, Hong Kong

Hong Kong, 26 March 2021

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Gross sales proceeds of investments		<b>369,878</b>	257,605
<b>REVENUE</b>	7	<b>(3,643)</b>	31,968
Other income	7	<b>191</b>	4
Administrative and other operating expenses		<b>(6,295)</b>	(8,055)
Finance costs	8	<b>(66)</b>	(45)
<b>(LOSS) PROFIT BEFORE TAX</b>	9	<b>(9,813)</b>	23,872
Income tax expense	11	–	–
<b>(LOSS) PROFIT FOR THE YEAR</b>		<b>(9,813)</b>	23,872
<b>OTHER COMPREHENSIVE EXPENSE</b>			
<i>Item that will not be reclassified to profit or loss:</i>			
Fair value changes of equity investments at fair value through other comprehensive income		<b>(37,008)</b>	(7,874)
<b>TOTAL COMPREHENSIVE (EXPENSE) INCOME FOR THE YEAR</b>		<b>(46,821)</b>	15,998
<b>(LOSS) EARNINGS PER SHARE</b>	12	<b>HK\$ cents</b>	HK\$ cents
– Basic		<b>(0.077)</b>	0.186
– Diluted		<b>N/A</b>	N/A

# STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	14	–	–
Right-of-use assets	15	2,234	463
Equity investments at fair value through other comprehensive income	16	276,186	311,544
Investments at fair value through profit or loss	17	–	3,463
Total non-current assets		<b>278,420</b>	315,470
<b>CURRENT ASSETS</b>			
Investments at fair value through profit or loss	17	214,558	356,730
Prepayments, deposits and other receivables	18	146,551	27,520
Cash and bank balances	19	16,816	12,701
Total current assets		<b>377,925</b>	396,951
<b>CURRENT LIABILITIES</b>			
Other payables and accruals	20	336	11,691
Lease liabilities	21	871	475
Total current liabilities		<b>1,207</b>	12,166
<b>NET CURRENT ASSETS</b>		<b>376,718</b>	384,785
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>655,138</b>	700,255
<b>NON-CURRENT LIABILITY</b>			
Lease liabilities	21	1,390	–
<b>NET ASSETS</b>		<b>653,748</b>	700,255
<b>EQUITY</b>			
Share capital	22	128,016	128,016
Reserves	23	525,732	572,239
<b>TOTAL EQUITY</b>		<b>653,748</b>	700,255

Approved by the Board of Directors on 26 March 2021 and are signed on its behalf by:

**Xiang Xin**  
Director

**Chan Cheong Yee**  
Director



# STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	<b>Issued share capital</b>	<b>Share premium</b>	<b>Equity investment revaluation reserve</b>	<b>Share option reserve</b>	<b>Accumulated losses</b>	<b>Total equity</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2019	128,016	655,342	(2,727)	9,707	(106,081)	684,257
Total comprehensive (expense) income for the year	-	-	(7,874)	-	23,872	15,998
At 31 December 2019 and 1 January 2020	128,016	655,342	(10,601)	9,707	(82,209)	700,255
Total comprehensive expense for the year	-	-	(37,008)	-	(9,813)	(46,821)
Share-based payments	-	-	-	314	-	314
Lapse of share options	-	-	-	(1,131)	1,131	-
At 31 December 2020	128,016	655,342	(47,609)	8,890	(90,891)	653,748

# STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	2020 HK\$'000	2019 HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss) profit before tax	(9,813)	23,872
Adjustments for:		
Depreciation of right-of-use assets	909	927
Net unrealised holding losses (gains) from investments at fair value through profit or loss	27,725	(2,077)
Net proceed from disposal (payment for acquisition) of investments at fair value through profit or loss	117,910	(172,045)
Dividend income from listed investments	(327)	–
Share-based payments	314	–
Finance costs	66	45
Interest income	(8,098)	(8,522)
Operating cash flows before working capital changes	128,686	(157,800)
Change in prepayments, deposits and other receivables	(119,031)	(12,995)
Change in other payables and accruals	(11,355)	30
Cash used in operations	(1,700)	(170,765)
Interest on lease liabilities	(66)	(45)
<b>Net cash flows used in operating activities</b>	<b>(1,766)</b>	<b>(170,810)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	8,098	8,522
Capital injection to equity investments at fair value through other comprehensive income	(1,650)	–
Dividend received from listed investments	327	–
Purchase of equity investments at fair value through other comprehensive income	–	(11,390)
<b>Net cash flows from (used in) investing activities</b>	<b>6,775</b>	<b>(2,868)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>		
Repayment of principal of lease liabilities	(894)	(915)
<b>Net cash flows used in financing activity</b>	<b>(894)</b>	<b>(915)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>4,115</b>	<b>(174,593)</b>
Cash and cash equivalents at beginning of year	12,701	187,294
<b>Cash and cash equivalents at end of year</b>	<b>16,816</b>	<b>12,701</b>
<b>Analysis of balance of cash and cash equivalents</b>		
Cash and bank balances	16,816	12,701

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 1. CORPORATE INFORMATION

China Innovation Investment Limited (the “Company”) is a limited liability company incorporated in the Cayman Islands. The address of its registered office is Sinclair Group Centre, 3rd Floor Genesis Building, Genesis Close P.O. Box 498, George Town, Grand Cayman KY1-1106, Cayman Islands. The principal place of business is situated at 26/F, 9 Des Voeux Road West, Sheung Wan, Hong Kong. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 28 August 2002.

The Company’s principal activity has not changed during the year and is principally engaged in investments. Its principal investment objective is to achieve short and medium-term capital appreciation by investing in listed and unlisted companies mainly in Hong Kong and the People’s Republic of China (the “PRC”).

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

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

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

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

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

The application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year had no material impact on the Company’s financial positions and performance for the current and prior years and/or on the disclosures set out in these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

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

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

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

HKFRS 17	Insurance Contracts and the related Amendments <sup>1</sup>
Amendment to HKFRS 16	Covid-19-Related Rent Concessions <sup>4</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 <sup>5</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>1</sup>
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use <sup>2</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 <sup>2</sup>

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

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

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

<sup>4</sup> Effective for annual periods beginning on or after 1 June 2020.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2021.

The directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the financial statements in the foreseeable future.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with HKFRSs, issued by the HKICPA. For the purpose of preparation of the financial statements, information is considered material if omitting, misstating or obscuring it could reasonably be expected to influence decisions made by primary users. In addition, the financial statements include the applicable disclosure required by the Rules Governing the Listing of Securities on the Stock Exchange and the disclosure requirements of Hong Kong Companies Ordinance.

The financial statements have been prepared under the historical cost basis at the end of each reporting period, as modified by the revaluation of equity investments and the revaluation of investments which are carried at their fair value, as explained in the accounting policies set out below.

The financial statements are presented in Hong Kong dollars with all values rounding to the nearest thousand except otherwise indicated.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 4 to the financial statements. The significant accounting policies applied in the preparation of these financial statements are set out below.

### Property, plant and equipment

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

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

Leasehold improvements	Over the lease terms – 20%
Office equipment	20%
Furniture and fixtures	20%
Yacht	20%

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

### Leases

#### Definition of a lease

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Leases** *(Continued)*

#### **The Company as a lessee**

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

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

##### **Right-of-use assets**

The cost of right-of-use asset includes:

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

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

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

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

##### **Refundable rental deposits**

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Leases** *(Continued)*

#### **Lease liabilities**

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

The lease payments include:

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Leases** *(Continued)*

#### **Lease modifications**

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

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

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

### **Financial instruments**

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

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

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

Interest/dividend income which are derived from the Company's ordinary course of business are presented as revenue.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial assets

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

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

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

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

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

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of HKFRS 9/initial recognition of a financial asset the Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

A financial asset is held for trading if:

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

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

#### **(iii) Investments at fair value through profit or loss**

Financial assets are classified under this category if they do not meet the conditions to be measured at amortised cost and the conditions of debt investments at fair value through other comprehensive income unless the Company designates an equity investment that is not held for trading as at fair value through other comprehensive income on initial recognition.

Investments at fair value through profit or loss are subsequently measured at fair value with any gains or losses arising from changes in fair values recognised in profit or loss. The fair value gains or losses recognised in profit or loss are net of any interest income and dividend income. Interest income and dividend income are recognised in profit or loss.

### **Impairment of financial assets**

The Company performs impairment assessment under expected credit loss ("ECL") model on financial assets (including other receivables and bank balances) which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial assets *(Continued)*

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

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

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

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

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

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

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

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

Irrespective of the above, the Company considers that default has occurred when a financial asset is more than 180 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties; or
- (f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

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

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

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

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

The Company recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, where the corresponding adjustment is recognised through a loss allowance account.

#### **Derecognition of financial assets**

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Financial liabilities and equity**

#### ***Classification as debt or equity***

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

#### ***Equity instruments***

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

#### ***Financial liabilities***

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

#### ***Derecognition of financial liabilities***

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

#### ***Offsetting a financial asset and a financial liability***

A financial asset and a financial liability are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### **Provisions and contingent liabilities**

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

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

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Revenue

Interest income is recognised on a time-proportion basis using the effective interest method. Dividend income is recognised when the shareholders' right to receive payment are established.

### Other income

Other income is recognised whenever it is received or receivable.

### Government grants

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

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

### Retirement benefit and termination benefits

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

A liability for a termination benefit is recognised at the earlier of when the Company can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Share-based payment

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

*Shares/Share options granted to employees*

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

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

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

When shares granted are vested, the amount previously recognised in share-based payments reserve will be transferred to other reserve.

### Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit/loss before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Taxation** *(Continued)*

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

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

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

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

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

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

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

### **Related parties**

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Related parties** *(Continued)*

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

## 4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

### **Critical judgements in applying accounting policies**

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

#### **Significant increase in credit risk**

As explained in note 3, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. HKFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Company takes into account qualitative and quantitative reasonable and supportable forward looking information.

#### **Equity investments at fair value through other comprehensive income**

Note 16 describes that these investee companies are not treated as associates or subsidiaries although the Company has 25.00% to 85.00% ownership interest in these investee companies. In making their judgement, the directors of the Company considered the Company has no voting rights and concluded that it is not in a position to control or exercise any significant influence over the financial and operating policies of these investee companies or to participate in their operations.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

### **Key sources of estimation uncertainty**

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

#### ***Fair value measurement of equity investments at fair value through other comprehensive income***

In the absence of quoted market prices in an active market, the Company appointed an independent professional valuer to assess the fair values of the equity investments at fair value through other comprehensive income. In determining the fair values, the valuer has used a method of valuation which involves certain estimates. The directors have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions.

The carrying amount of the equity investments at fair value through other comprehensive income as at 31 December 2020 was approximately HK\$276,186,000 (2019: approximately HK\$311,544,000).

#### ***Fair value measurement of investments at fair value through profit or loss***

The Company appointed an independent professional valuer to assess the fair values of derivatives, which is measured at FVTPL. In determining the fair values, the valuer has used a method of valuation which involves certain estimates. The directors have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions.

The carrying amount of the investments at fair value through profit or loss as at 31 December 2020 was approximately HK\$214,558,000 (2019: approximately HK\$360,193,000).

## 5. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: foreign currency risk, interest rate risk, credit risk, liquidity risk and price risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

### **(a) Foreign currency risk**

Foreign exchange risk mainly arises from monetary assets and liabilities denominated in a currency that is not the functional currency of the Company.

The Company has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Hong Kong dollars which are the functional currencies of the Company.

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 5. FINANCIAL RISK MANAGEMENT *(Continued)*

### (b) Interest rate risk

The Company's exposure to interest-rate risk arises from its bank deposits. These deposits bear interests at variable rates varied with the then prevailing market condition.

At 31 December 2020, if interest rates at that date had been 100 basis points lower/higher with all other variables held constant, post-tax (loss) profit for the year would have been approximately HK\$140,000 (2019: HK\$106,000) higher/lower (2019: lower/higher), arising mainly as a result of lower/higher interest income on bank.

### (c) Credit risk

#### **Credit risk and impairment assessment**

##### *Other receivables*

The Company assessed the impairment for its other receivables based on internal credit rating of these debtors which, in the opinion of the directors of the Company, has no significant increase in credit risk since initial recognition. Estimated loss rate is based on probability of default and loss given default with reference to market data and is adjusted for forward-looking information that is available without undue cost or effort.

##### *Cash and bank balances*

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agency. The Company is exposed to concentration of credit risk on liquid funds which are deposited with banks with high credit ratings.

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

<b>Internal credit rating</b>	<b>Description</b>	<b>Loss allowance</b>
Low risk	The counterparty has a low risk of default and may have past due amounts but usually settle after due date	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery	Amount is written off

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 5. FINANCIAL RISK MANAGEMENT (Continued)

### (c) Credit risk (Continued)

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

	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount 2020 HK\$'000	2019 HK\$'000
<b>Financial assets at amortised cost</b>						
Other receivables	18	N/A	Low risk (Note 1)	12-month ECL	<b>145,507</b>	26,366
Cash and bank balances	19	A1 to Aa3	N/A	12-month ECL	<b>16,816</b>	12,701

Notes:

- For the purposes of internal credit risk management, the Company uses the past-due information to assess whether credit risk has increased significantly since initial recognition. The balance of other receivables has not been past due and is not considered as in default as there has not been a significant change in credit quality and the amounts is still considered recoverable.

The Company's credit risk on cash and bank balances is limited because the counterparties are banks with high credit ratings and good reputation.

The credit risk of other receivables is managed through an internal process. The credit quality of each counterparty is investigated before an advance is made. The Company also actively monitors the outstanding amounts owed by each debtor and identifies any credit risks in a timely manner in order to reduce the risk of a credit related loss. The Company reviews the recoverable amount of these receivables at the end of the reporting period.

As at 31 December 2020 and 2019, no other receivables are considered to be credit-impaired and no credit loss allowance was made during the years ended 31 December 2020 and 2019.

### (d) Liquidity risk

The Company monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g. equity investments at fair value through other comprehensive income and investments at fair value through profit or loss) and projected cash flows from operations.

The following table detailed the contractual maturity of the Company for its financial liabilities. The table has been drawn up based on the undiscounted cash flow of financial liabilities based on the earliest date on which the Company can be required to pay. The amounts represented both interest and principal cash flow.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 5. FINANCIAL RISK MANAGEMENT (Continued)

### (d) Liquidity risk (Continued)

	At 31 December 2020						Total undiscounted cash flow HK\$'000	Total carrying amount HK\$'000
	Weighted average interest rate %	On demand or less than 3 months HK\$'000	3 months to 1 year HK\$'000	1-2 years HK\$'000	2-5 years HK\$'000			
Other payables and accruals	-	-	336	-	-	336	336	
Lease liabilities	5.0	240	720	960	480	2,400	2,261	
		240	1,056	960	480	2,736	2,597	
	At 31 December 2019							
	Weighted average interest rate %	On demand or less than 3 months HK\$'000	3 months to 1 year HK\$'000	1-2 years HK\$'000	2-5 years HK\$'000	Total undiscounted cash flow HK\$'000	Total carrying amount HK\$'000	
Other payables and accruals	-	11,691	-	-	-	11,691	11,691	
Lease liabilities	5.0	240	240	-	-	480	475	
		11,931	240	-	-	12,171	12,166	

### (e) Fair value

The carrying amounts of the Company's financial assets and financial liabilities as reflected in the statement of financial position approximately their respective fair value.

### (f) Price risk

The Company's (i) equity investments at fair value through other comprehensive income and (ii) investments at fair value through profit or loss are measured at fair value at the end of each reporting period. Therefore, the Company is exposed to equity security price risk. The directors manage this exposure by maintaining a portfolio of investments with difference risk profiles.

At 31 December 2020, if the prices of the equity investments at fair value through other comprehensive income, details of which are set out in note 16 to the financial statements increase/decrease by 10%, other comprehensive expense would have been approximately of HK\$27,619,000 (2019: HK\$31,154,000) lower/higher, arising as a result of the fair value change of the equity investments at fair value through other comprehensive income.

At 31 December 2020, if the prices of the investments at fair value through profit or loss, details of which are set out in note 17 to the financial statements increase/decrease by 10%, post-tax (loss) profit would have been approximately of HK\$17,916,000 (2019: HK\$29,787,000) lower/higher (2019: higher/lower), arising as a result of the fair value gain/loss of the investments at fair value through profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 6. OPERATING SEGMENT INFORMATION

The Company's operating segment is investments which comprise the investing in listed and unlisted companies in order to achieve short and medium-term capital appreciation. Since this is the only one operating segment of the Company which its revenue and non-current assets are entirely contributed from the investments, no further analysis thereof is presented.

### Geographical information

The Company's revenue is solely generated from, and non-current assets are located in, Hong Kong, based on the location of the relevant entities' operations.

## 7. REVENUE AND OTHER INCOME

	2020 HK\$'000	2019 HK\$'000
<b>Revenue</b>		
Bank interest income	513	4,355
Income from structured products	7,585	4,167
Dividend income from listed investments	327	–
Net realised gains on disposal of investments at fair value through profit or loss	15,657	21,369
Unrealised holding (losses) gains from investments at fair value through profit or loss	(27,725)	2,077
	<b>(3,643)</b>	31,968
	2020 HK\$'000	2019 HK\$'000
<b>Other income</b>		
Government grants	189	–
Sundry income	2	4
	<b>191</b>	4

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 8. FINANCE COSTS

	2020 HK\$'000	2019 HK\$'000
Interest on lease liabilities	66	45

## 9. (LOSS) PROFIT BEFORE TAX

The Company's (loss) profit before tax is arrived at after charging (crediting):

	2020 HK\$'000	2019 HK\$'000
Auditor's remuneration	282	274
Investment management fee	480	480
Employee benefits expenses (including directors' remuneration):		
Wages, salaries and welfare	1,347	1,021
Pension scheme contributions	37	40
Share-based payments	314	–
Total employee benefits expenses	1,698	1,061
Depreciation of right-of-use assets	909	927
Net exchange (gains) losses	(448)	2,277



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 10. BENEFITS AND INTERESTS OF DIRECTORS AND INDIVIDUALS WITH HIGHEST EMOLUMENTS

### (a) Directors' emoluments

	For the year ended 31 December 2020				
	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Pension scheme contributions HK\$'000	Share-based payments HK\$'000	Total HK\$'000
<b>Executive directors:</b>					
Xiang Xin	120	-	-	-	120
Chan Cheong Yee	120	-	-	-	120
	<b>240</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>240</b>
<b>Independent non-executive directors:</b>					
An Jing <i>(appointed on 18 February 2020)</i>	104	-	-	157	261
Zhang Yu Clement <i>(appointed on 18 February 2020)</i>	104	-	-	157	261
Zhou Zan	120	-	-	-	120
	<b>328</b>	<b>-</b>	<b>-</b>	<b>314</b>	<b>642</b>
Total	<b>568</b>	<b>-</b>	<b>-</b>	<b>314</b>	<b>882</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 10. BENEFITS AND INTERESTS OF DIRECTORS AND INDIVIDUALS WITH HIGHEST EMOLUMENTS

(Continued)

### (a) Directors' emoluments (Continued)

	For the year ended 31 December 2019				
	Fees HK\$'000	Salaries, allowances and benefits in kind	Pension scheme contributions	Share-based payments	Total
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Executive directors:</b>					
Xiang Xin	60	–	–	–	60
Chan Cheong Yee	60	–	–	–	60
	120	–	–	–	120
<b>Independent non-executive directors:</b>					
Chan Wing Kong Ringo <i>(appointed on 6 March 2018 and resigned on 27 November 2019)</i>	28	–	–	–	28
Lee Wing Hang <i>(resigned on 27 November 2019)</i>	28	–	–	–	28
Zhou Zan <i>(appointed on 1 January 2018)</i>	30	–	–	–	30
	86	–	–	–	86
Total	206	–	–	–	206

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 10. BENEFITS AND INTERESTS OF DIRECTORS AND INDIVIDUALS WITH HIGHEST EMOLUMENTS

(Continued)

### (a) Directors' emoluments (Continued)

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2019: Nil).

During the year, no emoluments have been paid to the directors as an inducement to join or upon joining the Company; or as compensation for loss of office (2019: Nil).

### (b) Five highest paid individuals

There were two Directors (2019: nil), whose emolument is set out in the above, included in the five highest paid individuals of the Company. For the year ended 31 December 2020, three (2019: five) employees of the Company were as follows:

	2020 HK\$'000	2019 HK\$'000
Salaries, allowances and benefit-in-kind	596	776
Pension scheme contributions	30	39
	<b>626</b>	815

The number of employees whose remuneration fell within the following bands are as follows:

	Number of individuals	
	2020	2019
HK\$1,000,000 or below	3	5

During the year, no emoluments were paid by the Company to any of the five highest paid individuals as an inducement to join or upon joining the Company or as compensation for loss of office (2019: Nil).

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

Save as disclosed in note 26(i) to the financial statements, no other 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 and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 11. INCOME TAX EXPENSE

Hong Kong Profits Tax is calculated at a rate of 16.5% (2019: 16.5%) for the years ended 31 December 2020 and 2019. No provision for Hong Kong profits tax has been provided for at the years ended 31 December 2020 and 2019 since the Company has no assessable profit in Hong Kong for both years.

The reconciliation between the income tax expense and the (loss) profit before tax is as follows:

	2020 HK\$'000	2019 HK\$'000
(Loss) profit before tax	<b>(9,813)</b>	23,872
Tax at the statutory tax rate of 16.5% (2019: 16.5%)	<b>(1,619)</b>	3,939
Income not subject to tax	<b>(116)</b>	(716)
Tax effect of tax losses not recognised	<b>1,735</b>	–
Utilisation of tax losses previously not recognised	–	(3,223)
Income tax expense	–	–

As at 31 December 2020, the Company had unused tax losses of approximately HK\$44,810,000 (2019: HK\$34,153,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit stream. The tax losses may be carried forward indefinitely. There were no other significant temporary differences arising during the year or at the end of the reporting period.

## 12. (LOSS) EARNINGS PER SHARE

### Basic (loss) earnings per share

The calculation of basic (loss) earnings per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK\$9,813,000 (2019: profit of approximately HK\$23,872,000) and the weighted average number of ordinary shares of 12,801,578,629 (2019: 12,801,578,629) in issue during the year.

### Diluted (loss) earnings per share

The computation of diluted (loss) earnings per share does not assume the exercise the Company's share options because the exercise price of those options was higher than the average market price for shares for 2020 and 2019. Since the Company has no other dilutive potential ordinary share for the year, the diluted (loss) earnings per share are same as that of basic (loss) earnings per share.

## 13. DIVIDENDS

The directors did not recommend the declaration of any dividend for the years ended 31 December 2020 and 2019.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000	Office equipment HK\$'000	Furniture and fixtures HK\$'000	Yacht HK\$'000	Total HK\$'000
<b>COST</b>					
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	975	34	142	4,026	5,177
<b>ACCUMULATED DEPRECIATION</b>					
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	975	34	142	4,026	5,177
<b>CARRYING AMOUNT</b>					
At 31 December 2020	–	–	–	–	–
At 31 December 2019	–	–	–	–	–

## 15. RIGHT-OF-USE ASSETS

	Leased properties HK\$'000
As at 31 December 2020	
Carrying amount	2,234
As at 31 December 2019	
Carrying amount	463
For the year ended 31 December 2020	
Additions to right-of-use assets	2,680
Depreciation charge	909
For the year ended 31 December 2019	
Additions to right-of-use assets	–
Depreciation charge	927

For both years, the Company leases an office for its operations. Lease contracts are entered into for fixed term of three years, but may have extension and termination options. In determining the lease term and assessing the length of the non-cancellable period, the Company applies the definition of a contract and determines the period for which the contract is enforceable.

Lease liabilities of approximately HK\$2,261,000 (2019: HK\$475,000) are recognised with related right-of-use assets of approximately HK\$2,234,000 as at 31 December 2020 (2019: HK\$463,000). 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

## 16. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The balance represented the Company's unlisted equity securities designated by the Company as at fair value through other comprehensive income.

	2020 HK\$'000	2019 HK\$'000
Unlisted equity securities	<b>276,186</b>	311,544

Particulars of the Company's equity investments at fair value through other comprehensive income as at 31 December 2020 disclosed pursuant to the Chapter 21 of the Listing Rules are as follows:

Name of investee company	Place of incorporation	Issued and fully paid shares held by the Company	Number of shares issued in investee company	Proportion investee's capital owned	Principal activities	2020			2019		
						Accumulated fair value adjustment since		Dividend income received during the year	Net assets attributable to the Company	Carrying Amount	
						Cost HK\$'000	acquisition HK\$'000	Fair value HK\$'000	HK\$'000	HK\$'000	HK\$'000
United Crown Future Company Limited ("United Overseas")	BVI	1,621 class B ordinary shares*	1,200 class A ordinary shares and 1,877 class B ordinary shares	52.68%	Investment holding (note i)	78,700	(18,233)	60,467	-	109,572	72,650
Aesthetic Vision Limited ("Aesthetic")	Hong Kong	8,500 class B ordinary shares*	1,000 class A ordinary shares and 9,000 class B ordinary shares	85.00%	Investment holding (note ii)	78,349	(7,207)	71,142	-	103,055	83,080
Topsun Creation Limited ("Topsun")	Hong Kong	2,710 class B ordinary shares*	690 class A ordinary shares and 3,310 class B ordinary shares	67.75%	Investment holding (note iii)	77,925	(31,765)	46,160	-	102,486	69,819
Grand Far Sky Limited ("Grand Far Sky")	Hong Kong	5,400 class B ordinary shares*	2,500 class A ordinary shares and 7,000 class B ordinary shares	56.84%	Investment holding (note iv)	64,390	9,596	73,986	-	81,153	63,214
FengTian Capital Limited ("FengTian")	Hong Kong	2,200 ordinary shares	8,800 ordinary shares	25.00%	Investment holding (note v)	24,431	-	24,431	-	27,278	22,781
						<b>323,795</b>	<b>(47,609)</b>	<b>276,186</b>	<b>-</b>	<b>423,544</b>	<b>311,544</b>

\* The Class B shares rank pari passu with the Class A shares in all aspects except for their non-voting rights. Class B shares have no voting rights.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 16. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME *(Continued)*

These companies are not treated as associates or subsidiaries because the Company is not in a position to control or exercise any significant influence over the financial and operating policies of these companies or to participate in their operations. The investments are intended to be held for the medium to long-term. Designation of these investments as equity investments at fair value through other comprehensive income can avoid the volatility of the fair value changes of these investments to the profit or loss. Therefore, the unlisted equity investments of the Company are measured at fair value for financial reporting purposes. The fair value of the unlisted equity investments of the Company is determined by independent professional valuer, CHFT Advisory and Appraisal Limited. The valuations are based on market approach and cost approach.

### Background information of the investee companies

Notes:

**(i) United Overseas**

United Overseas is incorporated in British Virgin Islands and principally engaged in investment holding. The principal asset of United Overseas is the direct 100% equity interest in a company incorporated in the PRC, of which is principally engaged in conducting research and development of energy-saving materials for walls. The principal activities and assets in United Overseas' group has not been changed during the years 2020 and 2019.

**(ii) Aesthetic**

Aesthetic is incorporated in Hong Kong and is principally engaged in investment holding. The principal asset of Aesthetic is the direct 100% equity interest in a company established in the PRC, which is principally engaged in manufacturing of LED lighting. Aesthetic, through the subsidiary, possesses of LED ergonomics technology with features including LED illuminant, appropriate light flux, free color temperature, healthy spectrum and compliance to ergonomics. The principal activities and assets in Aesthetic's group has not been changed during the years 2020 and 2019.

**(iii) Topsun**

Topsun is incorporated in Hong Kong and is principally engaged in investment holding. The principal asset of Topsun is the direct 100% equity interest in a company established in the PRC, which is principally engaged in conducting research and development, manufacturing and distribution of products applying the solar energy technology. The principal activities and assets in Topsun's group has not been changed during the years 2020 and 2019.

**(iv) Grand Far Sky**

Grand Far Sky is incorporated in Hong Kong and is principally engaged in investment holding. The principal asset of Grand Far Sky is the direct 100% equity interest in a company established in the PRC, which is principally engaged in the asset management business to provide solutions to its customers. The principal activities and assets in Grand Far Sky's group has not been changed during the years 2020 and 2019.

**(v) FengTian**

FengTian is incorporated in Hong Kong and is principally engaged in investment holding. The principal asset of FengTian is the direct 88% equity interest in a company established in the PRC, which holds the solution of health communication products and the copyright of a film library. The principal activities and assets in FengTian's group has not been changed during the years 2020 and 2019 since acquisition.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 17. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 HK\$'000	2019 HK\$'000
<b>Investments at fair value through profit or loss</b>		
Equity securities listed in Hong Kong	54,757	355,630
Derivatives, at fair value	6,234	4,563
Structured products, at fair value	153,567	–
	<b>214,558</b>	360,193
Current portion	<b>(214,558)</b>	(356,730)
Non-current portion	–	3,463

The fair values of the equity securities listed in Hong Kong are based on current bid prices.

Particulars of the Company's principal equity securities listed in Hong Kong as at 31 December 2020 and 2019 disclosed pursuant to the Chapter 21 of the Listing Rules are as follows:

Listed equity securities	Note	Number of shares held	Proportion of investee's capital owned	Cost HK\$'000	Market value HK\$'000	Accumulated	Unrealised holding gain (loss) during the year HK\$'000	Dividend income received during the year HK\$'000	Net assets attributable to the investments HK\$'000
						unrealised holding gain (loss) as at 31 December 2019 HK\$'000			
<b>At 31 December 2020</b>									
HSBC Holdings plc	1	1,060,000	less than 0.01%	64,427	43,195	74	(21,306)	–	81,879

Listed equity securities	Number of shares held	Proportion of investee's capital owned	Cost HK\$'000	Market value HK\$'000	Unrealised holding gain (loss) during the year HK\$'000	Dividend income received during the year HK\$'000	Net assets attributable to the investments HK\$'000
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### At 31 December 2019

CLP Holdings Limited	796,000	0.03%	66,158	65,192	(966)	–	37,603
HSBC Holdings plc	1,150,000	0.01%	69,897	69,977	80	–	83,489
Link Real Estate Investment Trust	800,000	0.04%	65,170	66,000	830	–	73,543
Hong Kong Exchanges and Clearing Limited	250,000	0.02%	64,225	63,250	(975)	–	8,823
Tracker Fund Of Hong Kong	2,500,000	0.08%	71,000	71,375	375	–	72,404



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 17. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

1. HSBC Holdings Plc was incorporated in the England and its shares are listed on the Stock Exchange (stock code: 0005). Its principal activities are retail banking and wealth management, commercial banking, global banking and markets, and global private banking. At 31 December 2020, the audited consolidated net assets was approximately of USD204,995 million (equivalent to HK\$1,598,961 million).

Derivatives represents investments linked to certain income funds which are held in terms of cash settlement upon the maturity date of the relevant contracts in 2021 as at 31 December 2020 (2019: maturity date in 2020 and 2021, respectively).

Structured products as at 31 December 2020 represents investments in equity-linked notes which are linked to a basket of indices, including FTSE 100 Index, Hang Seng Index and S&P 500 Index and will be matured in 2021.

The Company's derivatives and structured products are measured at fair value for financial reporting purposes. The fair value of the derivatives and structured products of the Company are determined by independent professional valuer, CHFT Advisory and Appraisal Limited. The valuations are based on Monte Carlo method and discounted cash flow method.

## 18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020 HK\$'000	2019 HK\$'000
Prepayments	1,044	1,154
Deposits	161	161
Cash held in securities account of securities companies	140,327	24,759
Other receivables from investees	5,019	1,446
	<b>146,551</b>	27,520

## 19. CASH AND BANK BALANCES

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term deposits during the year are made for various periods from 1 day to 1 month depending on the immediate cash requirements of the Company and earn interest at respective short term time deposits rates. The carrying amount of the cash and bank balances approximate to their fair value.

At the end of the reporting period, the bank and cash balances of the Company denominated in USD was approximately USD1,725,000 (2019: USD10,000) (equivalent to approximately HK\$13,372,000 (2019: HK\$77,000)).

## 20. OTHER PAYABLES AND ACCRUALS

	2020 HK\$'000	2019 HK\$'000
Other payables	–	11,391
Accruals	336	300
	<b>336</b>	11,691

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 21. LEASE LIABILITIES

	Present value of minimum lease payments	
	2020 HK\$'000	2019 HK\$'000
Lease liabilities payable:		
Within one year	871	475
Within a period of more than one year but not exceeding two years	915	–
Within a period of more than two years but not exceeding five years	475	–
	<b>2,261</b>	475
Less: Amount due for settlement within 12 months shown under current liabilities	<b>(871)</b>	(475)
Amount due for settlement after 12 months shown under non-current liabilities	<b>1,390</b>	–

The Company leases a property to operate its office and these lease liabilities are measured at the present value of the lease payments that are not yet paid.

The Company does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Company's treasury function.

The total cash outflows for leases including payments of principal and interest portion of lease liabilities for the year ended 31 December 2020 was HK\$960,000 (2019: HK\$960,000).

The table below details changes in the Company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were or future cash flows will be, classified in the Company's statement of cash flows as cash flows from financing activities.

	Lease liabilities
At 1 January 2019	1,390
Repayment of lease liabilities	(960)
Interest expenses	45
At 31 December 2019	475
New leases entered	2,680
Repayment of lease liabilities	(960)
Interest expenses	66
At 31 December 2020	<b>2,261</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 22. SHARE CAPITAL

	2020 HK\$'000	2019 HK\$'000
Authorised:		
100,000,000,000 ordinary shares of HK\$0.01 each (2019: 100,000,000,000 ordinary shares of HK\$0.01 each)	<b>1,000,000</b>	1,000,000
Issued and fully paid:		
12,801,578,629 ordinary shares of HK\$0.01 each (2019: 12,801,578,629 ordinary shares of HK\$0.01 each)	<b>128,016</b>	128,016

A summary of the movements in the issued share capital of the Company is as follows:

	Number of shares '000	Amount HK\$'000
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	<b>12,801,579</b>	<b>128,016</b>

### Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the two years ended 31 December 2020 and 2019.

The externally imposed capital requirements is that for the Company to maintain its listing on the Main Board of the Stock Exchange it has to have a public float of at least 25% of the shares. Based on the information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained a sufficient public float of at least 25% throughout the year ended 31 December 2020.

## 23. OTHER RESERVES

### (a) Share premium

Pursuant to the Companies Law of the Cayman Islands and the Company's Articles of Association, the share premium of the Company is distributable to the equity holders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 23. OTHER RESERVES *(Continued)*

### (b) Share option reserve

The share option reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Company recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 3 to the financial statements.

### (c) Equity investment revaluation reserve

The equity investment revaluation reserve comprises the cumulative net change in the fair value of equity investments at fair value through other comprehensive income held at the end of the reporting period and is dealt with in accordance with the Company's significant accounting policies in the note relating to financial assets to the financial statements.

## 24. SHARE OPTIONS

Pursuant to an annual general meeting of the Company held on 22 May 2014 and the Stock Exchange granting approval of the listing of and permission to deal in the shares to be issued under the share option scheme (the "Scheme") on 4 June 2014, the Company adopted the Scheme for the purpose of providing incentive to directors, employees and consultants. Unless or otherwise cancelled, amended or expire, the Scheme will be expired on 3 June 2024.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue, or if such 10% limit is refreshed, the maximum aggregate number of shares which may be issued upon the exercise of all outstanding options grant and yet to be exercised under the Scheme must not exceed 30% of the total number of shares of the Company in issue from time to time. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company then issue, without prior approval from the Company's shareholders. Each grant of options to any director, chief executive or substantial shareholder must be approved by independent non-executive directors. Where any grant of options to a substantial shareholder or any of their respective associates would result in the shares of the Company issued and to be issued upon exercise of options already granted and to be granted in excess of HK\$5,000,000 in the 12 month period up to the date of grant, then the grant must be approved in advance by the Company's shareholders.

A consideration of HK\$1 shall be paid to the Company upon acceptance of the grant. Options may be exercised in accordance with the terms of the Scheme at any time during a year to be determined and notified by the directors of the Company, which period may not expire earlier than 3 years and later than 10 years from the date of grant of the option subject to the provisions for early termination thereof.

The exercise price is determined by the directors of the Company, and will not be less than the higher of closing price of the Company's shares on the date of grant, and the average closing price of the shares for the five business days immediately preceding the date of grant.

On 14 April 2020, the Company granted 60,000,000 share options to certain of its Directors at the exercise price of HK\$0.0497 per share and are vested and exercisable immediately. The closing share price at the date of grant on 14 April 2020 was HK\$0.01.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 24. SHARE OPTIONS (Continued)

The fair values of the share options granted in 2020 were determined using the Binomial Option Pricing Model. Significant inputs into the calculation included expected volatilities of 83.85%, estimated expected life of 10 years, risk-free interest of 0.77% and dividend yield of 0%. The Binomial Option Pricing Model was developed for use in estimating the fair value of traded options and requires input of highly subjective assumptions, including the expected life and stock price volatility. Since the Company's share options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimates, the Binomial Option Pricing Model does not necessarily provide a reliable measure of the fair value of the share options.

The fair value of the share options granted in 2020, measured at the date of grant, were approximately HK\$314,000. As the options are vested immediately, the amounts are recognised as share-based payments in profit or loss at the date of grant. An aggregate amount of approximately HK\$314,000 has been charged as directors' remuneration during the year. The corresponding amount has been credited to the share option reserve. 60,197,368 share options held by ex-Directors lapsed during the year ended 31 December 2020.

All share-based compensation will be settled in equity. The Company has no legal or constructive obligation to repurchase or settle the options other than by issuing the Company's ordinary shares.

Details of the options granted under the Scheme and outstanding at 31 December 2020 and 2019 are as follows:

Grantee	Date of grant	Exercise period	Number of share options					Outstanding as at 31 December 2020	Exercise price per share option HK\$
			Outstanding as at 1 January 2020	Granted during the year	Lapsed during the year	Exercised during the year	Reclassified during the year		
<b>Directors</b>									
Xiang Xin	6 July 2014	6 July 2014 to 5 July 2024	60,394,737	-	-	-	-	60,394,737	0.0497
Lee Wing Hang	6 July 2014	6 July 2014 to 5 July 2024	30,197,368	-	(30,197,368)	-	-	-	0.0497
Chan, Wing Kong Ringo	4 April 2018	4 April 2018 to 3 April 2028	30,000,000	-	(30,000,000)	-	-	-	0.0497
Zhou Zan	4 April 2018	4 April 2018 to 3 April 2028	30,000,000	-	-	-	-	30,000,000	0.0497
An Jing	14 April 2020	14 April 2020 to 13 April 2030	-	30,000,000	-	-	-	30,000,000	0.0497
Zhang Yu Clement	14 April 2020	14 April 2020 to 13 April 2030	-	30,000,000	-	-	-	30,000,000	0.0497
			150,592,105	60,000,000	(60,197,368)	-	-	150,394,737	
<b>Others</b>									
Others	6 July 2014	6 July 2014 to 5 July 2024	378,473,685	-	-	-	-	378,473,685	0.0497
			529,065,790	60,000,000	(60,197,368)	-	-	528,868,422	

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 24. SHARE OPTIONS (Continued)

Grantee	Date of grant	Exercise period	Number of share options				Outstanding as at 31 December 2019	Exercise price per share option HK\$
			Outstanding as at 1 January 2019	Granted during the year	Lapsed during the year	Exercised during the year		
<b>Directors</b>								
Xiang Xin	6 July 2014	6 July 2014 to 5 July 2024	60,394,737	-	-	-	60,394,737	0.0497
Lee Wing Hang	6 July 2014	6 July 2014 to 5 July 2024	30,197,368	-	-	-	30,197,368	0.0497
Chan, Wing Kong Ringo	4 April 2018	4 April 2018 to 3 April 2028	30,000,000	-	-	-	30,000,000	0.0497
Zhou Zan	4 April 2018	4 April 2018 to 3 April 2028	30,000,000	-	-	-	30,000,000	0.0497
			150,592,105	-	-	-	150,592,105	
Others	6 July 2014	6 July 2014 to 5 July 2024	378,473,685	-	-	-	378,473,685	0.0497
			529,065,790	-	-	-	529,065,790	

For share options outstanding at the end of the period, the weighted average remaining contractual lives is 4.4 years (2019: 4.9 years).

There was no share options exercised during the year ended 31 December 2020 and 2019.

## 25. NET ASSET VALUE PER SHARE

As at 31 December 2020 and 2019, the net asset value per share of the Company was HK\$0.05 and HK\$0.05, respectively. The calculation of net asset value per share is based on the net asset value of the Company as at 31 December 2020 of approximately HK\$653,748,000 (2019: HK\$700,255,000) and 12,801,578,629 (2019: 12,801,578,629) ordinary shares in issue at the end of each reporting period.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 26. RELATED PARTY TRANSACTIONS

- (i) Save as those disclosed elsewhere in the financial statements, the Company had the following material transactions with related parties during the year:

	Notes	2020 HK\$'000	2019 HK\$'000
Investment management fee paid to China Everbright Securities (HK) Limited ("CES")	(a)	440	480
Investment management fee paid to Evergrande Securities (Hong Kong) Limited ("ESHK")	(b)	40	–
		<b>480</b>	480
Rental paid to New Era Group (China) Limited ("NEG")	(c)	960	960
Rental deposit paid to NEG	(c)	160	160

Notes:

- (a) The Company entered into an investment management agreement with CES from 2003 to 2020. CES is regarded as a related party of the Company as the directors are of the view that CES is providing key management personnel services to the Company through its investment management services.
- (b) The Company entered into an investment management agreement with ESHK in 2020. ESHK is regarded as a related party of the Company as the directors are of the view that ESHK is providing key management personnel services to the Company through its investment management services.
- (c) NEG, is a company of which Mr. Xiang Xin, a director of the Company has control.
- (ii) Compensation of key management personnel:

	2020 HK\$'000	2019 HK\$'000
Short term employee benefits	568	206
Pension scheme contributions	–	–
Share-based payments	314	–
	<b>882</b>	206

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 27. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

	2020 HK\$'000	2019 HK\$'000
<b>Financial assets:</b>		
Equity investments at fair value through other comprehensive income	<b>276,186</b>	311,544
Investments at fair value through profit or loss	<b>214,558</b>	360,193
Financial assets at amortised cost (including cash and cash equivalents)	<b>162,323</b>	39,067
	<b>653,067</b>	710,804
<b>Financial liabilities:</b>		
At amortised cost	<b>336</b>	11,691

## 28. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.

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

Level 3 inputs: unobservable inputs for the asset or liability.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 28. FAIR VALUE MEASUREMENTS (Continued)

The Company's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

### (a) Disclosures of level in fair value hierarchy at 31 December 2020 and 2019:

Description	Fair value measurements using:			Total 2020 HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
<b>Recurring fair value measurements:</b>				
Investments at fair value through profit or loss				
– Listed securities in Hong Kong	54,757	–	–	54,757
– Derivatives	–	6,234	–	6,234
– Structured products	–	153,567	–	153,567
	54,757	159,801	–	214,558
Equity investments at fair value through other comprehensive income				
– Unlisted equity investments	–	–	276,186	276,186
<b>Total recurring fair value measurements</b>	<b>54,757</b>	<b>159,801</b>	<b>276,186</b>	<b>490,744</b>

Description	Fair value measurements using:			Total 2019 HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
<b>Recurring fair value measurements:</b>				
Investments at fair value through profit or loss				
– Listed securities in Hong Kong	355,630	–	–	355,630
– Derivatives	–	4,563	–	4,563
	355,630	4,563	–	360,193
Equity investments at fair value through other comprehensive income				
– Unlisted equity investments	–	–	311,544	311,544
<b>Total recurring fair value measurements</b>	<b>355,630</b>	<b>4,563</b>	<b>311,544</b>	<b>671,737</b>

During the year, there were no transfer between Level 1 and Level 2, or transfers into or out of Level 3 (2019: Nil). The Company's policy is to recognise transfer between levels of fair value hierarchy as at the end of the reporting period in which they occur.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 28. FAIR VALUE MEASUREMENTS (Continued)

### (b) Reconciliation of assets measured at fair value based on level 3:

	<b>Unlisted equity securities</b> HK\$'000
At 1 January 2019	296,637
Purchases	22,781
Total gains or losses recognised in other comprehensive income	(7,874)
At 31 December 2019 and 1 January 2020	311,544
Capital injection	1,650
Total gains or losses recognised in other comprehensive income	(37,008)
At 31 December 2020	276,186

The total gains or losses recognised in other comprehensive income are presented in fair value changes of equity investments at fair value through other comprehensive income in the statement of profit or loss and other comprehensive income.

### (c) Disclosure of valuation process used by the Company and valuation techniques and inputs used in fair value measurements at 31 December 2020 and 2019:

The tables below provide information about how the Company determines fair value of various financial assets.

#### Level 2 fair value measurements as at 31 December 2020 and 2019

Description	Valuation technique	Inputs	Fair value	
			2020 HK\$'000	2019 HK\$'000
Structured product – equity linked note	Discounted cash flow method	FTSE 100 Index and Hang Seng Index Discount rate	77,962	–
Structured product – equity linked note	Discounted cash flow method	Hang Seng Index and S&P 500 Index Discount rate	75,604	–
Derivative – call warrant European style	Monte Carlo method	PIMCO Funds Global Investors Series plc – Income Fund Discount rate/Volatility/Equity growth	5,718	3,463
Derivative – call warrant European style	Discounted cash flow method	PIMCO GIS Diversified Income Fund Discount rate	516	–
Derivative – call warrant European style	Monte Carlo method	Jupiter JGF – Dynamic Bond Discount rate/Volatility/Equity growth	–	1,100

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 28. FAIR VALUE MEASUREMENTS *(Continued)*

### (c) Disclosure of valuation process used by the Company and valuation techniques and inputs used in fair value measurements at 31 December 2020 and 2019: *(Continued)*

#### Level 3 fair value measurements as at 31 December 2020 and 2019

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of input	Fair value HK\$'000
Unlisted equity securities classified as equity investment at fair value through other comprehensive income	Market approach	Price-to-book multiple	3.70-4.71 (2019: 2.58-4.37)	Increase	251,755 (2019: 311,544)
		Discount of lack of marketability	15% (2019: 15%)	Decrease	
	Cost approach	Net asset value	Net asset value with reference to management accounts of the investee company	Increase	24,431

The Company's management is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The management reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the management and the Board of Directors at least twice a year.

For level 3 fair value measurements, the Company will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

## 29. RETIREMENT BENEFITS PLAN

The Company participates in the MPF Scheme for all qualifying employees in Hong Kong. The assets of the above scheme are held separately from those of the Company, in funds under the control of trustees. The Company contributes at the lower of HK\$1,500 per month or 5% of the relevant payroll costs to the MPF Scheme.

The total cost charged to profit or loss of HK\$37,000 (2019: HK\$40,000) represents contributions paid or payable to the above scheme by the Company for the year.

During the year, there were no forfeited contributions which arose upon employees leaving the scheme prior to their interests in the Company's contribution becoming fully vested and which are available to reduce the contributions payable by the Company in future years.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## **30. EVENT AFTER THE REPORTING PERIOD**

The outburst of COVID-19 has brought additional uncertainties in the global macroeconomic situation which may affect the Company's financial performance. However, since the outburst is a fluid and challenging situation facing all the industries globally, the degree of impact could not be reasonably estimated at this stage. The Company will closely monitor the development of the outburst and assess its impact on the financial position and operating results of the Company. The Company does not have other significant subsequent events.

## **31. APPROVAL OF FINANCIAL STATEMENTS**

These financial statements were approved and authorised for issue by the Board of Directors on 26 March 2021.

# FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Company for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below.

## RESULTS

	For the years ended 31 December				
	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
REVENUE	<b>(3,643)</b>	31,968	(4,895)	49,321	(27,251)
(Loss) profit before tax	<b>(9,813)</b>	23,872	10,172	37,005	(54,172)
Income tax	-	-	-	-	-
(Loss) profit for the year attributable to owners of the Company	<b>(9,813)</b>	23,872	10,172	37,005	(54,172)

## ASSETS AND LIABILITIES

	As at 31 December				
	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
Total assets	<b>656,345</b>	712,421	684,527	674,696	637,427
Total liabilities	<b>(2,597)</b>	(12,166)	(270)	(890)	(626)
Net assets	<b>653,748</b>	700,255	684,257	673,806	636,801