CHINA TOUYUN TECH GROUP LIMITED
中國透雲科技集團有限公司

(Incorporated in Bermuda with limited liability)

Stock Code: 1332

2020
ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive directors

Mr. Wang Liang *(Chairman)*
Mr. Du Dong
Mr. Lo Yuen Wa Peter

Non-executive directors

Mr. Chen Hui
Ms. Tian Yuze (appointed on 7 April 2020)
Mr. Zhang Lele (appointed on 13 November 2020)
Mr. Jia Wenjie (appointed on 13 November 2020)

Independent non-executive directors

Mr. Cheung Wing Ping
Mr. Ha Kee Choy Eugene
Mr. To Shing Chuen
Mr. Hu Guohua (appointed on 13 November 2020)

AUDIT COMMITTEE

Mr. Ha Kee Choy Eugene *(Chairman)*
Mr. Cheung Wing Ping
Mr. To Shing Chuen

NOMINATION COMMITTEE

Mr. Wang Liang *(Chairman)*
Mr. Du Dong
Mr. Chen Hui
Mr. Cheung Wing Ping
Mr. Ha Kee Choy Eugene
Mr. To Shing Chuen

REMUNERATION COMMITTEE

Mr. To Shing Chuen *(Chairman)*
Mr. Wang Liang
Mr. Du Dong
Mr. Cheung Wing Ping
Mr. Ha Kee Choy Eugene

AUTHORISED REPRESENTATIVES

Mr. Du Dong
Mr. Lo Yuen Wa Peter

COMPANY SECRETARY

Ms. Cheng Pui Yee

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

12/F, Kwan Chart Tower
6 Tonnochy Road
Wanchai, Hong Kong

INDEPENDENT AUDITORS

Moore Stephens CPA Limited
Certified Public Accountants
Registered Public Interest Entity Auditors

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

SHARE REGISTRARS AND TRANSFER OFFICES

Principal share registrar and transfer office

MUFG Fund Services (Bermuda) Limited
4th Floor,
North Cedar House,
41 Cedar Avenue,
Hamilton HM12,
Bermuda

Hong Kong branch share registrar and transfer office

Tricor Secretaries Limited
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE

www.chinatouyun.com.hk

STOCK CODE

1332

CHAIRMAN'S STATEMENT

To our shareholders,

On behalf of the board of directors of China Touyun Tech Group Limited and its subsidiaries (collectively the "Group"), I am pleased to present the annual results of the Group for the year ended 31 December 2020.

BUSINESS REVIEW

For the year ended 31 December 2020, the Group recorded revenue of approximately HK$206.8 million (2019: HK$342.7 million), representing a decrease of approximately 39.7% as compared to the last year. The decrease in turnover was primarily attributable to (i) the decrease in revenue from packaging products business, which was due to the contraction of sales orders in 2020; and (ii) the increase in fair value loss on financial assets at fair value through profit and loss held for trading.

The loss for the year ended 31 December 2020 was HK$172 million (2019: HK$199.1 million), represents a decrease of 13.6% as compared to financial year 2019.

PROSPECTS

Since 2020, the Group has continuously diversified its business segments including chlamydomonas reinhardtii, micro-algae products business. The Group has explored the business opportunities in health food industry, and given the common consciousness of healthy diet and the increasing vegan or vegetarian population in recent years, the healthy food market is growing and attracting more consumer spending.

In 2020, the Group commenced its construction of the manufacturing facilities for chlamydomonas reinhardtii, micro-algae and related products, with production scale of 10,000 tons/year in the first stage, in the Wucheng District, Changzhi City, Shanxi Province, PRC. Pursuant to the Company's announcement dated 21 February 2020, 28 August 2020 and 29 December 2020, the construction for the first phase production scale is 4,000 tons/year and it was officially launched on 23 April 2020, the Group has substantially completed its construction of the manufacturing facilities of 4,000 tons/year production scale as at the date of this report. The construction of the fermentation and related facilities is the first step in the Group's diversification into chlamydomonas reinhardtii, micro-algae and related products business. It is expected that the Group will commence the production of chlamydomonas reinhardtii, micro-algae and related products in 2021. Given the trend of healthy food in recent years, the Group considers the investment in chlamydomonas reinhardtii, micro-algae and related products business is a good opportunity for the Group to diversify its income base.

Meanwhile, the Group is continuously developing on the business of QR codes on product packaging and solutions and packaging products business. The Group will further explore opportunities to amalgamate the business so as to provide a wide range of integrated services to meet the increasing needs of the customers.

APPRECIATION

I would like to express, on behalf of the board of directors of the Company, my sincere appreciation to the management and all staff for their dedication and valuable contributions. I also wish to thank all of our fellow directors for their valuable contribution and shareholders and valued partners for their generous support. We are looking forward to overcoming the challenges with their combined efforts and achieving the Group's success in the future.

Wang Liang
Chairman

Hong Kong, 26 March 2021

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW AND PROSPECTS

For the year ended 31 December 2020, the Group recorded revenue of approximately HK$206.8 million (2019: HK$342.7 million), representing a decrease of approximately 39.7% as compared to the last year. The decrease in turnover was primarily attributable to (i) the decrease in revenue from packaging products business, which was due to the contraction of sales orders in 2020; and (ii) the increase in fair value loss on financial assets at fair value through profit and loss held for trading.

The loss for the year ended 31 December 2020 was HK$172 million (2019: HK$199.1 million), represents a decrease of 13.6% as compared to financial year 2019.

QR code business

Revenue from QR code business was HK$83.3 million (2019: HK$69.7 million) and its segment loss was HK$6.5 million (2019: HK$199.7 million) during the year ended 31 December 2020. The segment loss of QR code business for the year ended 31 December 2020 was significantly decreased by 96.7% when compared with last year, it was primarily attributable to the decrease in impairment loss on goodwill.

Packaging products business

The packaging products business reported in a revenue of HK$135.4 million for the year ended 31 December 2020 (2019: HK$260.3 million), representing a decrease of 48.0% as compared with last year. The decrease of revenue was largely due to the contraction of sales orders during 2020. A segment profit of HK$5.2 million was recorded during the year ended 31 December 2020 (2019: HK$20.5 million), representing a decrease of 74.6% as compared with last year and such decrease in segment profit was due to the contraction of sales orders in 2020.

Treasury investment business

During the year, the Group recorded fair value loss of HK$14.2 million on financial assets at fair value through profit or loss held for trading, compared to the last year amounted to a fair value gain of HK$10.1 million. Fair value loss of financial assets at fair value through profit or loss not held for trading amounting to HK$55.9 million was recognised during the year ended 31 December 2020 (2019: HK$43 million), the increase is largely due to the asset value of the Group's unlisted investments decreased during the year.

During the year, Galaxy Vantage Limited ("Galaxy Vantage"), an indirect wholly-owned subsidiary of the Company acquired 100% of the issued share capital of Hope Capital Limited ("Hope Capital") from an independent third party (as vendor) at a consideration satisfied by issuance of 13,513 new ordinary shares of Galaxy Vantage to vendor. Upon the acquisition, the Group held an effective 83.9% equity interest in Hope Capital.

Hope Capital and its subsidiary are principally engaged in securities brokerage services, margin financing and asset management. Hope Securities Limited (a subsidiary of Hope Capital) is a licensed corporation under the Securities and Futures Ordinance to carry out regulated activities Type 1 "Dealing in Securities", Type 2 "Dealing in Futures Contracts", Type 4 "Advising on Securities", Type 5 "Advising on Futures Contracts" and Type 9 "Asset Management".

The Group considered the acquisition of Hope Capital will allow the Group to acquire a new complementary capability and participate in the brokerage and related businesses which together will form an important component of treasury investment business.

Chlamydomonas reinhardtii products business

Since 2020, the Group has continuously diversified its business segments including chlamydomonas reinhardtii, micro-algae products business. The Group has explored the business opportunities in health food industry, and given the common consciousness of healthy diet and the increasing vegan or vegetarian population in recent years, the healthy food market is growing and attracting more consumer spending. Pursuant to the Company's announcements dated 21 February 2020, 28 August 2020 and 29 December 2020, the construction for the first phase production scale is 4,000 tons/year and it was officially launched on 23 April 2020, the Group has substantially completed its construction of the manufacturing facilities of 4,000 tons/year production scale as at the date of this report. The construction of the fermentation and related facilities is the first step in the Group's diversification into chlamydomonas reinhardtii, micro-algae and related products business. It is expected that the Group will commence the production of chlamydomonas reinhardtii, micro-algae and related products in 2021. Given the trend of healthy food market in recent years, the Group considers the investment in chlamydomonas reinhardtii, micro-algae and related products business is a good opportunity for the Group to diversify its income base. During the year, the chlamydomonas reinhardtii products business recorded a turnover of HK$41,000 (2019: Nil), and a segment loss of HK$6.4 million (2019: Nil) which is primarily related to start-up cost such as administrative expenses.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's financial position was prudently monitored and precisely managed throughout the year. As at 31 December 2020, the Group had outstanding (i) HK$112.2 million (2019: HK$225.2 million) secured convertible bond (details of this are set out in note 31); (ii) HK$59.6 million (2019: HK$11.6 million) unsecured other borrowing bears interest of 1% per month (2019: 10% per annum), repayable within one year; (iii) amount due to a director of HK$98.9 million (2019: Nil) which is unsecured, interest-free and repayable within one year; and (iv) margin loans payable of HK$28.5 million (2019: Nil) which was secured by the listed equity securities held under the margin accounts, with variable interest rate ranged from 12% to 20%. As at 31 December 2020, the Group had cash balances amounting to HK$142.4 million (2019: HK$40.5 million). The gearing ratio (net borrowings to shareholders' equity) was 0.28 (2019: 0.36).

SHARE CAPITAL

On 13 March 2020, the Company entered into a share subscription agreement with an independent third party, Ms. Tian Yuze (who was subsequently appointed as a non-executive Director of the Company on 7 April 2020), in relation to the subscription for 135,135,135 new shares of the Company at HK$0.37 per share. The gross proceeds and net proceeds from the subscription are HK$50,000,000 and HK$49,876,000 respectively. The proceeds is applied as general working capital of the Group.

On 14 April 2020, the Company entered into a share subscription agreement with an independent third party, Ngai Shun, in relation to the subscription for 135,135,135 new shares of the Company at HK$0.37 per share. The gross proceeds and net proceeds from the subscription are HK$50,000,000 and HK$49,987,000 respectively. The proceeds is applied as general working capital of the Group.

On 17 July 2020, the Company entered into a share subscription agreement with an independent third party, Liu Jing, in relation to the subscription for 54,054,054 new shares of the Company at HK$0.37 per share. The gross proceeds and net proceeds from the subscription are HK$20,000,000 and HK$19,984,000 respectively. 70% and 30% of the proceeds are applied as repayment to the interest of convertible bond and general working capital of the Group respectively.

Details of the movement of the share capital are set out in note 34.

CONVERTIBLE BOND

In March 2020, the Company repaid the CB principal and interest at amounts of US$6,000,000 and US$587,000 (equivalent to HK$46,800,000 and HK$4,580,000) respectively, US$20,580,000 (equivalent to HK$160,524,000) of the principal amount of the CB remained outstanding. In May and July 2020, the Company repaid interest of US$642,000 and US$1,814,700 (equivalent to HK$5,008,000 and HK$14,155,000) respectively.

On 21 July, 2020, the Company and China Huarong International Holdings Limited (the "Subscriber" or "CB Holder") entered into a supplemental agreement to amend and restate the terms of the convertible bond issued to the Subscriber on 10 November 2017 (the "Proposed Amendments"). Details of these are set out in the Company's announcement dated 21 July 2020. The Proposed Amendments became effective on 10 August 2020. According to the Proposed Amendments, the US$20,580,000 convertible bond carries interest at 12% per annum, payable semi-annually in arrears. The maturity date is extended from 10 November 2019 to 10 November 2021. The conversion price is amended as HK$0.8 per share, subject to anti-dilutive adjustments. In additions, the Subscriber is entitled to require the Company to redeem the convertible bond in whole, or in part for the time being outstanding at the redemption amount from 10 October 2020. The convertible bond is secured by the share capital or registered capital of certain subsidiaries of the Group and certain cash/securities account and personal guarantee provided by Mr. Wang Liang, a director of the Company.

On 21 December 2020, the Group repaid principal and interest amounting to US$6,400,000 and US$1,322,000 (equivalent to HK$49,920,000 and HK$10,314,000) respectively and as of 31 December 2020, the outstanding convertible bond amounted to approximately HK$112.2 million (2019: HK$225.2 million).

Details of the convertible bond were set out in note 31.

ACQUISITION OF A SUBSIDIARY

During the year, Galaxy Vantage Limited ("Galaxy Vantage"), an indirect wholly-owned subsidiary of the Company acquired 100% of the issued share capital of Hope Capital Limited ("Hope Capital") from an independent third party (as vendor) at a consideration satisfied by issuance of 13,513 new ordinary shares of Galaxy Vantage to vendor. Upon the acquisition, the Group held an effective 83.9% equity interest in Hope Capital.

Hope Capital and its subsidiary are principally engaged in securities brokerage services margin financing and asset management. Hope Securities Limited (a subsidiary of Hope Capital) is a licensed corporation under the Securities and Futures Ordinance to carry out regulated activities Type 1 "Dealing in Securities", Type 2 "Dealing in Futures Contracts", Type 4 "Advising on Securities", Type 5 "Advising on Futures Contracts" and Type 9 "Asset Management". Details of these are set out in note 33.

CAPITAL COMMITMENTS

The Group has the following capital commitments at the end of the reporting period:

	31 December 2020 HK$'000	31 December 2019 HK$'000
Contracted but not provided for:		
— Construction in progress	**52,669**	–
— Equipment	**–**	41

PLEDGE OF ASSETS

As at 31 December 2020 and 2019, the Group's equity interest in Apex Capital Business Limited and its subsidiaries were pledged to secure the HK$112.2 million (2019: HK$225.2 million) convertible bond.

As at 31 December 2020, the Group's margin loans payable of HK$28.5 million (2019: Nil) were secured by the listed equity securities, held under the margin accounts, with a total market value of approximately HK$65.5 million (2019: Nil).

CONTINGENT LIABILITIES

As at 31 December 2020, the Group did not have any contingent liabilities (2019: Nil).

FINANCE LEASE OBLIGATIONS

As at 31 December 2020, the Group has no outstanding obligations under finance lease (2019: Nil).

FOREIGN EXCHANGE RISK

The Group's revenues were mainly denominated in US dollars and Renminbi while expenses were mainly conducted in Hong Kong dollars and Renminbi. In view of the prevailing financial market situation, the Group did not engage in any foreign exchange hedging products for the exposure of currency risk of Renminbi during the year. However, the Group will still closely monitor fluctuations in exchange rates and actively manage the currency risk involved.

EMPLOYEES

As at 31 December 2020, the Group employed approximately 506 employees in Hong Kong and Mainland China (2019: 613). The Group's remuneration policy is commensurate with merit, qualification and competence of employees. In addition to salary and year-end bonus, the remuneration packages also comprised of share options scheme, provident fund contribution, medical and life insurance.

MANAGEMENT DISCUSSION AND ANALYSIS

UPDATE ON USE OF PROCEED IN RELATION TO FUND RAISING ACTIVITIES

The Company would like to provide the update in respect of the use of the net proceeds in relation to the past fund raising activities as at 31 December 2020:

Reference is made to the announcements of the China Touyun Tech Group Limited (the "Company") dated 10 August 2016, 9 November 2016, 18 November 2016, 24 January 2017, 21 February 2017, 3 October 2017, 10 November 2017, 31 August 2018, 13 March 2020, 14 April 2020 and 17 July 2020 in relation to the placing/subscription of shares and issue of convertible bond (collectively refer as to "Announcements"). Unless otherwise stated, capitalised terms used herein shall bear the same meanings as defined in the Announcements.

	Intended use of proceeds	Actual use of proceeds
(1)	The Company raised HK$406.1 million net proceeds from the placing of shares in November 2016 and the net proceeds were intended to use as follow:	
	(a) An amount of HK$263.4 million was used for the redemption of the Promissory Note.	An amount of HK$263.4 million was utilised for the full redemption of the Promissory Note in the principal amount of HK$258 million and payment of accrued interest.
	(b) An amount of HK$142.7 million is for the expansion and development of its QR code business as to:	
	(i) an amount of RMB55 million (equivalent to approximately HK$63 million) towards an acquisition (the "Acquisition") of 透雲物聯網科技(北京)有限公司 (TY Technology (Beijing) Co., Ltd*) in the People's Republic of China (the "PRC") by 上海透雲物聯網科技有限公司 (Shanghai TY Technology Co., Ltd.*), an indirect wholly-owned subsidiary of the Company, under the relevant acquisition agreement dated 24 January 2017 which was completed in March 2017;	(i) The Acquisition was completed in March 2017 and an amount of HK$63 million were fully used towards the Acquisition.
	(ii) approximately HK$14.4 million for the acquisition of plant and equipment (the "Plant and Equipment Acquisition");	(ii) An amount of HK$14.4 million was fully used towards the Plant and Equipment Acquisition.
	(iii) approximately HK$58.7 million for research and development, recruitment of technical staff and other personnel and other working capital needs for QR codes packaging business (the "Research & Development"); and	(iii) An amount of HK$58.7 million were fully utilised in the Research & Development.
	(iv) approximately HK$6.6 million for the purchase of transportation and office supplies to support the "Finding the origins of the edible goods program" in different provinces in the PRC (the "Purchase of Transportation and Supplies").	(iv) An amount of HK$3.2 million were utilised in the Purchase of Transportation and Supplies and HK$3.4 million has not yet been utilised and expected to be utilised in 2021 and applied for the same purpose as disclosed in the Announcements.

* For identification purposes only

	Intended use of proceeds	Actual use of proceeds
(2)	An amount of net proceeds of US$39.6 million (equivalent to HK$309.4 million) was raised from issue of US$40 million 7% interest convertible bond in November 2017. The Company early redeemed US$13 million (equivalents to HK$101.4 million) in principal amount of the CB in August 2018. Therefore, the net proceeds of HK$203.3 million were intended to use as follows:	
	(a) An amount of HK$172.5 million were used for expansion and development of QR codes business;	An amount of HK$172.5 million was fully utilised for the expansion and development of QR codes business.
	(b) An amount of HK$30.8 million were used for general working capital of corporate office.	An amount of HK$30.8 million was fully utilised for general working capital of corporate office.
(3)	An amount of net proceeds of HK$49.88 million was raised from subscription of new shares in March 2020 and applied as general working capital of the Group.	An amount of HK$49.88 million was fully utilised as general working capital of the Group.
(4)	An amount of net proceeds of HK$49.98 million was raised from subscription of new shares in April 2020 and applied as general working capital of the Group.	An amount of HK$49.98 million was fully utilised as general working capital of the Group.
(5)	An amount of net proceeds of HK$19.98 million was raised from subscription of new shares in July 2020 and the Group intends to apply 70% of the net proceeds as repayment of interest of the convertible bond and the remaining 30% of the net proceeds are applied as general working capital of the Group.	70% of the net proceeds was fully utilised as repayment of interest of the convertible bond and 30% of the net proceeds was fully utilised as general working capital of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENT HELD

As at 31 December 2020, the Group held listed investments and unlisted investments of approximately HK$112.0 million and HK$320.7 million respectively, details of which were set out as follows:

Nature of investments	Number of shares held as at 31 December 2020	Percentage of shareholding as at 31 December 2020 %	Fair value change for year ended 31 December 2020 HK$'000	Other losses for year ended 31 December 2020 HK$'000	Fair value/carrying amount as at 31 December 2020 HK$'000	as at 31 December 2019 HK$'000	Percentage to the Group's total assets as at 31 December 2020 %	Investment cost HK$'000	Net profit/(loss) of the investee HK$'000	Notes
Financial assets at fair value through profit or loss										
Unlisted Investments										
Freewill Holdings Limited ("Freewill")	14,550,000	2.95	(4,025)	–	–	4,025	–	80,025	(201,608)	(a)
Co-Lead Holdings Limited ("Co-Lead")	363	2.76	(11,595)	–	89,023	100,618	9.16	145,200	39,457	(a)
FreeOpt Holdings Limited ("FreeOpt")	1,500,000	17.61	(19,265)	(39,481)	150,460	209,206	15.48	150,000	(102,060)	(a)
Seekers Partners Limited ("Seekers")	9,108,328	0.73	5,680	–	43,040	37,360	4.43	53,217	197,524	(b)
Simagi Finance Company Limited ("Simagi")	13,000,000	12.12	(21,112)	–	38,163	59,275	3.92	65,000	76,690	(a)
			(50,317)	(39,481)	320,686	410,484	32.99	493,442		

Notes:

The net profit/(loss) of the investee is based on the investee's financial information, which was:

(a) According to its management accounts for period ended 31 December 2020.

(b) According to its management accounts for period ended 30 September 2020.

Nature of investments	Number of shares held as at 31 December 2020	Percentage of shareholding as at 31 December 2020 %	Unrealised gain/(loss) on fair value change for year ended 31 December 2020 HK$'000	Dividends received for year ended 31 December 2020 HK$'000	Fair value as at 31 December 2020 HK$'000	Fair value as at 31 December 2019 HK$'000	Percentage to the Group's total assets as at 31 December 2020 %	Investment cost HK$'000	Net profit/(loss) of the investee HK$'000	Notes
Financial assets at fair value through profit or loss										
Listed Investments										
The Hong Kong and Shanghai Hotels, Ltd. ("HK & S Hotel")	186,500	0.01	(270)	16	1,287	1,557	0.13	1,477	(1,980,000)	(c)
Y.T. Realty Group Ltd. ("Y.T. Realty")	15,000,000	1.88	(3,000)	134	30,000	33,000	3.09	30,109	(162,465)	(c)
Imagi International Holdings Limited ("Imagi")	128,000	0.02	(22)	–	102	–	0.01	124	271,385	(c)
Planetree International Development Ltd. ("Planetree")	212,000	0.02	(36)	–	212	132	0.02	231	40,843	(c)
Oshidori International Holdings Ltd. ("Oshidori")	75,765,000	1.24	(27,163)	–	46,217	72,750	4.76	79,406	(3,725)	(d)
China Evergrande New Energy Vehicle Group Ltd. ("Evergrande Vehicle")	740,000	0.01	16,598	–	22,348	5,750	2.30	6,669	(8,570,133)	(c)
C C Land Holdings Limited ("C C Land")	375,000	0.01	(35)	7	645	–	0.07	680	588,168	(c)
China Dili Ltd. ("China Dili")	1,500,000	0.02	450	–	4,125	3,675	0.42	3,703	156,463	(d)
Eternity Technology Holdings Ltd. ("Eternity Tech")	5,400,000	1.80	(4,752)	–	7,020	11,772	0.72	8,739	19,369	(c)
			(18,230)	157	111,956	128,636	11.52	131,138		

Note:

The net profit/(loss) of the investee is based on the investee's financial information, which was:

(c) According to its annual results announcement for year ended 31 December 2020.

(d) According to its interim report for six months ended 30 June 2020.

Freewill is principally engaged in the business of investment holding.

Co-Lead is principally engaged in securities trading and investment holding businesses. Its investment portfolio consists of listed and unlisted securities.

FreeOpt is principally engaged in the provision of finance and money lending businesses.

Seekers is principally engaged in integrated financial services, securities brokerage services, money lending, securities and other direct investments.

Simagi is principally engaged in the money lending businesses.

MANAGEMENT DISCUSSION AND ANALYSIS

HK & S Hotel is principally engaged in (i) operating hotels, leasing of commercial shopping arcades and office premises located within the hotel buildings; (ii) leasing of commercial and office premises (other than those in hotel properties) and residential apartments and operates food and beverage outlets in such premises; (iii) operation of golf courses, The Peak Tram, wholesaling and retailing of food and beverage products, laundry services and the provision of management and consultancy services for clubs.

Y.T. Realty is principally engaged in (i) property investment for rental income; (ii) trading of properties; (iii) provision of property management and related consultancy services; and (iv) operation of and investment in driver training centers, as well as tunnel operation and management.

Imagi is principally engaged in computer graphic imaging businesses, cultural and entertainment businesses, as well as the investment in corporate bonds and short-term deposits for interest income. Imagi is also engaged in money lending, the investment in securities and the proprietary trading of listed securities.

Planetree is principally engaged in (i) holding and trading of debt and equity securities, as well as the provision of financing services; (ii) property investment through an associate; and (iii) leasing of properties.

Oshidori is principally engaged in investment holdings, trading and investment in securities, and the provisions of (i) securities brokerage services; (ii) placing and underwriting services; (iii) corporate financial advisory services; (iv) money lending services; (v) investment advisory and asset management services; and (vi) margin financing services.

Evergrande Vehicle is principally engaged in (i) Internet plus community health management, international hospitals, the elderly care and rehabilitation industry, medical beauty and anti-aging, as well as the sales of healthcare spaces; (ii) research, development, production and sales of new energy vehicles, including selling lithium batteries and automotive components, as well as providing technical services.

C C Land is principally engaged in (i) the development and investment of properties; (ii) the investment in securities and notes receivable, as well as the provision of financial services; (iii) the property holding business and the provision of corporate management services.

China Dili is principally engaged in the operation of agriculture wholesale markets in the PRC.

Eternity Tech is principally engaged in the research and development, manufacture and sales of printed circuit board assembly and fully-assembled electronic products.

Looking forward year 2021, along with the uncertainties and challenges arising from the COVID-19 and instabilities of global economic environment, the management will continue to adopt prudent business strategies with a balanced risk management approach to manage the investment portfolio of the Group.

DIRECTORS' PROFILE

EXECUTIVE DIRECTORS

Mr. WANG Liang, aged 35, has been appointed as an Executive Director of the Company since 1 September 2016 and the Chairman of the Board since 23 January 2017. He is the Chairman of the Nomination Committee and a member of the Executive Committee and the Remuneration Committee. He also serves as a Director of several subsidiaries of the Company. As Chairman, Mr. Wang is mainly responsible for leading the Board and managing its work to ensure that the Board effectively operates and fully discharges its responsibilities. In addition, he is also in charge of the business of provision of QR codes on product packaging and related business intelligence IT solutions. Mr. Wang holds a bachelor's degree in physics from Imperial College of Science, Technology and Medicine, University of London and a master's degree in international finance from The University of Westminster. He has extensive experience in the international finance and project management. He had been working in international investment banks and responsible for clients' project management, projects merger and acquisition and various initial public offerings. Mr. Wang was an Executive Director (from January 2014 to February 2016), a Chairman (from August 2014 to February 2016), a Non-executive Director (from February 2016 to August 2016) and a Vice-chairman (from February 2016 to August 2016) of Life Healthcare Group Limited (formerly known as Tack Fiori International Group Limited) (stock code: 928). He was also an Executive Director of China Ever Grand Financial Leasing Group Co., Ltd. (formerly known as PME Group Limited) (stock code: 379) from December 2012 to December 2014. The shares of the above companies are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Mr. DU Dong, aged 35, has been appointed as an Executive Director of the Company since 15 December 2016 .He is a member of the Executive Committee, the Nomination Committee and the Remuneration Committee. He also serves as a Director of several subsidiaries of the Company. Mr. Du is responsible for the daily management of the Group, recommending strategies to the Board, and determining and implementing operational decision. He holds a bachelor's degree of Science (Honors) in Computing Studies (Information Systems) from Hong Kong Baptist University. Mr. Du has extensive experience in investment, capital market, financing, merger and acquisitions of different projects with various investment banks and professional parties. He had been working in listed companies and responsible for investment, financing, projects merger and acquisition, covering coal mining, iron mining and gold mining, terminal and logistic services industry, education industry, financing lease industry and internet industry, etc. Mr. Du has a strong network in the capital market of Hong Kong and the PRC. He was a Vice President of China Ever Grand Financial Leasing Group Co., Ltd (formerly known as PME Group Limited) (stock code: 379) from November 2013 to December 2016. He was an Assistant to CEO of Theme International Holdings Limited (stock code: 990) from July 2010 to November 2013. The shares of these companies are listed on the Stock Exchange.

Mr. LO Yuen Wa Peter, aged 59, has been appointed as an Executive Director of the Company since 27 May 2015. He is a member of the Executive Committee and also serves as a Director of several subsidiaries of the Company. He is responsible for overseeing the corporate finance and management of the Group. Mr. Lo graduated from the University of Liverpool and obtained his professional qualification in Accountancy in the United Kingdom. He is a member of the Institute of Chartered Accountants in England and Wales. He has 30 years of experience in auditing, accounting, investment, financial and corporate management. Mr. Lo was an Executive Director of HengTen Networks Group Limited (formerly known as Mascotte Holdings Limited) (stock code: 136) from July 2008 to March 2014 and an Executive Director, Managing Director and Acting Chairman of Rentian Technology Holdings Limited (formerly known as Forefront Group Limited) (stock code: 885) from April 2014 to April 2015. The shares of these companies are listed on the Stock Exchange.

DIRECTORS' PROFILE

NON-EXECUTIVE DIRECTORS

Mr. CHEN Hui, aged 57, has been appointed as a Non-executive Director of the Company since 15 December 2016. He is also a member of the Nomination Committee. Mr. Chen has over 16 years solid experience in information technology. He is an expert in software and hardware engineering, automation and control, and possesses extensive knowledge in Internet of Thing and various sensors. He has been involved in development and application of nearly 40 patents. Mr. Chen has been appointed as a President of 上海透雲物聯網科技有限公司 (Shanghai TY Technology Co. Ltd.*), an indirect wholly-owned subsidiary of the Company, since 2011. He was a General Manager of 質尊溯源電子科技有限公司 from 2009 to 2011, a General Manager of 上海質尊電子科技有限公司 from 2004 to 2009, and a Legal Representative of 上海華暉自控設備有限公司 from 2000 to 2004.

Ms. Tian Yuze, aged 29, has been appointed as an Non-Executive Director of the Company since 7 April 2020. Ms. Tian holds a bachelor's degree in Economics (International Economics and Trade) from Beijing Institute of Petrochemical Technology, and a master degree of science from Nottingham Trent University. She has been working as business manager in various entities, responsible for operation strategic planning, global marketing strategies and execution. She has extensive experience and exposure in international trade, sales and supply and business management in both PRC and overseas markets.

Mr. Zhang Lele, aged 37, has been appointed as a Non-Executive Director of the Company since 13 November 2020, holds a bachelor of engineering in electrical engineering (information and communication engineering) from The Hong Kong University of Science and Technology. He also hold a master of business administration in finance from Cheung Kong Graduate School of Business. Mr. Zhang has extensive experience in business advisory to enterprise risk management, investment and capital market, as well as corporate restructuring. Mr. Zhang currently is a chief operation officer of a PRC company engaged in international auction business.

Mr. Jia Wenjie, aged 35, has been appointed as a Non-Executive Director of the Company since 13 November 2020, holds a bachelor of science in electrical engineering from University of Notre Dame. Mr. Jia possess extensive experience in computer programming, information technology industry as well as corporate management. He was a program manager of Microsoft Corporation from 2009 to 2014. He was vice-president of Shanghai TY Technology Co., Ltd (a wholly owned subsidiary of the Company) from 2014 to 2016, responsible for products design, product development and strategic management. He is currently the founder and chief executive officer of a PRC entity engaged in information technology business in PRC.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHEUNG Wing Ping, aged 54, has been appointed as an Independent Non-executive Director of the Company since 11 August 2015. He is also a member of the Audit Committee, the Nomination Committee and the Remuneration Committee. He holds a bachelor's degree in accountancy with honours from City University of Hong Kong. He is a fellow of the Association of Chartered Certified Accountants and an associate of the Hong Kong Institute of Certified Public Accountants. Mr. Cheung has over 20 years of experience in auditing and accounting fields. He was formerly an Executive Director of Eagle Ride Investment Holdings Limited (formerly known as Radford Capital Investment Limited) (stock code: 901) from June 2011 to November 2013, an Independent Non-executive Director and an Executive Director of Mason Financial Holdings Limited (formerly known as Willie International Holdings Limited) (stock code: 273) from October 2009 to June 2013 and July 2013 to September 2016 respectively, and an Independent Non-executive Director of Freeman Fintech Corporation Limited (stock code: 279), from August 2013 to September 2019. He is currently an Independent Non-executive Director of Oshidori International Holdings Limited (stock code: 622) and China Shandong Hi-Speed Financial Group Limited (formerly known as China Innovative Finance Group Limited) (stock code: 412). The shares of these companies are listed on the Stock Exchange.

* *For identification purpose only*

Mr. HA Kee Choy Eugene, aged 64, has been appointed as an Independent Non-executive Director of the Company since 26 November 2014. He is also the Chairman of the Audit Committee, a member of the Nomination Committee and the Remuneration Committee. He holds a master's degree in business administration and is a fellow member of the Association of Chartered Certified Accountants. He has over 20 years of experience in the finance and banking industry and acts or/and acted as director of a number of private and listed companies in Hong Kong. Mr. Ha is the director of a certified public accountants corporate practice in Hong Kong. He is currently an Independent Non-executive Director of International Entertainment Corporation (stock code: 1009). He was an Independent Non-executive Director of Longhui International Holdings Limited (stock code: 1007) from 29 January 2016 to 31 August 2020, and was an independent Non-executive Director of Planetree International Development Limited (stock code: 613) from 30 April 2019 to 1 December 2020. The shares of these companies are listed on the Main Board of the Stock Exchange.

Mr. TO Shing Chuen, aged 70, has been appointed as an Independent Non-executive Director of the Company since 26 November 2014. He is also the Chairman of the Remuneration Committee, a member of the Audit Committee and the Nomination Committee. Mr. To holds a bachelor's degree in arts and has over 20 years of experience in trading, garment and leather field. He enjoys excellent relationship with Mainland China companies. He is currently an Independent Non-executive Director of China Shandong Hi-Speed Financial Group Limited (formerly known as China Innovative Finance Group Limited) (stock code: 412).

Mr. Hu Guohua, aged 47, has been appointed as an Independent Non-Executive Director of the Company since 13 November 2020. He obtained a bachelor's degree in food chemistry and a master's degree in food engineering from Nanchang University (南昌大學) in 1995 and 1998, respectively. Mr. Hu subsequently obtained a doctorate degree in biochemical engineering from the East China University of Science and Technology (華東理工大學) in 2006. Mr. Hu is experienced in biological ingredients production and processed food. In addition to his academic qualifications, Mr. Hu was named as one of the leading talents in science and technology (科技領軍人才) by Suzhou Industrial Park (蘇州工業園區) in 2010. Mr. Hu is the Secretary General of the Professional Committee of Sweet Flavouring (甜味劑專業委員會), which is one of the Professional Committees of China Food Additives & Ingredients Association (中國食品添加劑和配料協會).

Mr. Hu currently is an independent non-executive director of Anhui JinHe Industrial Co. Ltd (SHE: 002597), a company listed on the Shenzhen Stock Exchange; Zhejiang Shengda Bio-pharm Co., Ltd (SHA: 603079), a company listed on the Shanghai Stock Exchange and Green Future Food Hydrocolloid Marine Science Company Limited (stock code: 1084), a company whose shares listed on The Stock Exchange of Hong Kong Limited.

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of corporate management services. The Group is principally engaged in the (i) provision of QR codes on product packaging and solutions and online advertising display services; (ii) the manufacture and sale of packaging products; (iii) securities brokerage services, margin financing investments and trading in securities and money lending; and (iv) production and sale of chlamydomonas reinhardtii products, micro-algae and related products.

During the year and pursuant to the Company's announcements dated 6 January 2020, 21 February 2020, 14 May 2020, 28 August 2020 and 29 December 2020, an indirectly wholly-owned subsidiary was established in the People's Republic of China (the "PRC") in March 2020 for the purpose of engaging in the chlamydomonas reinhardtii, micro-algae and related products business. The construction for the first phase production scale is 4,000 tons/year and it was officially launched on 23 April 2020, the Group has substantially completed its construction of the manufacturing facilities of 4,000 tons/year production scale as at the date of this report. It is expected that the Group will commence the production of chlamydomonas reinhardtii, micro-algae and related products in 2021.

During the year, Galaxy Vantage Limited ("Galaxy Vantage"), an indirect wholly-owned subsidiary of the Company acquired 100% of the issued share capital of Hope Capital Limited ("Hope Capital") from an independent third party (as vendor) at a consideration satisfied by issuance of 13,513 new ordinary shares of Galaxy Vantage to vendor. Upon the acquisition, the Group held an effective 83.9% equity interest in Hope Capital. Details of these are set out in note 33. Hope Capital and its subsidiary are principally engaged in securities brokerage services, margin financing and asset management. Hope Securities Limited is (a subsidiary of Hope Capital) a licensed corporation under the Securities and Futures Ordinance to carry out regulated activities Type 1 "Dealing in Securities", Type 2 "Dealing in Futures Contracts", Type 4 "Advising on Securities", Type 5 "Advising on Futures Contracts" and Type 9 "Asset Management". The Group considered the acquisition of Hope Capital will allow the Group to acquire a new complementary capability and participate in the brokerage and related businesses which together will form an important component of treasury investment businesses.

Details of the principal activities of the Company's subsidiaries are set out in note 45 to the financial statements.

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group's future business development are provided in the Chairman's Statement and the Management Discussion and Analysis of this annual report. Description of possible risks and uncertainties that the Group may be facing can be found in the Corporate Governance Report. Also, the financial risk management objectives and policies of the Group are disclosed in note 42 to the financial statements. Particulars of important events affecting the Group that have occurred since the end of the financial year ended 31 December 2020 are provided in note 44 to the financial statements. In addition, discussions on the Group's environmental policies, compliance with relevant laws and regulations and relationship with its key stakeholders which have a significant impact on the Group are also contained in the Corporate Governance Report and Environmental, Social and Governance Report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2020 and the state of affairs of the Company and of the Group as at 31 December 2020 are set out in the financial statements on pages 68 to 71.

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

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 168. The summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 34 to the financial statements.

CONVERTIBLE BOND

Details of the convertible bond during the year are set out note 31 to the financial statements.

PRE-EMPTIVE RIGHTS

There is no pre-emptive rights provision in the Companies Act 1981 of Bermuda (as amended from time to time) or in the Company's Bye-laws.

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

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

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

As at 31 December 2020, the Company had no reserve available for distribution to shareholders as calculated in accordance with the Companies Act 1981 of Bermuda (as amended from time to time). The Company's share premium account in the amount of HK$1,876,302,000 may be distributed in the form of fully paid bonus share.

DIVIDEND POLICY

In considering the payment of dividends, the Board shall maintain adequate cash reserves for meeting its working capital requirements and strike a proper balance between future business growth and rewarding the Shareholders of the Company.

Provided that the daily working capital needs of the Group can be satisfied and funding has been reserved for future development, the Company intends to maintain a relatively stable dividend distribution ratio. However, the Company's dividend distribution record in the past does not necessarily imply that the same level of dividends may be declared or paid by the Company in the future.

In proposing any dividend payout, the Board shall take into account the financial performance and cash flow situation of the Group, future expansion plans and capital requirements, interests of Shareholders, contractual restrictions on payment of dividends, taxation considerations, statutory and regulatory restrictions, general economic conditions, business cycle of the Group's business and any other factors that the Board may consider relevant.

The Company may declare and pay dividends by way of cash or scrip or by other means that the Board considers appropriate. Any dividend unclaimed shall be forfeited and shall revert to the Company in accordance with the Company's Memorandum and Articles of Association.

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, sales to the Group's five largest customers accounted in the aggregate for 49% of total revenue for the year and sales to the largest customer included therein amounted to 13.9%. Purchases from the Group's five largest suppliers accounted in the aggregate for 47.7% of the total purchases for the year and purchases from the largest supplier included therein amounted to 13.9%.

None of the directors, their close associates or shareholders, who to the knowledge of the directors own more than 5% of the Company's issued share capital, had any interest in any of the Group's five largest customers or suppliers.

DIRECTORS

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

Executive Directors:
Mr. Wang Liang *(Chairman)*
Mr. Du Dong
Mr. Lo Yuen Wa Peter

Non-executive Directors:
Mr. Chen Hui
Ms. Tian Yuze (appointed on 7 April 2020)
Mr. Zhang Lele (appointed on 13 November 2020)
Mr. Jia Wenjie (appointed on 13 November 2020)

Independent Non-executive Directors:
Mr. Cheung Wing Ping
Mr. Ha Kee Choy Eugene
Mr. To Shing Chuen
Mr. Hu Guohua (appointed on 13 November 2020)

In accordance with Bye-law 83 and 84 of the Company's Bye-laws, Mr. Wang Liang, Mr. Du Dong, Mr. Lo Yuen Wa Peter and Mr. Chen Hui will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received from each of the Independent Non-executive Directors, Mr. Cheung Wing Ping, Mr. Ha Kee Choy Eugene, Mr. To Shing Chuen, and Mr. Hu Guohua the written confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Board has reviewed their independence based on such confirmations and considers all of them to remain independent during their term of office.

DIRECTORS' BIOGRAPHIES

Biographical details of the existing directors of the Company are set out under the section headed "Directors' Profile".

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the AGM has a service contract with any company in the Group which is not terminable by such company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

No transaction, arrangement or contract of significance in relation to the business of the Group to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

REMUNERATION DETAILS

Details of the directors' remuneration and the five highest paid employees' remuneration in the Group are set out in notes 9 and 10 to the financial statements respectively.

REMUNERATION POLICY

The remuneration policy for employees of the Group is formulated based on the merit, qualifications and competence of individual employee which are reviewed regularly in order to provide compensation packages at market rates sufficient to reward successful performance and attract, retain and motivate employees. The Company has adopted a share option scheme as a long-term incentive to eligible employees and directors, details of which are set out in note 36 to the financial statements.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS

As at 31 December 2020, details of the interests and short positions of each of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) required to be recorded in the register kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Interests in shares of the Company (long positions)

Name of directors	Capacity in which interests are held	Number of shares held	Approximate percentage
Mr. Wang Liang (Note 1)	Beneficial owner	561,500,000	20.24
Mr. Du Dong (Note 2)	Beneficial owner	1,250,000	0.05
Mr. Lo Yuen Wa Peter (Note 2)	Beneficial owner	375,000	0.01
Mr. Chen Hui (Note 2)	Beneficial owner	1,250,000	0.05
Ms. Tian Yuze	Beneficial owner	146,045,135	5.26
Mr. Cheung Wing Ping (Note 2)	Beneficial owner	250,000	0.01
Mr. Ha Kee Choy Eugene (Note 2)	Beneficial owner	250,000	0.01
Mr. To Shing Chuen (Note 2)	Beneficial owner	250,000	0.01

Notes:

1. The 561,500,000 shares included 1,500,000 share options granted to Mr. Wang Liang under the share option scheme of the Company on 12 December 2017, which was vested on 10 June 2019. Ms. Qiao Yanfeng ("Ms. Qiao", a substantial shareholder of the Company and Mr. Wang Liang's mother) is deemed to be interested in 150,000,000 shares through TY Technology Group Limited which is in turn owned as to 90% by Wise Tech Enterprises Incorporated (wholly-owned by Ms. Qiao) and 10% by Truthful Bright International Holding Limited (wholly-owned by Ms. Qiao). Mr. Wang Liang together with Ms. Qiao were interested in the aggregate of 711,500,000 shares, representing approximately 25.7% of the issued shares of the Company.

2. The interest held by these directors represents the share options granted to the Directors under the share option scheme of the Company on 12 December 2017 and were vested on 10 June 2019.

Save as disclosed above, as at 31 December 2020, the Company had not been notified of any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) required to be recorded in the register kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTIONS

The Company adopted a share option scheme (the "Scheme") on 18 May 2012, details of which were disclosed in note 36 to the financial statements.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO

As at 31 December 2020, details of the interests and short positions of every person, other than directors or the chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of shareholders	Capacity in which interests are held	Number of shares held (long position)	Approximate percentage
Mr. Wang Liang (Note 1)	Beneficial owner	561,500,000	20.24
Ms. Qiao Yanfeng (Note 2)	Interest in controlled corporations	150,000,000	5.41
Mr. Qin Fen	Beneficial owner	197,470,000	7.12
Ms. Tian Yuze	Beneficial owner	146,045,135	5.26

Notes:

1. The 561,500,000 shares included 1,500,000 share options granted to Mr. Wang Liang under the share option scheme of the Company on 12 December 2017, which was vested on 10 June 2019. 560,000,000 shares held by Mr. Wang Liang were provided as security to the convertible bond holder for the convertible bond of the Company.

2. Ms. Qiao Yanfeng ("Ms. Qiao") is deemed to be interested in 150,000,000 shares through TY Technology Group Limited which is in turn owned as to 90% by Wise Tech Enterprises Incorporated (wholly-owned by Ms. Qiao) and 10% by Truthful Bright International Holding Limited (wholly-owned by Ms. Qiao).

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

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Bye-laws, subject to the statues, every director of the Company shall be indemnified out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may sustain or incur in the execution of his/her office or otherwise in relation thereto. The Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against directors of the Group.

MANAGEMENT CONTRACT

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

EVENTS AFTER THE REPORTING PERIOD

Details of significant events which took place subsequent to the reporting period are set out in note 44 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained a sufficient public float throughout the year ended 31 December 2020 and up to the date of this report as required under the Listing Rules.

INDEPENDENT AUDITORS

The financial statements have been audited by Moore Stephens CPA Limited who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

On behalf of the Board

Wang Liang
Chairman

Hong Kong, 26 March 2021

* *For identification purpose only*

CORPORATE GOVERNANCE REPORT

The Company is committed to maintaining a high standard of corporate governance. The board of directors of the Company (the "Board") considers that sound corporate management and governance practices are essential to the Company's healthy growth under all business environments.

CORPORATE GOVERNANCE PRACTICES

During the year, the Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for one non-executive director did not attend the annual general meeting of the Company held on 5 June 2020 ("2020 AGM") due to other business engagement. The Company considers that the members of the Board who attended the 2020 AGM were able to sufficiently answering questions from shareholders at the 2020 AGM.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by directors. In response to a specific enquiry by the Company, all directors have confirmed that they have complied with the required standard set out in the Model Code throughout the year.

BOARD OF DIRECTORS

During the year under review, the Board was chaired by Mr. Wang Liang. It consisted of three executive directors, four non-executive director and four independent non-executive directors. Names and other biographical details of the existing members of the Board are set out under the heading of "Directors' Profile". The Board assumes responsibility for the leadership and control of the Company and its members are collectively responsible for promoting the business of the Company by formulating the Group's overall strategies and policies, approving the business plans, evaluating the performance of the Group in pursuit of the Group's overall strategies and overseeing the management of the Group. The Board has established three committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee. The management of the Group is responsible for the day-to-day operations of the Group, and implementing the business strategies and plans formulated and approved by the Board.

All Directors have acted in good faith for the best interests of the Company and the stakeholders of the Company. Other than the statutory duties imposed on each of them, all of the Directors have exercised due care in monitoring the corporate matters of the Company and have provided grave concern, sufficient time and attention to all the significant issues and affairs of the Group.

Each of the independent non-executive Directors has made an annual confirmation to the Company concerning his or her independence pursuant to the Listing Rules. The Company considers that all the independent non-executive Directors meet the guidelines for assessing independence as set out in Rule 3.13 of the Listing Rules and are considered to be independent.

Set out below are details of directors' attendance of board meetings and general meeting in 2020:

Name of directors	Board meeting	General meeting
Executive Directors		
Wang Liang *(Chairman)*	13/17	1/1
Du Dong	17/17	1/1
Lo Yuen Wa Peter	17/17	1/1
Non-executive Directors		
Chen Hui	2/17	0/1
Tian Yuze (appointed on 7 April 2020)	13/17	1/1
Zhang Lele (appointed on 13 November 2020)	1/17	0/1
Jia Wenjei (appointed on 13 November 2020)	1/17	0/1
Independent Non-executive Directors		
Cheung Wing Ping	17/17	1/1
Ha Kee Choy Eugene	16/17	1/1
To Shing Chuen	16/17	1/1
Hu Guohua (appointed on 13 November 2020)	1/17	0/1

Save for regular Board meetings held during the year ended 31 December 2020, meetings of the Directors were held to discuss and transact other special businesses. The Board members are provided with appropriate and sufficient information in a timely manner to keep abreast of the Group's latest developments. All businesses transacted at the Board meetings are properly documented and recorded.

The Company provides directors with regular updates on changes to and developments of the Group's business, and on the latest developments in the laws, rules and regulations relating to directors' duties and responsibilities to help them make informed decisions and discharge their duties and responsibilities as directors of the Company.

Mr. Wang Liang is the son of Ms. Qiao Yanfeng, the substantial shareholder of the Company. Ms. Qiao is deemed to be interested in 150,000,000 shares of the Company. Save as disclosed herein, there is no relationship (including financial, business, family or other material/relevant relationships) among members of the Board.

CORPORATE GOVERNANCE REPORT

During the year under review, all directors have participated in continuous professional development to develop and refresh their knowledge and skills as listed company directors. All directors have provided the Company with their records of the training they received for the year. A summary of the records of their training is as follows:

Name of directors	**Type of continuous professional development programmes**
Executive Directors	
Wang Liang *(Chairman)*	A
Du Dong	A
Lo Yuen Wa Peter	A
Non-executive Directors	
Chen Hui	A
Tian Yuze (appointed on 7 April 2020)	A
Zhang Lele (appointed on 13 November 2020)	A
Jia Wenjei (appointed on 13 November 2020)	A
Independent Non-executive Directors	
Cheung Wing Ping	A
Ha Kee Choy Eugene	A
To Shing Chuen	A
Hu Guohua (appointed on 13 November 2020)	A

Notes:

A reading materials regarding updates on the Group's business and operation, finance, corporate governance or ethics and code of conduct

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of Chairman and Chief Executive Officer are separate and not performed by the same individual to avoid power being concentrated with any one individual. The main responsibility of Chairman is to lead the Board and manage its work to ensure that it effectively operates and fully discharges its responsibilities. The role of Chief Executive Officer has been performed collectively by all executive directors. The Board considers this arrangement allows contributions from all executive directors with different expertise and is beneficial to the continuity of the Company's policies and strategies and the interest of the Shareholders of the Company as a whole.

NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive directors an annual written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Board has reviewed their independence based on such confirmation and considers all of them remaining independent.

All non-executive directors are appointed for a specific term of not more than three years and are subject to retirement by rotation and re-election at the annual general meeting at least once every three years pursuant to the Company's Bye-laws.

BOARD COMMITTEES

The Board has set up the Executive Committee which comprises all executive directors on the Board. Under its terms of reference, the Executive Committee is responsible for overseeing the management and daily operations of the Group and any other matters delegated by the Board. In addition to the Executive Committee, the Board has set up the Audit Committee, the Remuneration Committee and the Nomination Committee. The Board does not have a Corporate Governance Committee and its functions would be carried out by the Board as a whole.

All committees of the Board have specific terms of reference clearly defining their respective powers and responsibilities. All committees are required by their terms of reference to report to the Board in relation to their decisions or recommendations. Through participating in the Company's board meetings and committees meetings, attending general meetings, and participating in continuous professional development, all directors are able to make contribution required from them to the Board and to the development of the Company.

AUDIT COMMITTEE

The Audit Committee currently comprised three independent non-executive directors, Mr. Cheung Wing Ping, Mr. Ha Kee Choy Eugene and Mr. To Shing Chuen and two of whom has the appropriate professional qualifications, or accounting or related financial management expertise. It is chaired by Mr. Ha Kee Choy Eugene. The principal responsibilities of the Audit Committee are to review the relationship with the auditors of the Company; review the financial information of the Group and oversee the Group's financial reporting system, internal control procedures and risk management system. The major roles and functions of the Audit Committee are set out in the terms of reference which include duties specified in the CG Code and are posted on the Company's website and on the Stock Exchange's website.

The Audit Committee held 2 meetings during the year ended 31 December 2020. Details of the attendance of the committee members are as follows:

Committee Members	Attendance
Mr. Ha Kee Choy Eugene	2/2
Mr. Cheung Wing Ping	2/2
Mr. To Shing Chuen	2/2

The major work performed by the Audit Committee during the year ended 31 December 2020 included, amongst other things, the following:

- reviewing the annual results of the Group for the financial year ended 31 December 2020 with the conclusion that the preparations of such results have been complied with the applicable accounting standards;
- reviewing the interim results of the Group for the six months ended 30 June 2020; and
- reviewing the effectiveness of the Group's internal control systems and procedures and risk management system.

REMUNERATION COMMITTEE

The Remuneration Committee currently comprised two executive directors, Mr. Wang Liang and Mr. Du Dong, and three independent non-executive directors, Mr. Cheung Wing Ping, Mr. Ha Kee Choy Eugene and Mr. To Shing Chuen. It is chaired by Mr. To Shing Chuen. The principal responsibilities of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and members of the senior management of the Company and to determine the specific remuneration packages of all executive Directors and members of the senior management of the Company. The major roles and functions of the Remuneration Committee are set out in the terms of reference which include duties specified in the CG Code and are published on the Company's website and on the Stock Exchange's website.

The Remuneration Policy for executive directors of the Company is determined with reference to the Group's operating results, duties and level of responsibility of the executive directors and the prevailing market conditions which are reviewed annually in order to provide remuneration and compensation packages competitive to attract, retain and motivate high quality executives to serve the Group. The fee for non-executive directors is determined with reference to each of their duties and level of responsibility with the Company and is reviewed on an annual basis.

During 2020, the Remuneration Committee has assessed the performance of the executive directors, reviewed and discussed, among other matters, the remuneration packages of existing directors, the remuneration of the non-executive directors, the existing share option scheme and the retirement benefit scheme. It has also reviewed the Remuneration Policy and its implementation. Being given the delegated responsibility, the Remuneration Committee has also determined the remuneration packages of the executive directors of the Company.

The Remuneration Committee held 5 meetings during the year ended 31 December 2020. Details of the attendance of the committee members are as follows:

Committee Members	**Attendance**
Mr. Wang Liang	5/5
Mr. Du Dong	5/5
Mr. Ha Kee Choy Eugene	5/5
Mr. Cheung Wing Ping	5/5
Mr. To Shing Chuen	5/5

The remuneration of the Directors, being the senior management of the Company, by band for the year ended 31 December 2020 is set out below:

Remuneration band	**Number of persons**
Not more than HK$1,000,000	9
HK$1,000,001–HK$2,000,000	2

Particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in notes 9 and 10 to the financial statements in this annual report, respectively.

NOMINATION COMMITTEE

The Nomination Committee currently comprised two executive directors, Mr. Wang Liang and Mr. Du Dong, a non-executive director, Mr. Chen Hui, and three independent non-executive directors, Mr. Cheung Wing Ping, Mr. Ha Kee Choy Eugene and Mr. To Shing Chuen. It is chaired by Mr. Wang Liang. The major roles and functions of the Nomination Committee are set out in the terms of reference which include duties specified in the CG Code and are posted on the Company's website and on the Stock Exchange's website.

The Nomination Policy for directors is formulated with reference to the skills and experience of the Board appropriate for the requirements of the Group's business. The Nomination Committee will review the Board's structure, size and composition (including the skills, knowledge and experience) and diversity. It will assess the independence of independent non-executive directors. It will also make recommendations on any proposed changes to the Board to complement the Company's corporate strategy, and make recommendations on the appointment or re-appointment of directors and succession planning for directors, including the Chairman as appropriate. It is responsible for identifying individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships.

The Nomination Committee held 2 meetings during the year ended 31 December 2020. Details of the attendance of the committee members are as follows:

Committee Members	Attendance
Mr. Wang Liang	2/2
Mr. Du Dong	2/2
Mr. Chen Hui	0/2
Mr. Ha Kee Choy Eugene	2/2
Mr. Cheung Wing Ping	2/2
Mr. To Shing Chuen	2/2

The Company has adopted a Board Diversity Policy setting out the approach to achieve a diverse Board. Taking into account factors including the size of the Board, its composition of executive and non-executive directors, and the Company's principal activities and needs, selection of candidates shall be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE FUNCTION

The Board does not have a Corporate Governance Committee. The functions that would be carried out by a Corporate Governance Committee are performed by the Board as a whole and are as follows:

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

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

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

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

5. to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

The Corporate Governance Policy is formulated with an emphasis on the Board's quality, effective internal control, stringent disclosure practices and transparency and accountability to all shareholders of the Company. The Board strives to comply with the code provisions and reviews its Corporate Governance Policy regularly in order to maintain high standards of business ethics and corporate governance, and to ensure the full compliance of our operations with applicable laws and regulations.

During the year, members of the Board have reviewed and discussed, among other things, the Company's policies and practices on corporate governance at board meetings. They have also reviewed and monitored the training and continuous professional development of directors, and the Company's policies and practices on compliance with legal and regulatory requirements as well as its disclosure in the Corporate Governance Report. The Board has reviewed the code of conduct applicable to employees and directors setting out the standards of behaviour that the Company expects from them and the guidelines on how they should handle different situations in business dealings with the Group.

INDEPENDENT AUDITORS' REMUNERATION

During the year under review, the remuneration paid/payable to the Company's independent auditors, Moore Stephens CPA Limited amounted to a total of HK$1.8 million, of which HK$1.5 million was for audit services and HK$0.3 million was for non-audit services including tax and consultancy services.

COMPANY SECRETARY

The Company's Company Secretary was appointed on 18 April 2017 and she has undertaken not less than 15 hours of relevant professional training during 2020.

SHAREHOLDERS' RIGHTS

The following is a brief summary of certain rights of shareholders, which are subject to applicable laws and regulations, including without limitation, the Companies Act 1981 of Bermuda (as amended from time to time), the Listing Rules and the Company's Bye-laws.

1. Convening special general meeting

Members of the Company may, by a written requisition, require the directors of the Company to convene a special general meeting ("SGM") for the transaction of any business specified in such requisition. A valid requisition may be made by a member or members of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company which at that date carries the voting rights at general meetings of the Company. The requisition must state the purpose(s) of the requisitioned SGM, and must be signed by the requisitionist(s). The requisition may consist of several documents in like form each signed by one or more requisitionists, which must be deposited at the Company's registered office in Bermuda at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. To ensure that it is received by the Company at the earliest opportunity, a copy of the signed requisition may also be deposited at the Company's principal place of business in Hong Kong at 12/F, Kwan Chart Tower, 6 Tonnochy Road, Wan Chai, Hong Kong, for the attention of the Board or the Company Secretary.

If the directors fail to proceed to convene an SGM within 21 days from the date of deposit of the requisition, the requisitionist(s) (or any of them representing more than one-half of their total voting rights) may himself/themselves convene an SGM, which must be held within 3 months of the date of deposit of the requisition. The SGM must be convened by the requisitionist(s) in the same manner as nearly as possible as that in which the SGM is to be convened by the directors. The requisitionist(s) is/are entitled to be repaid any reasonable expenses he/they incur(s) as a result of the failure of the directors duly to convene an SGM. These expenses will be payable by the Company and any sum so repaid shall be retained by the Company out of any sums due or to become due from the Company by way of fees or other remuneration to such defaulting directors in respect of their services.

2. Putting forward proposals at shareholders' meetings

Members of the Company may by a written requisition and at their expense (unless the Company otherwise resolves) require the Company to:

(a) give to members of the Company entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at the next annual general meeting of the Company; and/or

(b) circulate to members of the Company entitled to receive notice of any general meeting any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that general meeting.

A valid requisition may be made by either:

(a) any number of members of the Company representing not less than one-twentieth of the total voting rights of all the members having at the date of the requisition the right to vote at the meeting to which the requisition relates; or

(b) not less than 100 members of the Company.

The requisition signed by the requisitionists (or two or more copies which between them bear the signatures of all the requisitionists) must be deposited at the Company's registered office in Bermuda at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. To ensure that it is received by the Company at the earliest opportunity, a copy of the signed requisition may also be deposited at the Company's principal place of business in Hong Kong at 12/F, Kwan Chart Tower, 6 Tonnochy Road, Wanchai, Hong Kong, for the attention of the Board or the Company Secretary and,

(a) in the case of a requisition requiring notice of a resolution to be moved at an annual general meeting, not less than 6 weeks before the annual general meeting; and

(b) in the case of any other requisition, not less than one week before the general meeting.

The requisitionists must deposit or tender with the requisition a sum which is reasonably sufficient to meet the Company's expenses in giving effect to the requisition.

3. Proposing a person for election as director

Shareholders may propose a person for election as director, the procedures for which are available on the Company's website in the section of "Corporate Governance" under the column of "Investor Relationship".

4. Sending enquiries to the Board

Shareholders may send any enquiries to the Board by mail, email or telephone to the Company Secretary, whose contact details are as follows:

Address:	12/F, Kwan Chart Tower, 6 Tonnochy Road, Wanchai, Hong Kong
Email:	chinatouyun@chinatouyun.com.hk
Telephone:	+852 2270 7200

INVESTOR RELATIONS

The Company has adopted a Shareholders Communication Policy. The use and effectiveness of such policy are monitored and reviewed regularly by the Board. The Company recognises the importance of shareholders' privacy and therefore will not disclose shareholders' information without their consent, unless required by law to do so. To achieve equal access to information on the Company's latest major developments, measures have been taken to ensure all necessary information and appropriate updates are made available to investors in a timely manner through the Company's website in the section of "Corporate Governance" under the column of "Investor Relationship". In addition to financial reports, all announcements and circulars of the Company including results announcements, notices of general meetings and associated explanatory documents released by the Company to the Stock Exchange are posted on the Company's website. Shareholders should direct their questions about their shareholdings to the Company's share registrars. For enquiries about the information of the Company, shareholders may contact the Company Secretary, whose contact details are set out under the heading of "Sending enquiries to the Board" above. Shareholders are encouraged to participate in the Company's general meetings where members of the Board will be available to answer their questions.

The Company's constitutional documents are made available on the Company's website in the section of "Corporate Governance" under the column of "Investor Relationship" and on the Stock Exchange's website. There was no significant change in them during the year under review.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives and maintaining appropriate and effective risk management and internal control systems. The Company has maintained an internal audit function which forms part of the permanent establishment of the Group and is internally resourced and staffed by qualified accounting personnel with suitable experience.

The internal audit function monitors the adequacy and effectiveness of the risk management and internal control systems established within the Company and its subsidiaries for safeguarding assets against unauthorized use, for maintaining proper accounting records, and for ensuring the reliability of financial information. Functional reporting and financial reporting procedures appropriate to the business of the Company's subsidiaries are established for application within the Group. These procedures are designed to enable timely and reliable functional and financial reporting by subsidiaries of the Group and to provide reasonable assurance against material misstatement, errors, losses or fraud. The work of the internal audit function is generally focused on identifying, monitoring and reporting on major risks faced by the Group, including those related to business operations, compliance with laws and regulations and financial reporting. The review of risk management and internal control systems is conducted on an ongoing basis by the internal audit function. The Board is responsible for ensuring that recommendations made by the internal audit function are properly implemented.

The Board recognizes that the Group's internal control system plays a key role in both the management of risks and the assurance of continued compliance with laws and regulations by the Group. The Audit Committee has kept under review the Group's risk management and internal control systems. During the year, the Company has also engaged a professional party to conduct a review of internal controls of business cycles of its packaging products business and QR code business. The review covers material controls, including financial, operational and compliance controls and risk management functions of the Group. No material internal control defect was noted in the review. Based on its review, the Audit Committee will advise the Board on the adequacy of the Group's risk management and internal control systems, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

The Board considers that the Group has complied with the provisions on risk management and internal controls as stipulated in the CG Code. The Board is satisfied that the Group's risk management and internal control systems including financial, operational and compliance controls and risk management functions as appropriate to the Group have been put in place.

RISKS AND UNCERTAINTIES

The Group is generally operating in an ever-changing business and economic environment. Both QR codes business and packaging products manufacturing business are affected by consumer markets which are volatile and fragile combined with rising labour costs in Mainland China. Volatility in the securities market may also affect the Company's shares investments, resulting in unrealised and realised loss. Market risk for changes in interest rates will affect loans receivable and interest-bearing borrowing. In addition to market risks, the Company is also subject to foreign currency risk, credit risk, liquidity risk and capital risk in the normal course of the Group's business. Particulars of financial risk management of the Company are set out in note 42 to the financial statements.

CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

The Group continues to commit to comply with the relevant laws and regulations such as the Companies Act 1981 of Bermuda, Hong Kong Companies Ordinance Cap 622, Listing Rules, and laws and regulations implemented by relevant jurisdictions. The Company believes the existing laws and regulations do not have any significant effect on the Group's activities during the year ended 31 December 2020.

ENVIRONMENTAL POLICIES

The Group has developed environmental policies for operating safely and reducing our environmental footprint. Ongoing focus on the health, safety and wellbeing of its employees is the Group's commitment to sustainable future. The Group has fully supported employees who observe the environmental policies and take care of environment.

The Group constantly improves the awareness of employees with respect of energy saving, and reducing resources consumption and recycling of scrap materials. To reduce electricity consumption, lighting equipment are switched off and replaced with energy efficient ones. Staff is reminded that documents are not printed unless it is necessary, printed papers are reused and two-sided printing is encouraged. Scrap materials are undertaken to recycle in use of production. Sewage collection and treatment has been established in the factory to control water pollution.

RELATIONSHIP WITH KEY STAKEHOLDERS

The Group recognizes that our employees, customers and business associates are key elements for our commitment to a resilient and sustainable business. The Group endeavours to provide a safe workplace, where employees are treated with respect and have the potential to grow in their careers. The Group also endeavours to provide consistently high quality and large range of products and services to customers delivered in quick response. With the building of partnership atmosphere, the Group has developed a long- term relationship of loyalty and trust with suppliers and professional bodies, leading to improved products and work together to share best practices.

INSIDE INFORMATION

The Company has adopted a Disclosure of Inside Information Policy. It sets out a framework for the release and control of inside information to ensure that the Company is able to meet its legal and regulatory obligations and requirements as a listed corporation. The Board is generally responsible for ensuring that the Group complies with its disclosure obligations regarding inside information and has established a disclosure group comprising certain directors and management to assist it in determining whether any particular information is inside information and overseeing and coordinating disclosure of inside information of the Group. Inside information should be disclosed by way of an announcement in accordance with the requirements of the Securities and Futures Ordinance (the "SFO") and the Listing Rules. Before relevant information is fully disclosed to the public, the disclosure group will help the Board to ensure that such information is kept strictly confidential.

DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

The Board acknowledges that it is responsible for the preparation of financial statements of the Group and for ensuring that financial statements are prepared in accordance with statutory requirements and applicable accounting standards. The Board also ensures the timely publication of financial statements of the Group. The directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any other material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The independent auditors opinion is not modified in respect of these matters and the statement of the independent auditors of the Company, Moore Stephens CPA Limited, about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 64 to 67.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

This report is the fifth Environmental, Social and Governance ("ESG") Report published by China Touyun Tech Group Limited (the "Group", or "We") to disclose the related performance of the Group on Environmental, Social and Governance issues. For corporate governance section, please refer to the report headed under "Corporate Governance Report".

REPORTING GUIDE AND SCOPE

This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Listing Rules on the Main Board of The Stock Exchange of Hong Kong Limited, with reference to the core option of the Global Reporting Initiative's Sustainability Reporting Standards, and based on the actual situation of the Group. This report is based on the reporting principles of "Materiality", "Quantitative", "Balance" and "Consistency" and the data is presented on a year-on-year basis after analysis for comparison by readers.

REPORTING BOUNDARY

This report focuses on the disclosure of the environmental and social performance of the Group for the period from 1 January 2020 to 31 December 2020. Unless otherwise stated, the content of this report covers the Group's packaging products business in Zhongshan, QR codes business in Shanghai and Beijing.

REPORTING PERIOD

The reporting period is the financial year starting from 1 January 2020 to 31 December 2020.

STAKEHOLDER ENGAGEMENT

The Group attaches great importance to effective communication with stakeholders. Through different channels, we listen to the voice of different stakeholders such as customers, employees, suppliers, investors and community, understand the demands of stakeholders, actively respond to their concerns, and maintain ongoing communication. Set out below is a list of stakeholders and their concerns, communication channels and the corresponding actions taken by the Group during the year.

Stakeholders	Issues of concern	Communication channels	Actions taken by the Group in 2020
Customers	• Environmental Protection • Quality Assurance • Customer Satisfaction • Data Protection • Integrity	• Customer Satisfaction Survey • Official Website • Press Releases • Regular Review on the Updates of Laws and Regulations of Environmental Protection Department	• Improving "One-stop Marketing Solution" • Accredited with International Certification • Quality Control • Anti-corruption Training
Employees	• Health and Safety • Training and Development • Welfare	• Training • Medical Examination • Internal Communication	• Provision of Occupational Development and Safety Training • Fair and Equal Treatment of Every Employee • Diversified Employee Activities
Suppliers	• Procurement of Raw Materials • Integrity	• Regular Examination	• Formulated Social Responsibility Guidelines for Suppliers • Conducted Supplier Assessment
Shareholders/ Investors	• Company Operation • Corporate Governance • Risk Management • Intellectual Property Protection • Compliance	• Annual General Meeting • Financial Report • ESG Report	• Applied for 9 Copyrights and Registered 1 Computer Software Copyright • Established Internal Policies to Protect Intellectual Property Rights
Community	• Community Investment	• Volunteers • Caring for Community Activities • Voluntary Donation	• Donated RMB5,000 • Participated in Public Welfare and Charity Activities

ENVIRONMENTAL PROTECTION

We are committed to the operation and management of sustainable development. We take corresponding measures in environmental management, resource consumption and waste disposal to achieve resource conservation, environmental protection and low-carbon operation and mitigate the impacts of the Group's operation on the environment.

Environmental Management

The Group strictly complies with all applicable environmental laws and regulations, and continues to organize business activities in a sustainable manner, striving to reduce the impact of our operation on the environment. We have established an "Environmental Management System" to improve the efficiency of resource utilization and proper management of waste discharge. In particular, our plant in Zhongshan formulated an "Environmental Management Manual" to minimize the pollution and damage to the environment while ensuring the production of products, and to clarify the structure of environmental management and the responsibilities of employees at all levels to ensure the implementation of environmental protection policies.

Environmental Management System of Plant in Zhongshan

- The general manager is responsible for formulating, revising and reviewing the environmental management policies, convening regular environmental, health and safety review meetings, and allocating resources such as human resources, technology and financial resources to ensure the efficient operation of the environmental management system. In addition, the general manager and deputy general manager review the environmental management system at least once a year to ensure the continued applicability, adequacy and effectiveness of the system.

- The person in charge of environmental management is required to report the implementation of environmental management work to the general manager, and regularly review the progress of environmental objectives.

- The Human Resources Department is responsible for organizing all departments to identify environmental factors, conducting semi-annual inspection on the objectives, indicators and plans of each department, making timely rectification and preventive measures, and minimizing the negative impact on the environment during operation.

- The administration department is responsible for organizing and setting environmental objectives, updating and identifying environmental laws and regulations and other requirements in a timely manner, and ensuring the compliance of the operation of the Group.

On this basis, all departments of the Group actively cooperate and strive to implement the environmental management policy by breaking down the rectification policy, setting objectives, reviewing indicators, implementing operation control, supervision and inspection, and making real-time adjustments. At the same time, all departments are required to strictly comply with the confirmed environmental laws and regulations.

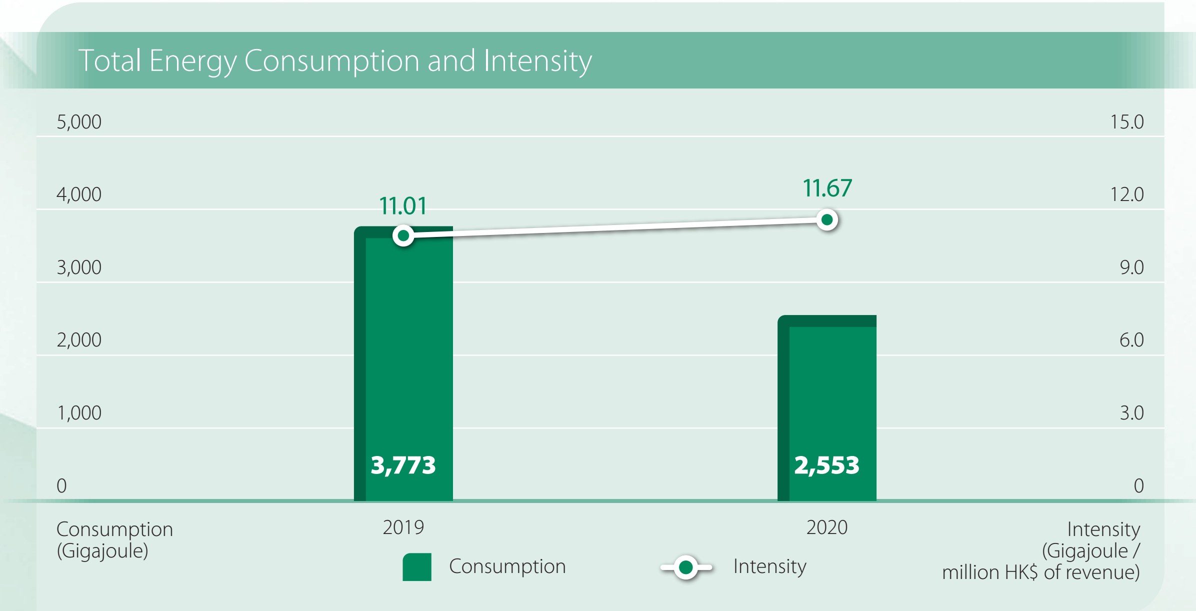
Resources Management

In order to effectively improve the control over energy, water and packaging materials consumption of the Group, and continuously improve production efficiency, save resources and reduce expenditure, we have formulated corresponding policies to control resource consumption.

Energy Consumption

In order to actively respond to the national call for energy conservation and emission reduction and strive to work on energy consumption reduction, the Group monitors internal energy consumption with an efficient monitoring mechanism and formulates annual plans based on the actual situation of the Group. The Group further revised the energy conservation management system, and sorted out and ensured the implementation of measures according to the current production and operation situation. We produce energy-saving and consumption-reducing banners and paste them in the plan, setting up a column for energy conservation and consumption reduction, conducting energy conservation and consumption reduction guidance for media and publicity work, carrying out training on energy conservation and consumption reduction to create a positive atmosphere for the work of energy conservation and consumption reduction.

In 2020, the main resources consumed by the Group are electricity and gasoline, which are used for vehicle transportation, office premises and factory operation, respectively. During the year, the total energy consumed by the Group was 2,553 GJ, representing a decrease of approximately 32% as compared with 2019, and the energy consumption intensity was 11.67 GJ/million HK$ of revenue.

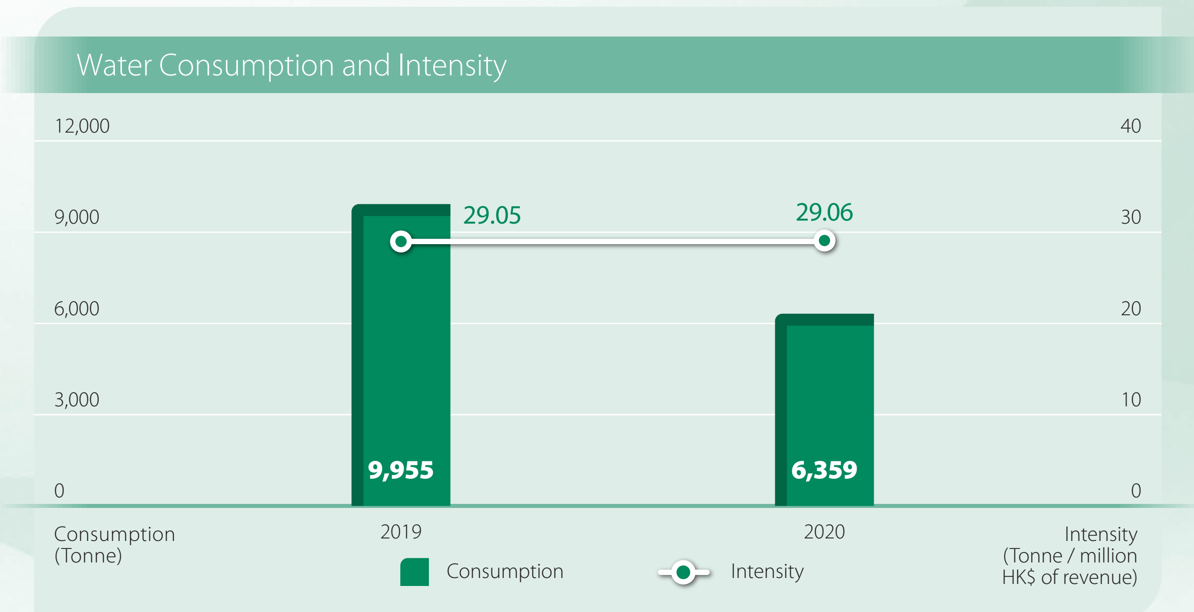


Greenhouse Gas Emission

The Group continuously monitors and measures carbon emissions in our operations to effectively implement the emission reduction policy. During the year, the greenhouse gas emissions of the Group amounted to approximately 501 tCO_2e, of which Scope 1 (direct emission) mainly comes from the use of vehicles, with emission of approximately 42 tCO_2e; Scope 2 (indirect emission) mainly comes from electricity consumption , with emission of 459 tCO_2e. Total greenhouse gas emissions decreased by approximately 31% as compared with 2019, with an emission intensity of 2.29 tCO_2e/million HK$ of revenue.

Water Resources Management

The Group's water consumption is mainly divided into domestic water and industrial water. During the year, the Group consumed about 6,359 tonnes of water resources, representing a decrease of 36% as compared with 2019, and the water consumption intensity was 29.06 tonnes/million HK$ of revenue.



The Group actively adopts various water-saving measures to strengthen water resources management and save the use of water resources.

- **Analysis and excavation of projects with greater water-saving otential according to the water usage status of the Group**
- **Strengthen water management, reduce consumption as much as possible, and gradually realize the recycling of water**
- **Cultivate employees' awareness of water conservation, such as posting water-saving labels, set quota for the use of various types of water, and implement bonus and punishment system, etc**

Packaging materials

In order to reduce packaging waste consumed in the production process, we try to use less packaging or use recyclable packaging. The Group mainly uses packaging materials such as plastic bags and carton boxes in our operations. During the year, the Group consumed approximately 24 tonnes of plastic bags and 180 tonnes of carton boxes, representing a significant drop compare with that in 2019 due to decline of orders. The Group reduces the consumption of packaging materials from multiple dimensions, including using plastic transfer boxes for multiple times, using online platforms to reduce paper waste, tracking the packaging by using QR code for sorting, recycling and reuse, and changing the design to reduce the use of materials.

Packaging materials (Tonne)			
	2019	**2020**	**Change (%)**
Plastic bags	78.64	24.32	–69%
Carton boxes	315.7	180.0	–43%

Emissions Management

With reference to the new version of ISO9001:2015/ISO14001:2015 standard, the Group adheres to the internal "Environmental Operation Control Procedures" to effectively monitor and control the environmental factors in the operation process, so as to ensure that exhaust gas, wastewater and waste disposal meet the requirements of the corresponding standards and regulations.

During the year, the Group was not aware of any non-compliance with laws and regulations[1] that have a significant impact on the Group relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

1 For the relevant laws and regulations, please refer to the section "Laws and Regulations"

Air Emissions

The air pollutants generated by the vehicles of the Group are sulphur oxides (SOx), nitrogen oxides (NOx) and suspended particulate matter (PM), which represent 0.23 kg, 7.61 kg and 0.56 kg, respectively. We reduce the use of vehicles by encouraging employees to use public transportation to reduce air emissions.

Air Emissions (kg)			
	2019	**2020**	**Change (%)**
Sulphur oxides (SOx)	0.39	0.23	–41%
Nitrogen oxides (NOx)	12.59	7.61	–40%
Suspended particulate matter (PM)	0.93	0.56	–40%

Sewage Treatment

The Group's sewage discharge includes industrial sewage and domestic sewage. In respect of industrial sewage, the Group established a comprehensive sewage management procedure, under which the Administrative Department manages and repairs the relevant facilities of the underground pipe network for sewage discharge and applies for sewage discharge. The Electrical Engineering Maintenance Department is responsible for managing and inspecting the daily sewage discharge, and repairs and maintains the relevant treatment equipment. Through cross-departmental cooperation, the sewage discharge volume of the Group is minimized and environmental pollution is reduced.

In terms of domestic sewage, the Group discharges sewage through the municipal sewage pipe network into the sewage treatment plant for centralized treatment. Meanwhile, the Group also strengthens the maintenance of underground pipeline networks and pools, timely inspects the emissions and cleans up regularly.

Waste Disposal

The wastes generated in the production and operation of the Group are mainly classified into three categories: general wastes, including scrapped materials such as iron and paper; hazardous wastes, such as waste engine oil, halftone and activated carbon; and domestic wastes.

General Waste

Each department should collect the general waste by categorization, and store in a designated place. For those recyclables, each department shall implement cost-saving measures, and recycle reasonably, send useful resources to recycling centre for central proccessing.

Hazardous Waste

For hazardous waste, the management department established a "List of Hazardous Solid Waste", carried out monitoring and management of hazardous waste. Each department is required to strengthen its supervision, separate and label hazardous waste, and send to qualified entity for handling. Self-handling or entrusting unqualified entities is prohibited.

Domestic Waste

According to the relevant national laws and regulations, domestic waste shall be stored and collected by categorization, and shall be processed centrally by environmental protection department.

Noise Control

The Group strictly complies with the "Emission Standard for Industrial Enterprises Noise at Boundary" (GB12348) in order to control the operating noise of various production equipment and facilities. In order to reasonably reduce noise, the Group selects low-noise equipment and adopts such measures as vibration and noise reduction in workshops to provide employees with a good working environment and protect their health. At the same time, the maintenance of equipment in the plants is strengthened to reduce unnecessary friction and vibration, so that it is in good operating condition. Each department reasonably arranges working hours to reduce frequent equipment start-up. The Group also established a clear accountability system and took preventive measures to reduce noise.

Environmental Emergency Management

In order to strengthen the ability to deal with emergencies, maintain production safety, our factory in Zhongshan has set up a working group for environmental emergencies, as well as the subordinate risk elimination group, logistics insurance group, communication and liaison group, etc., to provide unified direction for emergencies. At the same time, the working groups are required to implement the work requirements, formulate emergency plans, organize emergency drills on a regular basis, and conduct on-site command and handling of emergencies, and put forward solutions in a timely manner.

Our emergency response work adheres to people-oriented, prevention-oriented and comprehensive management principle. We continuously strengthen the inspection, supervision and management of hazardous sources, establish a prevention system, control and eliminate hidden dangers in a timely manner, improve the ability to prevent and handle environmental incidents, and maximize the protection of employees' life and property safety. We adhere to unified leadership, management by categorization and response by group, continuously strengthen collaboration between departments, give full play to professional advantages for different issues, and implement different governance measures. Leveraging on a comprehensive system, the production order will be quickly restored in case of emergency, and the environmental safety assessment will be conducted in a timely manner to ensure the accident is properly handled.

- **Notify relevant departments and employees, activate emergency response command system, check equipment and understand rectification**
- **Notify on-site risk elimination group and emergency monitoring and inspection group to arrive as soon as possible, and bring necessary equipment for inspection staff**
- **Handle emergency by on-site risk elimination group and emergency monitoring and inspection group, report on-site situation and arrangements**
- **Identify reasons of incidents after screening in a timely manner, summarise the lesson learnt from incidents**

General Procedures for Emergency Response

ANTI-CORRUPTION

The Group adheres to lawful and compliant operation, and vigorously investigates improper dealings and commercial bribery of employees and partners, and adopts a zero-tolerance attitude towards any form of corruption, including bribery, extortion, fraud and money laundering.

To effectively regulate business conducts, all employees of the Group are required to comply with the "Code of Conduct on Employees' Integrity" and the "Code of Conduct for Directors and Employees", which stipulates that employees shall not accept gifts and cash, and strictly prohibits illegal trading activities such as accepting bribes, repaying debts and rebates. We firmly oppose unfair competition and strive to create a fair, transparent and win-win business environment. All employees, including directors and management, are also required to sign the "Policy on Employees' Concerns on Improper Conduct" and the "Letter of Commitment to Legal Compliance and Employees' Commitment", and regularly receive anti-corruption training to improve employees' awareness of integrity.

In addition to internal employees, the "Code of Conduct on Employees' Integrity" demonstrates to suppliers the anti-corruption stance of the Group and regulates the integrity and self-discipline of suppliers and employees in the dealings with business, so as to ensure that all business cooperation of the Group is based on the principles of honesty, fairness and fairness, and to create an open and transparent competitive environment for suppliers.

At the same time, the Group has set up a smooth complaint and reporting channel to encourage employees and other insiders to participate in the construction of a transparent integrity supervision system, and actively report violations of laws and regulations such as corruption, fraud and money laundering, and acts that violate the rules and regulations of the Group and damage its interests. During the year, the Group was not aware of any non-compliance with laws and regulations[2] that have a significant impact on the Group relating to bribery, extortion, fraud and money laundering and was not involved in any corruption cases.

2 Please refer to the section headed "Laws and Regulations" for the relevant laws and regulations.

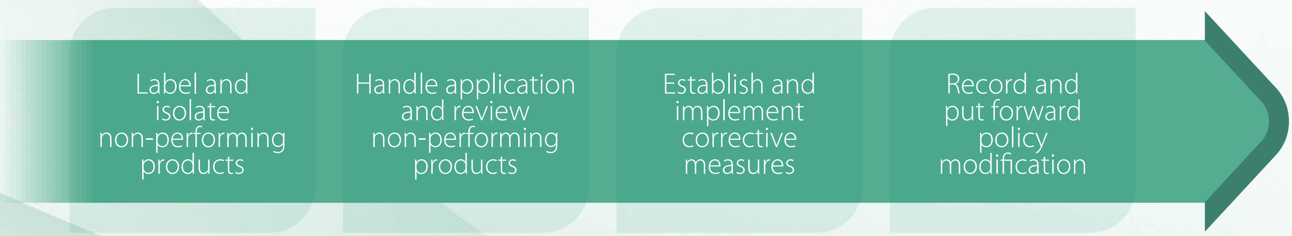
QUALITY ASSURANCE

Product quality is the lifeline of corporate development. The Group attaches great importance to product quality, continuously upgrades its products, integrates the concept of "Quality Priority" into the quality management of the Group, and is committed to providing customers with high-quality and stable products and services.

Quality Management

The Group has passed the quality management system ISO9001: 2015 and CMMI[3] certification, and strictly complies with and continuously improves the quality management system in all aspects of production and operation to ensure the standardization of research and development, procurement, sales and service processes and product quality and reliability. We collect statistics on the achievement rate of product quality targets, conduct in-depth analysis of product problems, find out the root causes behind the problems, and promote system improvement. Each year, the general manager and the deputy manager are responsible for formulating and implementing the overall quality policies and quality objectives of the factory, and conducting regular random inspection of products to further improve design accuracy and development quality.

Internal policies such as "Control Procedures for Non-performing Products" and "Control Procedures for Corrective and Preventive Measures" were formulated for QR code business to deal with non-performing products. Inspectors are required to identify and isolate non-performing software products, fill in relevant forms and submit them to the inspectors approved by the general manager for review, and then carry out rework, retirement or return to suppliers. The Legal and Internal Control Department reviews the effectiveness of the relevant measures and determines the responsible departments, analyzes the sources of non-compliance and revises the internal policies to prevent the recurrence of similar incidents.



Procedures for Control of Non-conforming Products

Packaging products business in Zhongshan has established a comprehensive quality management system, applied industry-leading production technology and production technics, adhered to the principle of pursuing excellence, and strictly controlled product quality. At the same time, packaging products business in Zhongshan has also set product quality targets, which were separated and distributed to various departments, and regularly reviewed the achievement of the targets.

During the year, the Group was not aware of any non-compliance with laws and regulations that have a significant impact on the Group relating to health and safety, labelling and privacy matters relevant to products and services provided and methods of redress. Our business does not involve advertising matters, which do not have a significant impact on the operations of the Group.

3 CMMI3 refers to Capability Maturity Model Integration Level 3, a quality management and quality assurance standard developed by the American Software Engineering Institute for software products.

Product Innovation

We continue to develop scientific, technological and design solutions and adopt higher standards to create high-quality products. Guided by market demand and based on research and development and innovation, we continue to increase our investment in research and development, and make use of theoretical innovation, technological innovation and operational innovation to create more possibilities for the future development of the Group. We continued to improve the one-stop marketing solution of QR code business to provide more convenient and tailor-made services for enterprises.

One-stop marketing solutions

Anti-Counterfeiting Traceability	Based on the IoT technology, we provide traceability information for the entire supply chain from raw materials, collection, production, packaging, logistics to sales by using radio-frequency electronic coiling and QR code technology.
Personalized Marketing	We develop tailor-made code-scanning marketing campaigns for enterprises. Through scanning QR codes on mobilephones, consumers will be able to connect quickly both online and offline, and easily participate in brand marketing activities such as bonus points and lucky draws.
QR Codes for Business	Two QR codes are provided for each product. Consumers obtain corporate marketing and promotional information by scanning the light code and receive incentive from corporate marketing activities by scanning the dark code.
Big Data Analytics	It provides an integrated consumer big data analysis platform for enterprises to track sales data such as mobile phone consumers' preference for products, distribution regions and purchasing behavior. Real-time cloud database provides a true and reliable basis for marketing strategies.
Sales Process Management	We assist enterprises to realize electronic monitoring and management throughout the sales process, connect online and offline supply chain, and improve real and stable data for optimizing production process and reducing logistics and labor costs. The Group will realize the connection between brands, consumers and end-users, stabilize market prices and achieve a new O2O arketing model.

Protection of Intellectual Property

The Group respects and protects intellectual property rights, strictly complies with national laws and regulations[4] related to intellectual property rights, and has established internal policies such as the "Intellectual Property Management System", the "Customer Property Management Procedures" and the "Source Code Management Regulations" to protect the unique research and development results of the Group.

In the event of any infringement of the Group's patents, we will seek legal liability and require the other party to compensate or pay intellectual property fees to protect our legitimate rights and interests of. During the year, QR code business in Shanghai and Beijing applied for a total of 9 copyrights, of which 3 had obtained certificates and registered 1 computer software copyright.

[4] Please refer to the section headed "Laws and Regulations" for the relevant laws and regulations.

CUSTOMER SATISFACTION

We continuously make targeted improvement from the perspective of our customers to continuously improve customer satisfaction. Through an in-depth analysis of the strengths and weaknesses of the Group's operations and services, we expect to deliver better services to exceed customer expectations and increase revenue.

Customer Privacy

We attach great importance to customer privacy, strictly protect customer information, and guide all employees to handle customer information appropriately. Employees are required to collect customer information in a proper and fair manner within the scope of business. Meanwhile, customer information can only be used to develop and provide better products, services and technologies. Unless otherwise agreed by customers or required by law, the Group prohibits the disclosure or provision of customer information to third parties.

The Group requires employees to sign a "Confidentiality Agreement" when they join the Company to ensure that the information of customers and business is not disclosed. In addition, we have obtained ISO27001: 2013 Information Security Management System Certification to ensure our data information is properly protected.

Customer Satisfaction Survey

In order to meet the different needs of our customers, we actively listen to customers' ideas and give feedback to complaints and suggestions, and strengthen the communication services with customers. Packaging products business in Zhongshan has a "Customer Complaint Handling Process" and sets a target of achieving customer satisfaction of 90% or above. The complaint handling process clearly states that upon receiving customer complaints, the relevant department will analyze the cause, formulate and implement response and preventive measures, solve the problem and avoid the recurrence of similar incidents. During this process, relevant departments maintain communication with customers, respect and accept their opinions.

At the same time, we also collect customer evaluation through questionnaires, among which, the QR code business in Shanghai and Beijing has established the "Customer Satisfaction Measurement Procedures" to evaluate the customers satisfaction every year, understand the customer's evaluation and satisfaction on the Group's products, services, delivery speed and other aspects, and analyze the results. When the customer satisfaction is close to or below the standard, we will identify the main reason and implement the "Control Procedures for Corrective and Preventive Measures" formulated to thoroughly investigate the abnormal situation in terms of labelling and equipment and make corresponding improvement .

In 2020, the customer satisfaction analysis report of QR code business in Shanghai and Beijing reflected that the average customer satisfaction rate reached 90%. The Group optimizes internal procedures and systems in a timely manner based on customers' feedback, and continues to carry out actions to improve customer satisfaction, in order to provide customers with services that beyond their expectations.

SUSTAINABLE SUPPLY CHAIN

The Group attaches great importance to the quality of raw materials and the procurement process. Suppliers for products packaging and QR code business are screened with strict standards and we work with suppliers to adopt sustainable development measures to achieve sustainable development.

Supplier Management

The Group has established a supply chain safety management system to guide suppliers to adopt sustainable development measures through procurement business to reduce supply risks, thereby enhancing internal sustainability management capabilities and customer satisfaction.

Packaging products business in Zhongshan has formulated the Social Responsibility Guidelines for Suppliers, which specifies its expectations on suppliers' environmental protection and social responsibility, such as the prohibition of child labor and the provision of equal employment opportunities to employees of different genders, races and religions. Suppliers are also required to provide relevant documents such as environmental impact reports, pollutant discharge statements and registration forms, production safety education and training records for timely reference.

QR code business in Shanghai and Beijing developed the "Supplier and Procurement Control Procedures" to classify suppliers' services. We require suppliers to provide relevant quality management system certification or production license, and only those who have passed the sample testing requirements can be included in the list of qualified suppliers. At the same time, we conduct regular supplier performance tests to evaluate their performance.

During the year, the Group had a total of 180 suppliers, of which 101 suppliers were located in Mainland China, 78 suppliers were located in Hong Kong and 1 supplier was located overseas.

Packaging Products Business

"Procurement Policies and Procedures"
"Standards for Selection of Suppliers"

- Reminders for suppliers who failed to meet the standard during preliminary examination
- Revoke the qualification of suppliers who failed to make improvements

QR Code Business

"Supplier and Procurement Control Procedures"
"Selection Criteria for Hardware and Non-standard Suppliers"

- Assess the performance of suppliers based on the "Supplier Performance Assessment Form"
- The Procurement Responsibility Department will handle suppliers with serious quality issues according to the requirements stated in the "Corrective and Preventive Measures Control Procedures"

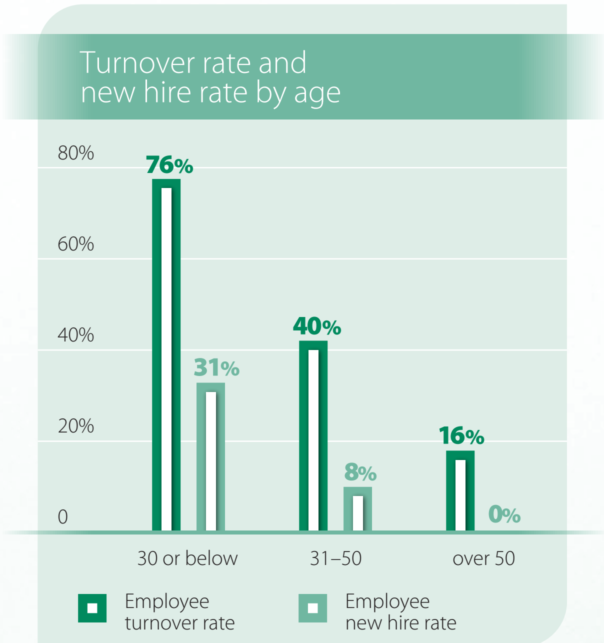
PEOPLE-ORIENTED

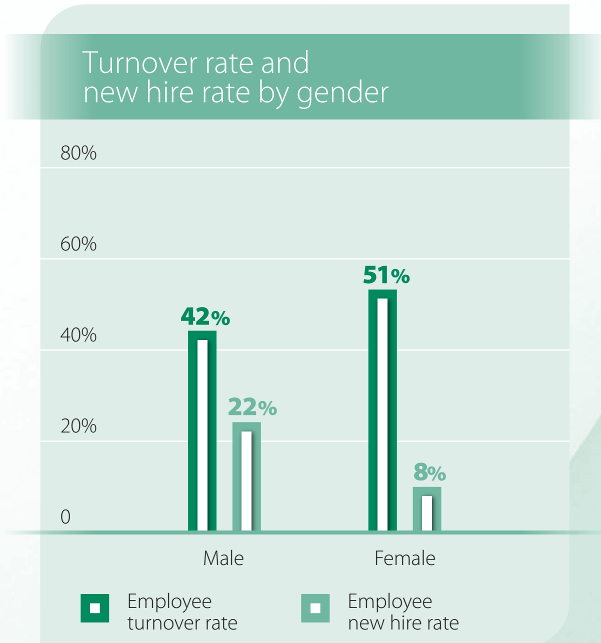
Employees are the most valuable asset for the Group's development. We promote the all-round development of employees as one of our important development goals. By protecting their rights and interests, promoting their physical and mental health, we build a development platform for our employees, and strive to create an inclusive, equal, trustworthy and collaborative working environment, so as to align the Group's values with those of employees.

Employees Composition

As of 31 December 2020, the Group had a total of 427 employees, located in Zhongshan (270), Shanghai (101) and Beijing (56) respectively. Among them, 55% were frontline employees and 45% were non-frontline employees. The age of our employees is mainly concentrated between 31 and 50, accounting for 67%. Please refer to the "Performance Data Summary" for details of employees.

During the year, the total turnover rate of the Group's employees was 48% and the total new hire rate was approximately 14%. The following chart illustrates the turnover rate and new hire rate by age and gender:





Talent Management

The Group strictly complies with the "Production Safety Law of the People's Republic of China", "the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases" and other relevant laws and regulations that have significant impacts on the Group. The Group has established management regulations and implementation rules covering all employees based on our own circumstance, including a relatively comprehensive labor management system covering labor contract management, salary, insurance and benefits, leaves, performance appraisal and vocational trainings, so as to regulate employment practices in accordance with the relevant laws.

The Group also conducted an internal inspection on legal employment during the year to regulate recruitment, promotion and termination of labor contracts, with the aim of protecting the legitimate rights of our employees. The Group adheres to the principle of treating all employees equally and fairly. In an open recruitment approach, the Group strictly prohibits child labor or any form of forced and compulsory labor, and focuses on promoting employment in the local communities. In addition, the Group strictly implements the regulations on maternity leave and lactation leave for female employees to protect their rights and interests.

The Group strictly complies with the labor laws and regulations in the places where it operates. During the year, the Group was not aware of any non-compliance with laws and regulations[5] that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, anti-discrimination, prevention of child and forced labour, and other benefits and welfare, nor was there any material penalty imposed for non-compliance with labor-related laws.

[5] For the relevant laws and regulations, please refer to the section headed "Laws and Regulations"

Occupational Safety and Health

The Group strictly abides by the laws related to occupational health, and has formulated "Production Safety System", "Production Safety Manual" and "Operation Manual for Job Safety". We have established the occupational health and safety management system, improved the fundamental system of occupational hygiene management, and strengthened the training of occupational hygiene and occupational health knowledge.

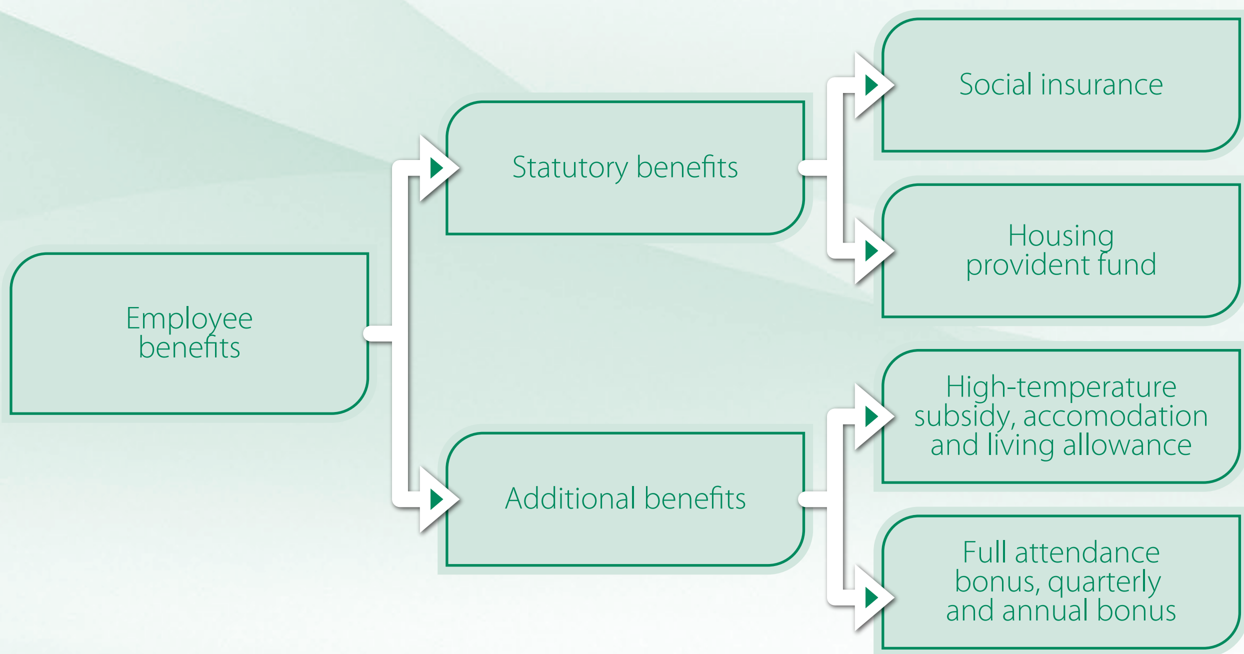
The Group arranges induction and annual physical examination for employees, and requires them to sign the "Health Notification Statement", so that employees can understand their physical conditions and reduce the risk of occupational diseases. In order to reduce the risk of work-related accidents, the Group actively arranges safety training. During the year, the Group did not have any non-compliance with laws and regulations that have a significant impact on the Group relating to providing a safe workplace and protecting employees from occupational hazards, nor did it have any cases of work-related fatalities or occupational diseases.

Employees' Rights and Interests

We fully respect each employee's experience, views and their way of thinking, and are committed to creating a fair and inclusive working environment. Employees can provide feedback on unreasonable incidents through the grievance and complaint mechanism. The workers' representatives and the management of the Group deal directly with unreasonable treatment of employees, handle every complaint in a timely manner, and protect the rights and interests of employees. During the year, employees' complaints were handled in a timely and effective manner.

Remuneration and Benefits Policies

The Group has formulated a comprehensive remuneration management system to fully encourage employees to give full play to their personal strengths, enhance their sense of belonging and happiness. Employees' bonus is closely related to the operating conditions of the Group, the performance of the employee's department and their individual performance contribution. We provide employees with excellent benefit packages, and continuously improve the welfare protection such as remuneration, insurance, welfare subsidies, paid holidays and long-term incentives to help employees fulfill their personal value.

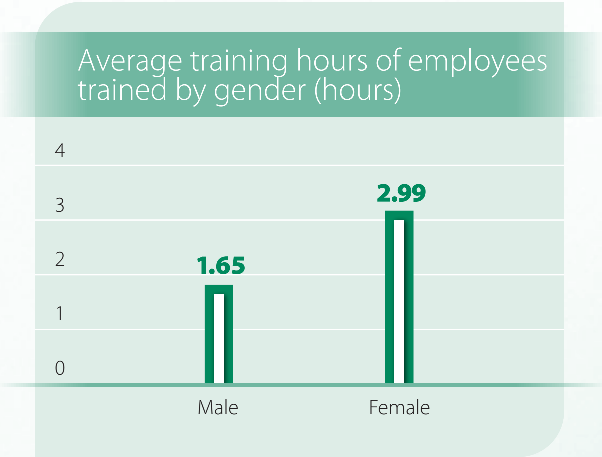


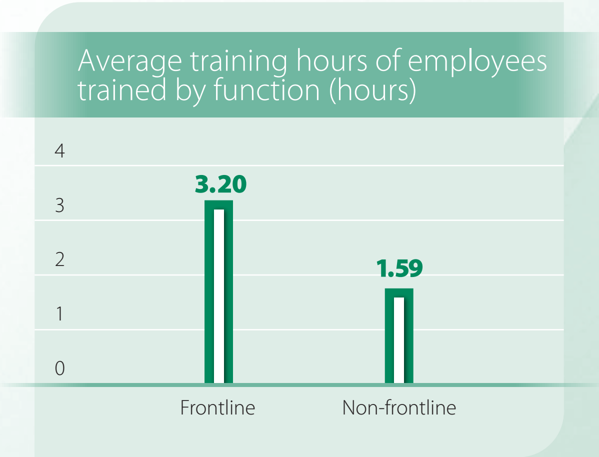
Employee benefits composition

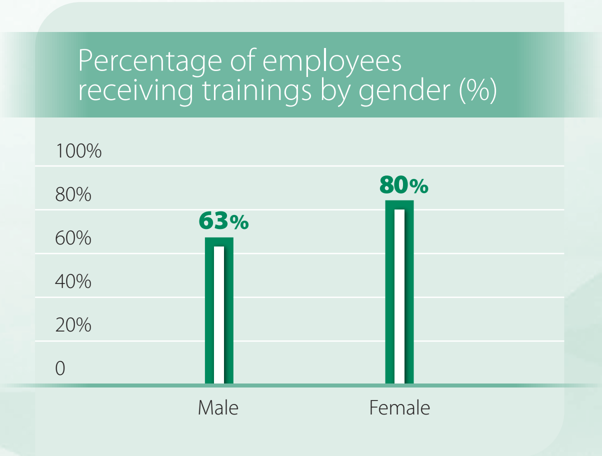
Employee Training and Development

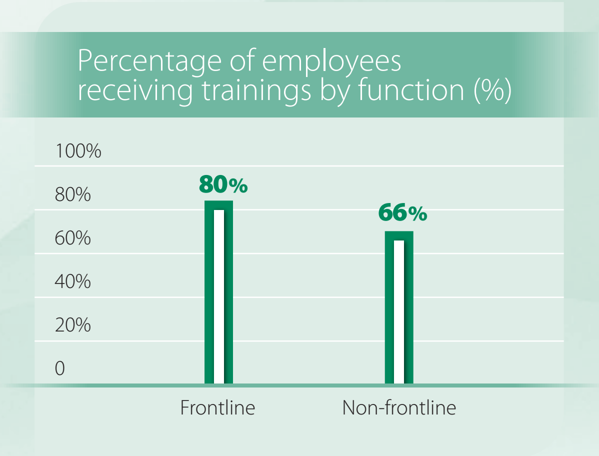
The Group continuously improves the career development channel of employees, establishes a comprehensive and multi-level training system, promotes horizontal and vertical development of employees, and inspires employees' career development potential. In addition to induction training and pre-job preparation for new employees, the Group also arranges all employees to receive trainings on internal process and soft skills to improve their work performance.

We provide specific job training for personnel in various positions, allowing free choices of various training programs such as project management, management and communication and big data reporting according to their business and job nature. At the same time, for the newly introduced business platform, the Group provides special training to familiarize employees with relevant work procedures. During the year, the average training hours and percentage of employees receiving trainings by gender and function are as follows:









ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Caring for Employees

The Group provides employee care and carries out various corporate culture activities in a timely manner, taking the needs of employees as priority and focusing on the core values of the Group. By organizing diversified, multi-level and multi-channel employee care activities, it helps to meet the needs of employees in various aspects such as welfare protection and work-life balance, and enhance their sense of happiness and belonging. After work, the Group organized a number of team building activities to enrich the spiritual and cultural life of employees, fully developed their passion and encouraged employees to work and live in a happy atmosphere.

Employee Outdoor Team Building Activities

COMMUNITY INVESTMENT

The Group is committed to enhancing its social responsibility capabilities. Through deepening the concept of social responsibility, carrying out social welfare activities, participating in community co-building, and actively giving back to the society, we strive to become an outstanding enterprise with commitment to the society.

The Group encourages employees to actively participate in charitable activities to give back to the society. Through volunteer work and community services, we actively contribute to the improvement of society. The Group's employees also actively participate in social welfare activities to become the main force of giving back to the society. During the year, our employees in Zhongshan took part in the charity walk in Sanjiao Town, Zhongshan for the fifth consecutive year, with a total of 12 employees volunteered.

Sanjiao Town New Year Charity Walk in 2020

LAWS AND REGULATIONS

The Group has established and implemented internal policies relating to environmental, social and governance to ensure our business operations are in compliance with applicable laws and regulations. The following table sets forth the relevant laws and regulations:

Aspects	Applicable laws and regulations	Corresponding Section
Resources Consumption	• Energy Conservation Law of the People's Public of China • Cleaner Production Promotion Law of the People's Republic of China	Resource Management
Emissions	• Environmental Protection Law of the People's Republic of China • Atmospheric Pollution Prevention and Control Law of the People's Republic of China • Emission Limits of Air Pollutants • Emission Limits of Water Pollutants	Emissions Management
Employment and Labor Standards	• Labor Law of the People's Republic of China • Labor Contract Law of the People's Republic of China • Labor Protection Law • Law of the People's Republic of China on the Protection of Minors • Law of the People's Republic of China on the Protection of Women's Rights and Interests	Employees' Rights and Interests
Health and Safety	• Production Safety Law of the People's Republic of China • Law of People's Republic of China on Prevention and Control of Occupational Diseases	Occupational Safety and Health
Product Responsibility	• Patent Law of the People's Republic of China	Quality Assurance
Anti-corruption	• Criminal Law of the People's Republic of China • Anti-Unfair Competition Law of the People's Republic of China	Anti-corruption

PERFORMANCE DATA SUMMARY

		2020	2019
Environment	**Resources Consumption**		
	Electricity (kWh)	570,074	813,116
	Gasoline (Liter)	15,698	26,545
	Total energy intensity (Gigajoule/million HK$ of revenue)	11.67	11.01
	Tap water (Tonne)	6,359	9,955
	Water intensity (Gigajoule/million HK$ of revenue)	29.06	29.05
	Total greenhouse gas emissions[6] (tCO_2e)	501.3	724.9
	Direct emissions (Scope I) (tCO_2e)	41.8	70.6
	Indirect emissions (Scope II) (tCO_2e)	459.5	654.3
	Emission intensity (tCO_2e/million HK$ of revenue)	2.29	2.11
	Nitrogen oxides (kg)	7.61	12.59
	Sulfur oxides (kg)	0.23	0.39
	Suspended particulate matter (kg)	0.56	0.93
	Hazardous waste (Tonne)	0.5	4.4
	General waste (recycled) (Tonne)	13.3	69.4
	General waste (disposed) (Tonne)	0	7.5
	Intensity of general waste[7] (kg/million HK$ of revenue)	0.06	0.22
	Plastic bag (Tonne)	24.32	78.64
	Carton box (Tonne)	180	316
	Intensity of packaging material (Tonne/million HK$ of revenue)	0.93	1.15

6 The emission factor is adjusted from the emission factor of the disclosure of date in 2019, which has been recalculated and adjusted in the following 2019. Calculation method for greenhouse gas emissions Reference to Greenhouse Gas Protocol by Greenhouse Gas Protocol. Calculation of Greenhouse Gas Emissions Reference Since the "2019 Emissions Project China Region China Regional Survey Line Emission Factor" and Hong Kong Stock Exchange "Prepare Environment, Society and Governance Report–Appendix 2: Report Guidelines for Environmental Key Performance Index". The global warming potential is referred to the "Fifth Assessment Report" from the Intergovernmental Panel on Climate Change (IPCC)

7 The amount of waste in 2020 has also decreased due to a lower number of orders; the intensity of general waste of 2019 was revised

		2020	2019
Employees	**Total Number**	427	711
	Gender Distribution		
	Male	166	301
	Female	261	410
	Type of Employment Distribution		
	Full-time	427	–
	Part-time	0	–
	Function Distribution		
	Frontline	234	353
	Non-frontline	193	358
	Age Distribution		
	≤30	109	242
	31–50	287	436
	> 50	31	33
	Geographical Distribution		
	Zhongshan	270	405
	Shanghai	101	203
	Beijing	56	103

		2020	2019
Employees	**Turnover — By Age**		
	Turnover Number		
	≤30	83	108
	31–50	115	95
	> 50	5	2
	Turnover Rate		
	≤30	76%	45%
	31–50	40%	22%
	> 50	16%	6%
	Turnover — By Gender		
	Turnover Number		
	Male	70	107
	Female	133	98
	Turnover Rate		
	Male	42%	36%
	Female	51%	24%
	New Hire — By Age		
	New Hires		
	≤30	34	62
	31–50	24	51
	> 50	0	1
	New Hire Rate		
	≤30	31%	26%
	31–50	8%	12%
	> 50	0%	3%

		2020	2019
Employees	**New Hire — By Gender**		
	New Hires		
	Male	36	61
	Female	22	53
	New Hire Rate		
	Male	22%	20%
	Female	8%	13%
	Employee Training Performance — By Gender		
	Percentage of Employees Trained		
	Male	63%	29%
	Female	80%	35%
	Average Training Hours		
	Male	1.65	1.41
	Female	2.99	0.87
	Employee Training Performance — By Function		
	Percentage of Employees Trained		
	Frontline	80%	42%
	Non-frontline	66%	23%
	Average Training Hours		
	Frontline	3.20	1.47
	Non-frontline	1.59	0.73

		2020	2019
Employees	**Occupational Safety and Health Training**		
	Total person-times of training	372	506
	Total training hours	744	709
	Occupational Safety and Health Performance		
	Number of work-related accidents	0	2
	Number of work-related injuries	0	2
	Lost days due to work-related injuries	0	6
	Work-related fatalities	0	0
Community	**Participation and Public Welfare Input**		
	Charitable donations (Ten thousand RMB)	0.5	0.5
	Volunteer work (Hours)	33.75	–

INDEX OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Key Performance Indicators	HKEx ESG Reporting Guide Requirements		Section/Remarks
A. ENVIRONMENTAL			
Aspect A1: Emissions	**General Disclosure** Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.		Emissions Management
	KPI A1.1	Types of emissions and respective emissions data	Exhaust Gas Emissions, Sewage Treatment
	KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. based on per unit of production volume or per facility)	Greenhouse Gas Emission
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. based on per unit of production volume or per facility)	Waste Disposal
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. based on per unit of production volume or per facility)	Waste Disposal
	KPI A1.5	Description of measures to mitigate emissions and results achieved	Emissions Management
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	Waste Disposal

Key Performance Indicators	HKEx ESG Reporting Guide Requirements		Section/Remarks
Aspect A2: Use of Resources	**General Disclosure** Policies on the efficient use of resources, including energy, water and other raw materials.		Resource Management
	KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in' 000s) and intensity (e.g. based on per unit of production volume or per facility)	Energy Consumption
	KPI A2.2	Water consumption in total and intensity (e.g. based on per unit of production volume or per facility)	Water Resources Management
	KPI A2.3	Description of energy use efficiency initiatives and results achieved	Energy Consumption, Water Resources Management, Packaging Materials
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	Water Resources Management
	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	Packaging Materials
Aspect A3: Environment and Natural Resources	**General Disclosure** Policies on minimising the issuer's significant impact on the environment and natural resources.		Environmental Emergency Management
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	Environmental Emergency Management

Key Performance Indicators	HKEx ESG Reporting Guide Requirements		Section/Remarks
B. SOCIAL			
Aspect B1: Employment	**General Disclosure** Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.		Employees' Rights and Interests
	KPI B1.1	Total workforce by gender, employment type, age group and geographical region	Employee Composition
	KPI B1.2	Employee turnover rate by gender, age group and geographical region	Employee Composition
Aspect B2: Health and Safety	**General Disclosure** Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.		Occupational Safety and Health
	KPI B2.1	Number and rate of work-related fatalities	Occupational Safety and Health
	KPI B2.2	Lost days due to work injury	Occupational Safety and Health
	KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	Occupational Safety and Health

Key Performance Indicators	HKEx ESG Reporting Guide Requirements		Section/Remarks
Aspect B3: Development and Training	**General Disclosure** Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.		Employee Training and Development
	KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management)	Employee Training and Development
	KPI B3.2	Average training hours completed per employee by gender and employee category	Employee Training and Development
Aspect B4: Labour Standards	**General Disclosure** Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.		Employees' Rights and Interests
	KPI B4.1	Description of measures to review employment practices to avoid child and forced labour	Employees' Rights and Interests
	KPI B4.2	Description of steps taken to eliminate such practices when discovered	Employees' Rights and Interests
Aspect B5: Supply Chain Management	**General Disclosure** Policies on managing environmental and social risks of the supply chain.		Sustainable Supply Chain
	KPI B5.1	Number of suppliers by geographical region	Sustainable Supply Chain
	KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	Sustainable Supply Chain

Key Performance Indicators	HKEx ESG Reporting Guide Requirements		Section/Remarks
Aspect B6: Product Responsibility	**General Disclosure** Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.		Quality Assurance
	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	Quality Assurance
	KPI B6.2	Number of products and service related complaints received and how they were dealt with	Customer Satisfaction
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	Quality Assurance
	KPI B6.4	Description of quality assurance process and recall procedures	Quality Assurance
	KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	Customer Satisfaction

Key Performance Indicators	HKEx ESG Reporting Guide Requirements		Section/Remarks
Aspect B7: Anti-corruption	**General Disclosure** Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.		Anti-corruption
	KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	Anti-corruption
	KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	Anti-corruption
Aspect B8: Community Investment	**General Disclosure** Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.		Community Investment
	KPI B8.1	Focus areas of contribution	Community Investment
	KPI B8.2	Resources contributed to the focus area	Community Investment

INDEPENDENT AUDITOR'S REPORT

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大華馬施雲
會計師事務所有限公司

Independent Auditor's Report to the Members of China Touyun Tech Group Limited

(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of China Touyun Tech Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 68 to 167, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matter	How the matter was addressed in our audit
Valuation of financial assets at fair value through profit or loss	
The Group holds unlisted equity investments related to equity investments in five private entities, which were intended to be held for long-term strategic purpose at the time of acquisition. Such financial assets were measured at fair value at the end of each reporting period. The aggregate fair value of these financial assets was HK$320,686,000 as at 31 December 2020. Significant judgements and estimation are required to measure the fair value of financial assets, which reflect market conditions at the end of the reporting period. Management of the Group engaged an external valuer to perform valuation on two of the financial assets as at 31 December 2020. Fair value of the remaining unlisted equity securities were determined by the directors of the Company. Details of the Group's financial assets at fair value through profit or loss are set out in note 19 to the consolidated financial statements.	Our procedures to address the matter included: • Discussed with management of the Company and independent external valuer engaged by the Group and assessed the appropriateness of valuation methodology; • Discussed with management of the Company and/or independent external valuer and challenged the reasonableness of key assumptions being used based on our knowledge of the business and industry, including the discount rate on lack of marketability, the selection of proxy companies and weighting factor on multiples; • Reviewed the key unobservable inputs used by management of the Company and/or independent external valuer, including reliability of the sources of the inputs and their relevance to the equity investments; • Challenged the appropriateness of the valuation techniques used by the directors of the Company and/or independent external valuer in light of the nature of underlying business of the investees and the reliability of the data sources as well as adjustments applied to significant valuation inputs given the nature of those inputs; and • Evaluated the competency, capabilities and objectivity of independent external valuer, taking into account its experience and qualifications and business interests with the Group.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the chairman's statement, management discussion and analysis, directors' profile, directors' report, corporate governance report and environmental, social and governance report but does not include the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

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

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

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

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

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Moore Stephens CPA Limited
Certified Public Accountants

Chan King Keung
Practising Certificate Number: P06057

Hong Kong, 26 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Revenue from treasury investment	5		
Fair value (losses)/gains on financial assets at fair value through profit or loss held for trading, net		**(14,205)**	10,074
Interest income from money lending business		**1,745**	1,250
Interest income from margin financing		**262**	–
Commission income from securities brokerage		**9**	–
Dividend income from financial assets at fair value through profit or loss held for trading		**170**	1,393
Revenue from sales of goods and services rendered	5	**218,805**	329,979
Cost of sales		**(122,172)**	(217,202)
Gross profit		**96,633**	112,777
Impairment loss of goodwill	17	**–**	(164,702)
Impairment loss on trade receivables, net	42(b)	**(272)**	(3,210)
Impairment loss on loan and interest receivables	23	**(6,623)**	–
Other income, gains and losses, net	6	**(54,188)**	(28,330)
Selling and distribution expenses		**(17,660)**	(23,012)
Administrative expenses		**(121,544)**	(135,510)
Finance costs	7	**(31,852)**	(25,988)
Share of result of an associate	18	**(24,458)**	60,362
Loss before tax	8	**(171,983)**	(194,896)
Income tax	11	**(6)**	(4,213)
Loss for the year		**(171,989)**	(199,109)
Loss for the year attributable to:			
— Owners of the Company		**(168,776)**	(200,513)
— Non-controlling interests		**(3,213)**	1,404
		(171,989)	(199,109)
Loss per share attributable to owners of the Company	13		
— Basic and diluted		**HK6.32 cents**	HK8.19 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020 HK$'000	2019 HK$'000
Loss for the year	**(171,989)**	(199,109)
Other comprehensive income		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**9,906**	602
Other comprehensive income for the year, net of tax	**9,906**	602
Total comprehensive loss for the year	**(162,083)**	(198,507)
Total comprehensive loss attributable to:		
Owners of the Company	**(158,870)**	(199,911)
Non-controlling interests	**(3,213)**	1,404
	(162,083)	(198,507)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment	14	**150,383**	29,264
Right-of-use assets	15	**21,817**	23,427
Intangible assets	16	**10,036**	10,741
Goodwill	17	**510**	–
Interests in an associate	18	**–**	209,206
Financial assets at fair value through profit or loss	19	**320,686**	249,002
		503,432	521,640
Current assets			
Inventories	20	**33,741**	29,571
Trade and bills receivables	21	**58,685**	54,763
Prepayments, deposits and other receivables	22	**20,064**	9,895
Loan and interest receivables	23	**101,622**	71,250
Financial assets at fair value through profit or loss	19	**111,956**	158,825
Cash and cash equivalents	24	**142,440**	40,457
		468,508	364,761
Current liabilities			
Trade payables	25	**29,967**	32,154
Contract liabilities	26	**28,079**	24,239
Other payables and accruals	27	**31,236**	22,612
Lease liabilities	28	**14,251**	13,929
Other borrowings	29(a)	**59,580**	11,596
Amount due to a director	29(b)	**98,900**	–
Margin loans payable	30	**28,470**	–
Tax payable		**4,493**	1,930
Derivative embedded in convertible bond	31	**273**	–
Convertible bond	31	**112,229**	225,236
		407,478	331,696
Net current assets		**61,030**	33,065
Total assets less current liabilities		**564,462**	554,705

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current liabilities			
Lease liabilities	28	**8,093**	10,138
		8,093	10,138
Net assets		**556,369**	544,567
Equity			
Equity attributable to owners of the parent			
Share capital	34	**110,946**	97,973
Reserves	35	**377,097**	443,232
		488,043	541,205
Non-controlling interests		**68,326**	3,362
Total equity		**556,369**	544,567

Wang Liang
Director

Du Dong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Notes	Attributable to owners of the parent									
		Issued capital HK$'000	Share premium account HK$'000 (note 35(a))	Capital reserve HK$'000 (note 35(b))	Contributed surplus HK$'000 (note 35(c))	Share option reserve HK$'000 (note 35(d))	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 31 December 2018		97,973	1,769,428	45,291	(34,425)	25,211	5,218	(1,181,904)	726,792	456	727,248
Impact on initial application of HKFRS 16		–	–	–	–	–	–	(811)	(811)	–	(811)
At 1 January 2019 (restated)		97,973	1,769,428	45,291	(34,425)	25,211	5,218	(1,182,715)	725,981	456	726,437
Loss for the year		–	–	–	–	–	–	(200,513)	(200,513)	1,404	(199,109)
Exchange differences on translation of foreign operations		–	–	–	–	–	602	–	602	–	602
Total comprehensive income/(loss) for the year		–	–	–	–	–	602	(200,513)	(199,911)	1,404	(198,507)
Partial disposal of a subsidiary	(i)	–	–	–	–	–	–	–	–	1,502	1,502
Equity-settled share-based payments	36	–	–	–	–	15,135	–	–	15,135	–	15,135
Share option lapsed		–	–	–	–	(4,782)	–	4,782	–	–	–
Transactions with equity shareholders		–	–	–	–	10,353	–	4,782	15,135	1,502	16,637
At 31 December 2019		97,973	1,769,428*	45,291*	(34,425)*	35,564*	5,820*	(1,378,446)*	541,205	3,362	544,567

	Notes	**Attributable to owners of the parent**									
		Issued capital HK$'000	**Share premium account HK$'000 (note 35(a))**	**Capital reserve HK$'000 (note 35(b))**	**Contributed surplus HK$'000 (note 35(c))**	**Share option reserve HK$'000 (note 35(d))**	**Translation reserve HK$'000**	**Accumulated losses HK$'000**	**Total HK$'000**	**Non-controlling interests HK$'000**	**Total equity HK$'000**
At 31 December 2019		**97,973**	**1,769,428***	**45,291***	**(34,425)***	**35,564***	**5,820***	**(1,378,446)***	**541,205**	**3,362**	**544,567**
Loss for the year		**–**	**–**	**–**	**–**	**–**	**–**	**(168,776)**	**(168,776)**	**(3,213)**	**(171,989)**
Exchange differences on translation of foreign operations		**–**	**–**	**–**	**–**	**–**	**9,906**	**–**	**9,906**	**–**	**9,906**
Total comprehensive income/(loss) for the year		**–**	**–**	**–**	**–**	**–**	**9,906**	**(168,776)**	**(158,870)**	**(3,213)**	**(162,083)**
Share subscriptions	34	**12,973**	**106,874**	**–**	**–**	**–**	**–**	**–**	**119,847**	**–**	**119,847**
Waiver of amount due from a non-wholly owned subsidiary		**–**	**–**	**(13,506)**	**–**	**–**	**–**	**–**	**(13,506)**	**13,506**	**–**
Partial disposal of a subsidiary	(ii)	**–**	**–**	**–**	**–**	**–**	**–**	**(158)**	**(158)**	**15,158**	**15,000**
Acquisition of a subsidiary	33	**–**	**–**	**(4,736)**	**–**	**–**	**–**	**–**	**(4,736)**	**39,513**	**34,777**
Equity-settled share-based payments	36	**–**	**–**	**–**	**–**	**4,261**	**–**	**–**	**4,261**	**–**	**4,261**
Share option lapsed		**–**	**–**	**–**	**–**	**(8,122)**	**–**	**8,122**	**–**	**–**	**–**
Transactions with equity shareholders		**12,973**	**106,874**	**(18,242)**	**–**	**(3,861)**	**–**	**7,964**	**105,708**	**68,177**	**173,885**
At 31 December 2020		**110,946**	**1,876,302***	**27,049***	**(34,425)***	**31,703***	**15,726***	**(1,539,258)***	**488,043**	**68,326**	**556,369**

* These reserve accounts comprise the consolidated reserves of HK$377,097,000 (2019: HK$443,232,000) in the consolidated statement of financial position.

Notes:

(i) During the year ended 31 December 2019, the Group disposed of 23.08% equity interest in Era Bright Limited ("Era Bright"), a wholly-owned subsidiary of the Group, for a consideration of HK$1,500,000 to an independent third party. The disposal was completed on 26 June 2019 and had been accounted for as equity transaction. After the disposal, the Group retained its control in Era Bright as at 31 December 2019.

(ii) During the year ended 31 December 2020, Era Bright, a non-wholly owned subsidiary of the Group, issued 96,763 new ordinary shares to its immediate holding company and the Group's equity shareholding of Era Bright increased to 97.27% from 76.92%, and Era Bright further entered into a share subscription agreement with an independent third party, in relation to the subscription for 25,000 new ordinary shares of Era Bright for HK$15,000,000. Such deemed partial disposal was completed on 17 March 2020 and had been accounted for as equity transaction. After the partial disposal, the Group's equity shareholding decreased to 79.22% from 97.27% and the Group retained its control in Era Bright as at 31 December 2020.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Cash flows from operating activities			
Loss before tax		**(171,983)**	(194,896)
Adjustments for:			
Bank interest income	6	**(149)**	(198)
Waiver of loan interest expense	6	**(1,118)**	–
Imputed interest income from note receivable	6	**–**	(9,452)
Depreciation of property, plant and equipment	8	**4,539**	7,203
Depreciation of right-of-use assets	8	**16,473**	16,444
Amortisation of intangible assets	8	**7,437**	7,935
Gain on early termination of lease		**(122)**	–
Fair value losses on financial assets at fair value through profit or loss (not held for trading), net	6	**55,921**	42,967
Fair value gain on derivative component of convertible bond	6	**(183)**	(3,140)
Gain on extinguishment of convertible bond	6	**(8,809)**	–
Gain on early redemption of convertible bond	6	**(3)**	–
Equity-settled share option expense	8	**4,261**	15,135
Finance costs	7	**31,852**	25,988
Gain on partial redemption of note receivable	6	**–**	(2,108)
Share of result of an associate		**24,458**	(60,362)
Loss of deemed disposal of an associate	6	**15,023**	–
(Gain)/loss/written off on disposal of property, plant and equipment, net	6	**(644)**	1,783
Impairment loss of intangible assets	6	**–**	1,274
Impairment loss of loan and interest receivables		**6,623**	–
Impairment loss of trade receivables, net		**272**	3,210
Impairment loss of goodwill		**–**	164,702
		(16,152)	16,485
Decrease in inventories		**2,191**	7,719
Decrease in trade and bills receivables and prepayments, deposits and other receivables		**11,106**	10,076
Increase in loan and interest receivables		**(36,995)**	(71,250)
Decrease/(increase) in financial assets at fair value through profit or loss (held for trading)		**46,869**	(134,575)
Increase/(decrease) in trade payables, contract liabilities and other payables and accruals		**12,150**	(9,882)
Cash generated from/(used in) operations		**19,169**	(181,427)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Cash generated from/(used in) operations		**19,169**	(181,427)
Interest received		**149**	198
Interest paid		**(37,227)**	(16,463)
Income tax refund/(paid), net		**2,561**	(7,251)
Net cash flows used in operating activities		**(15,348)**	(204,943)
Cash flows from investing activities			
Proceeds from redemption of note receivable		**–**	200,000
Purchases of property, plant and equipment		**(125,513)**	(3,663)
Additions of intangible assets		**–**	(3,979)
Proceeds from disposal of property, plant and equipment		**2,731**	1,508
Proceeds from disposal of financial asset at fair value through profit or loss, not held for trading		**42,120**	–
Decrease in restricted deposits		**–**	10,928
Acquisition of financial assets at fair value through profit or loss, not held for trading		**–**	(48,960)
Net cash inflow from acquisition of a subsidiary	33	**32,794**	–
Net cash flows (used in)/from investing activities		**(47,868)**	155,834
Cash flows from financing activities			
Net proceeds from share subscriptions	34	**119,847**	–
Payment for modification of convertible bond	31	**(1,336)**	–
Redemption of convertible bond	31	**(96,720)**	(3,276)
Repayments of lease liabilities		**(16,481)**	(16,615)
New margin loans raised		**28,001**	–
New other borrowings raised, net		**13,261**	11,132
Proceeds from partial disposal of a subsidiary		**15,000**	1,502
Advance from a director		**98,900**	–
Net cash flows from/(used in) financing activities		**160,472**	(7,257)
Net increase/(decrease) in cash and cash equivalents		**97,256**	(56,366)
Cash and cash equivalents at beginning of year		**40,457**	97,513
Effect of foreign exchange rate changes, net		**4,727**	(690)
Cash and cash equivalents at end of year	24	**142,440**	40,457

1. GENERAL AND BASIS OF PREPARATION

China Touyun Tech Group Limited (the "Company") was incorporated in Bermuda under the Companies Act 1981 of Bermuda as an exempted company with limited liability on 24 October 2011. The principal place of business of the Company is located at 12th Floor, Kwan Chart Tower, 6 Tonnochy Road, Wan Chai, Hong Kong. During the year, the principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are (i) provision of QR codes on product packaging and solutions and advertising display services; (ii) the manufacture and sale of packaging products; (iii) investments and trading in securities, money lending, securities brokerage services and margin financing; and (iv) production and sale of chlamydomonas reinhardtii products.

During the year and pursuant to the Company's announcements dated 6 January 2020, 21 February 2020, 14 May 2020, 28 August 2020 and 29 December 2020, an indirectly wholly-owned subsidiary was established in the People's Republic of China (the "PRC") in March 2020 for the purpose of engaging in the chlamydomonas reinhardtii, micro-algae and related products business. The construction for the first phase production scale is 4,000 tons/year and it was officially launched on 23 April 2020, the Group has substantially completed its construction of the manufacturing facilities of 4,000 tons/year production scale as at the date when the consolidated financial statements are authorised for issue. It is expected that the Group will commence the production of chlamydomonas reinhardtii, micro-algae and related products in 2021.

During the year, Galaxy Vantage Limited ("Galaxy Vantage"), an indirect wholly-owned subsidiary of the Company acquired 100% of the issued share capital of Hope Capital Limited ("Hope Capital") from an independent third party (as vendor) at a consideration satisfied by issuance of 13,513 new ordinary shares of Galaxy Vantage to vendor. Upon the acquisition, the Group effectively held 83.9% equity interest in Hope Capital. Details of these are set out in note 33. Hope Capital and its subsidiary are principally engaged in securities brokerage services, margin financing and asset management. Hope Securities Limited (a subsidiary of Hope Capital) is a licensed corporation under the Securities and Futures Ordinance to carry out regulated activities Type 1 "Dealing in Securities", Type 2 "Dealing in Futures Contracts", Type 4 "Advising on Securities", Type 5 "Advising on Futures Contracts" and Type 9 "Asset Management". The Group considered the acquisition of Hope Capital will allow the Group to acquire a new complementary capability and participate in the brokerage and related businesses which together will form an important component of treasury investment business.

2. PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

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

These consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the Company's functional currency. All values are rounded to the nearest thousand except when otherwise indicated.

The consolidated financial statements have been prepared under the historical cost convention, except for equity investments classified as financial assets at fair value through profit or loss and derivative component of convertible bond, which have been measured at fair value.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(a) Statement of compliance *(Continued)*

Basis of consolidation

These consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

A. the contractual arrangement with the other vote holders of the investee;

B. rights arising from other contractual arrangements; and

C. the Group's voting rights and potential voting rights.

The financial statements of subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control above. A change in the ownership interest of a subsidiary, without loss of control, is accounted for an equity transaction.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any investment retained and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) New and Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

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
Amendments to HKFRS 16*	Covid-19-Related Rent Concessions

* Early applied by the Group

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

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

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

Impacts on application of Amendments to HKFRS 3 Definition of a Business
The Group has applied the amendments for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

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

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

The application of the amendments had no impact on the consolidated financial statements in the current year as similar conclusion would have been reached without applying the optional concentration test.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) New and Amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

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

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

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

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

The Group has early applied the amendment in the financial year. The application has no impact to the opening retained profits at 1 January 2020. The Group recognised changes in lease payments that resulted from rent concessions of HK$1,195,000 in profit or loss for the year.

(c) New and amendments to HKFRSs in issue but not yet effective

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

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

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2021.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) New and amendments to HKFRSs in issue but not yet effective *(Continued)*

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

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

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying *HKAS 32 Financial Instruments: Presentation*.

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

As at 31 December 2020, the Group's outstanding convertible bonds include counterparty conversion options that do not meet equity instruments classification by applying HKAS 32 Financial Instruments: Presentation. The Group classified as current or non-current based on the earliest date in which the Group has the obligation to redeem these instruments through cash settlement. The host debt component is measured at amortised cost with carrying amount of HK$112,229,000 and the derivative component (including the conversion options) is measured at fair value with carrying amount of HK$273,000 as at 31 December 2020, both of which are classified as current as set out in note 31. Upon the application of the amendments, in addition to the obligation to redeem through cash settlement, the transfer of equity instruments upon the exercise of the conversion options that do not meet equity instruments classification also constitute settlement of the convertible instruments. The host liability and the derivative component amounting to HK$112,502,000 in total would continue to be classified as current.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) New and amendments to HKFRSs in issue but not yet effective *(Continued)*

Amendments to HKAS 16 Property, Plant and Equipment — Proceeds before Intended Use

The amendments specify that the costs of any item that were produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the relevant property, plant and equipment is functioning properly) and the proceeds from selling such items should be recognised and measured in the profit or loss in accordance with applicable standards. The cost of the items are measured in accordance with HKAS 2 Inventories.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to HKAS 37 Onerous Contracts — Cost of Fulfilling a Contract

The amendments specify that, when an entity assesses whether a contract is onerous in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, the unavoidable costs under the contract should reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. Costs of fulfilling the contract include incremental costs and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments are applicable to contracts for which the Group has not yet fulfilled all its obligations as at the date of initial application.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to HKFRSs Annual Improvements to HKFRSs 2018–2020

The annual improvements make amendments to the following standards.

HKFRS 9 Financial Instruments

The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the "10 per cent" test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf.

HKFRS 16 Leases

The amendment to Illustrative Example 13 accompanying HKFRS 16 removes from the example the illustration of reimbursement relating to leasehold improvements by the lessor in order to remove any potential confusion.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(d) Investment in an associate

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

The Group's investment in an associate is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of an associate is included in the consolidated profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of an associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate is eliminated to the extent of the Group's investment in an associate, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of an associate is included as part of the Group's investment in an associate.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in the consolidated profit or loss. The Group measures and recognises any retained investment at its fair value at the date when significant influence is lost and is recognised as a financial asset.

Gains or losses on dilution of equity interest in an associate are recognised in consolidated profit or loss.

(e) Business combinations or asset acquisition

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(e) Business combinations or asset acquisition *(Continued)*

(i) Optional concentration test

Effective from 1 January 2020, the Group can elect to apply an optional concentration test, on a transaction- by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

(ii) Asset acquisitions

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

(iii) Business combinations

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

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting issued in October 2010).

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard; and

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(e) Business combinations or asset acquisition *(Continued)*

(iii) Business combinations *(Continued)*

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

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

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

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(f) Goodwill

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

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

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

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

(g) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(g) Property, plant and equipment and depreciation *(Continued)*

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

Leasehold improvements	20% or over the unexpired terms of the leases, if less than 5 years
Furniture, fixtures and equipment	10% to 33.3%
Motor vehicles	20% to 25%
Plant and machinery	10% to 33.3%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

(h) 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 Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(h) Leases *(Continued)*

The Group as a lessee

Allocation of consideration to components of a contract

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

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

Short-term leases and leases of low-value assets

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

Right-of-use assets

The cost of right-of-use asset includes:

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

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

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

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

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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(h) Leases *(Continued)*

The Group as a lessee *(Continued)*

Lease liabilities

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

The lease payments 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 Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

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

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

(i) Intangible assets other than goodwill

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and accumulated impairment losses, if any. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. The principal annual rate used for amortisation is as follows:

Patent	10%
Development costs	33.3%

Intangible assets with indefinite useful lives that are acquired in a business combination are initially recognised at fair value at the date of acquisition and subsequently carried at the amount initially recognised less any subsequent accumulated impairment losses.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(i) Intangible assets other than goodwill *(Continued)*

Intangible assets acquired separately *(Continued)*

Intangible assets with indefinite useful lives, representing eligibility rights to trade securities and future contracts on or through The Stock Exchange of Hong Kong Limited ("Stock Exchange") and The Hong Kong Futures Exchange Limited ("HKFE"), are tested for impairment annually either individually or at the cash-generating unit level. These intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

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

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for an internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(j) Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

(k) Financial instruments

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

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

Dividend income from financial assets at fair value through profit or loss held for trading and fair value gains or losses on financial assets at fair value through profit or loss held for trading, net which are derived from the Group's ordinary course of business are presented as revenue.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(k) Financial instruments *(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 Group 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 Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group 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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(k) Financial instruments *(Continued)*

(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.

(ii) Equity instruments at FVTPL

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

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

(l) Impairment of financial assets and other items subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and bills receivables, other receivables, note receivable and other items (lease receivables) 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 ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(l) Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 *(Continued)*

(i) Significant increase in credit risk

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

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

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

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

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(l) Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 *(Continued)*

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

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

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

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

(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.

(iv) Write-off policy

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(l) Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 *(Continued)*

(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 Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16 or HKAS 17 (prior to 1 January 2019).

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables, loan and interest receivables and amounts due from customers are each assessed as a separate group. Loans to related parties are assessed for ECL on an individual basis);
- 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.

(m) Derecognition of financial assets

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(n) Financial liabilities

Initial recognition and measurement

Financial liabilities, at initial recognition, are recognised at fair value.

The Group's financial liabilities include trade payables, amount due to a director, other payables and accruals, margin loans payable, interest-bearing other borrowings and financial liabilities at fair value through profit or loss.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKFRS 9 are satisfied.

Financial liabilities at amortised cost

After initial recognition, the Group's financial liabilities that include trade payable, amount due to a director, other payables and accruals, margin loans payable and interest-bearing other borrowings are subsequently measured at amortised cost, using the effective interest rate method.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the consolidated statement of profit or loss.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(n) Financial liabilities *(Continued)*

Subsequent measurement *(Continued)*

Convertible bonds

A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is a conversion option derivative.

At the date of issue, both the debt component and derivative components are recognised at fair value. In subsequent periods, the debt component of the convertible loan notes is carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the debt and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative component are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the convertible loan notes using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL. Generally, multiple embedded derivatives in a single instrument are treated as a single compound embedded derivative unless those derivatives relate to different risk exposure and are readily separate and independent of each other.

(o) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When the contractual terms of financial liability are modified such that the revised terms would result in a substantial modification from the original terms after considering qualitative factors (e.g. modifications of convertible instruments).

When the contractual terms of a convertible instrument are modified, such as extending the tenure, change in exercise price of the underlying options, the revised terms would result in a substantial modification from the original terms, after taking into account all relevant facts and circumstances including qualitative factors, such modification is accounted for as derecognition of the original financial liability and the recognition of new financial liability. The difference between the carrying amount of financial liability derecognised and the fair value of consideration paid or payable, including any liabilities assumed and derivative components recognised, is recognised in profit or loss.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(p) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(q) Inventories and contract costs

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

(ii) Contract costs

Contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory.

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the group entered into the contract (for example, payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalised as inventory are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses. Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in note 2(u).

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(r) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL in accordance with the policy set out in note 2(l) and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 2(u)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

(s) Cash and cash equivalents

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

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

(t) Provisions and contingent liabilities

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(u) Revenue recognition

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

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

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

A. the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

B. the Group's performance creates or enhances an asset that the customer controls as the Group performs; or

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

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service. Revenue excludes value added taxes and is after deduction of any trade discounts.

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(u) Revenue recognition *(Continued)*

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

(i) Sales of packaging products and QR code packaging products

Revenue is recognised when the customers take procession of and accept the goods. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Provision of QR code packaging solutions

Revenue is recognised at a point in time when the development of software is completed.

(iii) Advertising display services income

Advertising display services income is recognised over time as the customer simultaneously receives and consumes the benefits provided by the Group's performance.

(iv) Gains or losses on trading of securities

Gains or losses on trading of securities are recognised on a trade date basis when the relevant transaction are executed.

(v) Commission income from securities broking

Commission income is recognised on the transactions dates when the relevant contract notes are executed.

(vi) Interest income

Interest income is recognised as it accrues using the effective interest method.

(vii) Dividends

— Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

— Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(v) Government grant

Government grants are recognised in the consolidated statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset.

(w) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(x) Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(y) Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group also operates a Mandatory Provident Fund Exempted Occupational Retirement Schemes Ordinance ("ORSO") retirement benefit scheme for those employees who are eligible to participate in the ORSO scheme. This scheme operates in a way similar to the MPF Scheme, except that when an employee leaves the scheme prior to his/her interest in the Group's employee contributions vesting fully, the ongoing contributions payable by the Group are reduced by the relevant amount of forfeited employer's contributions.

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

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(z) Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(z) Income tax *(Continued)*

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and an associate, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and an associate, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(aa) Foreign currencies

These consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated to Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss and other comprehensive income are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the translation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(ab) Fair value measurement

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 fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(ac) Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Significant judgement

Revenue recognition from the provision of QR code service relating to the development of software with no alternative use at a point in time

Under HKFRS 15, revenue is recognised over time when any of the criteria set out in note 2(u) is satisfied. The management assessed criteria (A) and (B) and concluded that these criteria are not met because the development is carried out in the Group's premises. In respect of criterion (C) about whether the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date, significant judgement is required in determining whether the terms of the contracts with customers gives the Group an enforceable right to payment for the Group for the work performed to date at all times during the contract period. The Group has considered the relevant local laws that apply to those relevant contracts, the customary business practice of the Group in the industry in which it operates and the relevant legal and regulatory environment. Based on the assessment by the directors of the Company on the foregoing factors, the Group does not satisfy criterion (C). Accordingly, revenue from the provision of QR code service relating to the development of software with no alternative use is considered to be performance obligation satisfied at a point in time.

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 described below.

Impairment assessment on goodwill

The Group determines whether goodwill is impaired at least on an annual basis. Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the respective group of CGUs and a suitable discount rate in order to calculate the present value of those cash flows. As at 31 December 2020, the net carrying amount of goodwill is HK$510,000 (2019: HK$Nil) net of accumulated impairment loss of HK$569,947,000 (2019: HK$569,947,000) with impairment loss for the year of HK$Nil (2019: HK$164,702,000) being recognised in profit or loss for the year ended 31 December 2020. Details of the recoverable amount calculation are disclosed in note 17.

Discount rate for lease liability

In determining the discount rate for lease liabilities, the Group is required to estimate and determine the discount rate (being the lessee's incremental borrowing rates) taking into account the nature of the underlying assets and the terms and conditions of the leases at the commencement date of lease as appropriate.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Fair value of financial instruments

Certain of the Group's unquoted equity instruments and derivative liability embedded in convertible bond amounting to HK$320,686,000 (2019: HK$249,002,000) and HK$273,000 (2019: HK$Nil) as at 31 December 2020 respectively are measured at fair values with fair values being determined based on unobserved inputs using valuation techniques.

Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these instruments. See note 41 for further disclosures.

Provision for obsolete and slow-moving inventories

The Group has a general provision policy on inventories based on ageing. The Group's sales and marketing managers review the inventory ageing listing on a periodical basis for those aged inventories. This involves a comparison of the carrying values of aged inventory items with their respective net realisable values. The purpose is to ascertain whether allowance is required to be made in the financial statements for any obsolete and slow-moving items. In addition, physical counts on all inventories are carried out on a periodical basis in order to determine whether allowance needs to be made in respect of any obsolete and defective inventories identified.

Provision of ECL for trade and bills receivables

The Group uses provision matrix to calculate ECL for trade and bills receivables. The provision rates are based on the Group's internal credit review from the Group's historical repayment pattern and the Group's groupings of various debtors that are considered to have similar credit risk. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and adjusted to reflect changes in the forward-looking information. In addition, trade and bills receivables with significant balances and credit impaired are assessed for ECL individually.

Impairment allowances on loan and interest receivables

The Group measures the loss allowance based on an expected credit loss model. The allowance for ECL on the unsecured loan and interest receivables are calculated based on loss rates which are reference to the interest rates granted by similar money lending company and historical data, adjusted for forward-looking futures specific to the debtors and the economic environment. Specifically, a credit loss is the present value of the difference between (i) the contractual cash flows that are due to an entity under the contract and (ii) the cash flows that the entity expects to receive. Such assessment involves a high degree of estimation and uncertainty. When the actual future cash flows are less or more than expected, a material ECLs or material reversal of ECLs may arise, accordingly. As at 31 December 2020, the carrying amount of unsecured loans and advances to customers is HK$101,622,000 (2019: HK$71,250,000), net of impairment losses allowance of HK$6,623,000 (2019: Nil).

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade and bills receivables and unsecured loan and interest receivables are disclosed in notes 42(b) and 23.

Share-based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payments requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility and dividend yield. The assumptions and models used for estimating fair value for share-based payments are disclosed in note 36.

4. SEGMENT INFORMATION

The Group has four reportable segments. The segments are managed separately as each business offers different products or provides different services and requires different business strategies.

The following summary describes the operations in each of the Group's reportable segments:

QR code business segment	—	Provision of QR code on product packaging and solutions and advertising display services
Packaging products segment	—	Manufacture and sale of watch boxes, jewellery boxes, eyewear cases, bags and pouches and display units
Treasury investment segment	—	Investments and trading in securities, money lending, securities brokerage services and margin financing
Chlamydomonas reinhardtii product business segment	—	Production and sale of chlamydomonas reinhardtii, micro-algae and related products

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group's profit or loss before tax except that finance costs, share of result of an associate and head office and corporate income and expenses are excluded from such measurement.

There was no inter-segment sale or transfer during the year (2019: Nil). Central revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' results that is used by the chief operating decision makers for assessment of segment performance.

4. SEGMENT INFORMATION *(Continued)*

	QR code business		Packaging products		Treasury investment		Chlamydomonas reinhardtii product business		Total	
	2020 HK$'000	2019 HK$'000	**2020 HK$'000**	2019 HK$'000	**2020 HK$'000**	2019 HK$'000	**2020 HK$'000**	2019 HK$'000	**2020 HK$'000**	2019 HK$'000
Group's revenue	**83,342**	69,691	**135,422**	260,288	**–**	–	**41**	–	**218,805**	329,979
Fair value (losses)/gains on financial assets at fair value through profit or loss held for trading, net	**–**	–	**–**	–	**(14,205)**	10,074	**–**	–	**(14,205)**	10,074
Interest income from money lending business	**–**	–	**–**	–	**1,745**	1,250	**–**	–	**1,745**	1,250
Interest income from margin financing	**–**	–	**–**	–	**262**	–	**–**	–	**262**	–
Commission income from securities brokerage	**–**	–	**–**	–	**9**	–	**–**	–	**9**	–
Dividend income from financial assets at FVTPL held for trading	**–**	–	**–**	–	**170**	1,393	**–**	–	**170**	1,393
Segment revenue	**83,342**	69,691	**135,422**	260,288	**(12,019)**	12,717	**41**	–	**206,786**	342,696
Segment results	**(6,459)**	(199,724)	**5,219**	20,514	**(27,561)**	12,582	**(6,375)**	–	**(35,176)**	(166,628)
Corporate and unallocated income, gains and losses									**(54,790)**	(27,244)
Corporate and unallocated expenses									**(25,707)**	(35,398)
Share of result of an associate									**(24,458)**	60,362
Finance costs									**(31,852)**	(25,988)
Loss before tax									**(171,983)**	(194,896)

4. SEGMENT INFORMATION *(Continued)*

	QR code business		Packaging products		Treasury investment		Chlamydomonas reinhardtii product business		Total	
	2020 HK$'000	2019 HK$'000	**2020 HK$'000**	2019 HK$'000	**2020 HK$'000**	2019 HK$'000	**2020 HK$'000**	2019 HK$'000	**2020 HK$'000**	2019 HK$'000
Other segment information:										
Capital expenditure										
— operating segment	**1,090**	785	**1,194**	2,878	**283**	–	**123,229**	–	**125,796**	3,663
— unallocated									**–**	–
									125,796	3,663
Interest income										
— operating segment	**69**	126	**11**	35	**–**	–	**60**	–	**140**	161
— unallocated									**9**	9,489
									149	9,650
Depreciation										
— operating segment	**3,026**	3,655	**1,491**	3,534	**7**	–	**1**	–	**4,525**	7,189
— unallocated									**14**	14
									4,539	7,203
Amortisation of intangible assets	**7,437**	7,935	**–**	–	**–**	–	**–**	–	**7,437**	7,935
(Gain)/loss/written off on disposal of property, plant and equipment	**(515)**	1,258	**(129)**	525	**–**	–	**–**	–	**(644)**	1,783
(Reversal of impairment)/ impairment loss of trade receivables, net	**(14)**	3,210	**286**	–	**–**	–	**–**	–	**272**	3,210
Impairment loss of goodwill	**–**	164,702	**–**	–	**–**	–	**–**	–	**–**	164,702
Impairment loss of intangible assets	**–**	1,274	**–**	–	**–**	–	**–**	–	**–**	1,274
Impairment loss of loan and interest receivables	**–**	–	**–**	–	**6,623**	–	**–**	–	**6,623**	–

4. SEGMENT INFORMATION *(Continued)*

Revenue from external customers based on the locations of these customers is analysed as follows:

	2020 **HK$'000**	2019 HK$'000
QR code business		
— PRC	**83,342**	69,691
Packaging products		
— Hong Kong and the PRC	**64,932**	109,501
— Europe	**36,668**	79,856
— North and South America	**18,129**	31,694
— Others	**15,693**	39,237
	135,422	260,288
Treasury investment		
— Hong Kong	**(12,019)**	12,717
Chlamydomonas reinhardtii product business		
— Hong Kong	**41**	–
Segment revenue	**206,786**	342,696

The geographical locations of the Group's non-current assets, except for financial assets at fair value through profit or loss are analysed as follows:

	2020 **HK$'000**	2019 HK$'000
Hong Kong	**19,745**	227,653
Mainland China	**163,001**	44,985
	182,746	272,638

The non-current asset information above is based on the locations of the assets.

Information about major customers

Revenue derived from customers in the packaging products segment and QR code business segment which individually accounted for more than 10% of the Group's revenue is as follows:

	2020 **HK$'000**	2019 HK$'000
Packaging products segment:		
Customer A	**30,331**	41,532
Customer B	**25,936**	40,273
QR code business segment:		
Customer C	**28,704**	N/A

5. REVENUE

An analysis of revenue

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts, value of services rendered, net fair value gains/(losses) on financial assets at fair value through profit or loss, dividend income on investment portfolio, interest income from money lending business, interest income from margin financing and commission income from securities brokerage.

An analysis of the Group's revenue is as follows:

	2020 **HK$'000**	2019 HK$'000
Manufacturing and sales of packaging products	**135,422**	260,288
Provision of QR code packaging products and solutions	**82,971**	68,283
Advertising display service income	**371**	1,408
Manufacturing and sales of chlamydomonas reinhardtii product	**41**	–
	218,805	329,979
Fair value (losses)/gains on financial assets at fair value through profit or loss held for trading, net (note (i))	**(14,205)**	10,074
Interest income from money lending business	**1,745**	1,250
Interest income from margin financing	**262**	–
Commission income from securities brokerage	**9**	–
Dividend income from financial assets at fair value through profit or loss held for trading	**170**	1,393
	206,786	342,696

Note:

(i) During the year ended 31 December 2020, the gross proceeds from the disposal of listed equity investments classified as financial assets at fair value through profit or loss for the year were approximately HK$34,672,000 (2019: HK$21,560,000).

5. REVENUE *(Continued)*

An analysis of revenue *(Continued)*

The revenue within the scope of HKFRS 15 categorised by timing of revenue recognition is as follows:

		2020 HK$'000	2019 HK$'000
(a)	At a point of time		
	Manufacturing and sales of packaging products	**135,422**	260,288
	Provision of QR code packaging products and solutions	**82,971**	68,283
	Manufacturing and sales of chlamydomonas reinhardtii product	**41**	–
	Commission income from securities brokerage	**9**	–
		218,443	328,571
(b)	By over time		
	Advertising display service income	**371**	1,408
		218,814	329,979

An analysis of revenue from contracts with customers by geographic markets is disclosed in note 4.

The Group's customer base is diversified and information about major customers is disclosed in note 4. Details of concentrations of credit risk are set out in note 42(b).

6. OTHER INCOME, GAINS AND LOSSES, NET

An analysis of the Group's other income, gains and losses, net is as follows:

	Notes	2020 HK$'000	2019 HK$'000
Bank interest income		**149**	198
Imputed interest income from note receivable		**–**	9,452
Gain on partial redemption of note receivable		**–**	2,108
Gain on early termination of lease		**122**	–
Waiver of loan interest expense		**1,118**	–
Gain on early redemption of convertible bond ("CB")	31	**3**	–
Fair value gain on derivative component of CB (including changes arising from early redemption of CB)	31	**183**	3,140
Gain on extinguishment of CB	31	**8,809**	–
Fair value loss on financial assets at fair value through profit or loss (not held for trading), net		**(55,921)**	(42,967)
Loss on deemed disposal of an associate	18	**(15,023)**	–
Foreign exchange differences, net		**(1,849)**	785
Covid-19-related rent concessions		**1,195**	–
Government grant		**2,970**	–
Impairment loss of intangible assets		**–**	(1,274)
Gain/(loss)/(written off) on disposal of property, plant and equipment, net		**644**	(1,783)
Others		**3,412**	2,011
		(54,188)	(28,330)

For year ended 31 December 2020, the Group recognised concessions of HK$4,165,000 in respect of Covid-19-related subsidies, of which HK$2,970,000 is related to Employment Support Scheme provided by The Government of Hong Kong Special Administrative Region and HK$1,195,000 is related to rent concessions provided by the landlord.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2020 HK$'000	2019 HK$'000
Interest expense on CB (note (i))	**28,374**	23,988
Interest on lease liabilities	**1,234**	1,271
Interest on other borrowings	**3,147**	729
Interest on margin loans payable	**469**	–
Interest on advance drawn of bills receivable	**864**	–
Less: Interest capitalised into construction in progress (note (ii))	**(2,236)**	–
	31,852	25,988

Notes:

(i) Included in interest expense on CB for the year ended 31 December 2020 was an amount of HK$9,393,000 related to penalty interest expense for the default of repayment before the Amendment Deed (as described and defined in note 31) (2019: HK$5,600,000).

(ii) The finance costs have been capitalised at a rate of 1% (2019: nil) per month.

8. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	Notes	2020 HK$'000	2019 HK$'000
Auditor's remuneration		**1,470**	1,420
Cost of inventories sold		**122,172**	217,202
Depreciation of property, plant and equipment	14	**4,539**	7,203
Depreciation of right-of-use assets	15	**16,473**	16,444
Amortisation of intangible assets	16	**7,437**	7,935
Short-term lease payments		**1,970**	1,073
Research and development cost		**20,868**	17,308
Employee benefits expenses (including directors' remuneration (note 9)):			
Wages and salaries		**55,677**	59,128
Pension scheme contributions		**1,590**	1,334
		57,267	60,462
Equity-settled share option expense	36	**4,261**	15,135

9. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, Section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2020 HK$'000	2019 HK$'000
Fees	757	744
Other emoluments:		
Salaries, allowances and benefits in kind	3,480	4,075
Bonus	429	429
Share-based payments	–	1,110
Pension scheme contributions	85	111
	4,751	6,469

(a) Executive directors and non-executive directors

Year ended 31 December 2020	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Bonus HK$'000	Pension scheme contributions HK$'000	Sub-total HK$'000	Share-based payments HK$'000	Total remuneration HK$'000
Executive directors:							
Mr. Wang Liang	–	1,300	200	18	1,518	–	1,518
Mr. Du Dong	–	1,040	160	18	1,218	–	1,218
Mr. Lo Yuen Wa Peter	–	806	39	18	863	–	863
	–	3,146	399	54	3,599	–	3,599
Non-executive directors:							
Mr. Chen Hui	–	240	–	31	271	–	271
Ms. Tian Yuze	–	88	–	–	88	–	88
Mr. Jia Wenjie	–	3	–	–	3	–	3
Mr. Zhang Lele	–	3	–	–	3	–	3
	–	334	–	31	365	–	365
	–	3,480	399	85	3,964	–	3,964

9. DIRECTORS' REMUNERATION *(Continued)*

(a) Executive directors and non-executive directors *(Continued)*

Year ended 31 December 2019	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Bonus HK$'000	Pension scheme contributions HK$'000	Sub-total HK$'000	Share-based payments HK$'000	Total remuneration HK$'000
Executive directors:							
Mr. Wang Liang	–	1,300	200	18	1,518	325	1,843
Mr. Du Dong	–	1,040	160	18	1,218	271	1,489
Mr. Lo Yuen Wa Peter	–	1,014	39	18	1,071	81	1,152
	–	3,354	399	54	3,807	677	4,484
Non-executive director:							
Mr. Chen Hui	–	721	–	57	778	271	1,049
	–	721	–	57	778	271	1,049
	–	4,075	399	111	4,585	948	5,533

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

(b) Independent non-executive directors

Year ended 31 December 2020	**Fees HK$'000**	**Bonus HK$'000**	**Share-based payments HK$'000**	**2020 Total HK$'000**
Mr. Cheung Wing Ping	**248**	**10**	**–**	**258**
Mr. Ha Kee Choy Eugene	**248**	**10**	**–**	**258**
Mr. To Shing Chuen	**248**	**10**	**–**	**258**
Mr. Hu Guohua	**13**	**–**	**–**	**13**
	757	**30**	**–**	**787**

Year ended 31 December 2019	Fees HK$'000	Bonus HK$'000	Share-based payments HK$'000	2019 Total HK$'000
Mr. Cheung Wing Ping	248	10	54	312
Mr. Ha Kee Choy Eugene	248	10	54	312
Mr. To Shing Chuen	248	10	54	312
	744	30	162	936

There were no other emoluments payable to the independent non-executive directors during the year (2019: Nil).

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

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2019: three directors), details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the three (2019: two) highest paid employees are as follows:

	2020 HK$'000	2019 HK$'000
Salaries, allowances and benefits in kind	**8,030**	9,195
Share based payments	**–**	677
Pension scheme contributions	**281**	254
	8,311	10,126

The number of highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2020	2019
HK$1,000,001 to HK$1,500,000	**3**	2
HK$1,500,001 to HK$2,000,000	**1**	1
HK$2,000,001 to HK$2,500,000	**–**	1
HK$2,500,001 to HK$3,000,000	**–**	–
HK$3,000,001 to HK$3,500,000	**1**	1

11. INCOME TAX

(a) Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	Note	**2020 HK$'000**	2019 HK$'000
Current tax — Hong Kong Profits Tax			
Provision for the year		**–**	3,200
Current tax — PRC Corporate Income Tax			
Provision for the year		**–**	690
Under-provision in respect of previous year		**6**	365
		6	4,255
Deferred tax	32	**–**	(42)
		6	4,213

11. INCOME TAX *(Continued)*

(a) Taxation in the consolidated statement of profit or loss and other comprehensive income represents: *(Continued)*

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Qualipak Manufacturing Limited, a subsidiary of the Group, is qualified for the two-tiered profits tax rates regime and accordingly its profits tax is calculated at 8.25% on the first HK$2,000,000 of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2,000,000, and profits of other group entities in Hong Kong are taxed at 16.5%.

In accordance with the PRC Corporate Income Tax Law, the PRC Corporate Income Tax is calculated at a statutory rate of 25% (2019: 25%) of the assessable profits except for 上海透雲物聯網科技有限公司 (Shanghai TY Technology Co. Ltd.*, "SHTY") and 透雲物聯網科技(北京)有限公司 (TY Technology (Beijing) Co., Ltd.*, "BJTY"), two indirect wholly-owned subsidiaries of the Group. Both companies obtained the High-new Technology Certificate for the years from 2017 to 2020 and were entitled to a tax rate of 15%.

* *For identification purpose only*

(b) Reconciliation between tax expense and accounting loss at applicable tax rates:

	2020 HK$'000	2019 HK$'000
Loss before tax	**(171,983)**	(194,896)
Tax at applicable statutory tax rate	**(29,799)**	(34,839)
Hong Kong statutory tax concession	**–**	(185)
Tax effect of PRC preferential tax treatments	**1,741**	3,148
Profit attributable to an associate	**4,036**	(9,960)
Income not subject to tax	**(12,605)**	(2,490)
Expenses not deductible for tax	**30,148**	43,789
Utilisation of tax losses brought forward	**(654)**	(2,068)
Tax losses not recognised	**7,133**	6,453
Under-provision in respect of previous year	**6**	365
Income tax expense	**6**	4,213

12. DIVIDEND

The directors do not recommend the payment of any dividend in respect of the year (2019: Nil).

13. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculations of basic and diluted loss per share attributable to owners of the Company for the years ended 31 December 2020 and 2019 are based on the following data:

	2020	2019
	HK$'000	HK$'000
Loss for the year attributable to owners of the Company	**(168,776)**	(200,513)
	'000	'000
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**2,672,412**	2,449,328

The weighted average number of ordinary shares for the purpose of calculation of basic and diluted loss per share for the year ended 31 December 2020 has included the effect of share subscription as disclosed in note 34.

The weighted average number of ordinary shares for the purpose of calculation of basic loss per share for the year ended 31 December 2019 has included the effect of share consolidation as disclosed in note 34.

The computation of diluted loss per share for the years ended 31 December 2020 and 2019 does not assume the conversion of the Company's outstanding convertible bond and the exercise of share options since their assumed exercise would result in a decrease in loss per share.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Construction in progress HK$'000 (note)	Total HK$'000
Cost						
At 1 January 2019	2,881	61,706	5,246	34,917	4,708	109,458
Additions	2,232	385	–	285	761	3,663
Disposal	–	(220)	–	(1,376)	(1,622)	(3,218)
Written off	–	(21)	–	(668)	–	(689)
Transfer upon completion of construction in progress	–	–	–	2,195	(2,195)	–
Transfer from plant and machinery to furniture, fixtures and equipment	–	1,990	–	(1,990)	–	–
Exchange realigment	(35)	(672)	(12)	(449)	7	(1,161)
As at 31 December 2019 and 1 January 2020	5,078	63,168	5,234	32,914	1,659	108,053
Additions	–	39	1,227	222	124,025	125,513
Additions from acquisition of a subsidiary (Note 33)	–	283	–	–	–	283
Capitalisation of borrowing cost	–	–	–	–	2,236	2,236
Disposal/written off	–	(20,210)	(1,808)	(4,104)	–	(26,122)
Transfer upon completion of construction in progress	–	–	–	1,268	(1,268)	–
Transfer from plant and machinery to inventory	–	–	–	(7,101)	(539)	(7,640)
Exchange realigment	180	2,217	47	1,666	6,967	11,077
At 31 December 2020	5,258	45,497	4,700	24,865	133,080	213,400
Accumulated depreciation and impairment						
At 1 January 2019	1,477	59,535	4,638	7,385	–	73,035
Depreciation provided for the year	2,565	929	431	3,278	–	7,203
Written back on disposals	–	(205)	–	(381)	–	(586)
Written off	–	(15)	–	(15)	–	(30)
Transfer from plant and machinery to furniture, fixtures and equipment	–	1,882	–	(1,882)	–	–
Exchange realigment	(38)	(660)	(12)	(123)	–	(833)
As at 31 December 2019 and 1 January 2020	4,004	61,466	5,057	8,262	–	78,789
Depreciation provided for the year	1,009	507	285	2,738	–	4,539
Written back on disposals/written off	–	(20,090)	(1,795)	(110)	–	(21,995)
Transfer from plant and machinery to inventory	–	–	–	(1,279)	–	(1,279)
Exchange realigment	177	2,163	40	583	–	2,963
At 31 December 2020	5,190	44,046	3,587	10,194	–	63,017
Carrying amount						
At 31 December 2020	68	1,451	1,113	14,671	133,080	150,383
At 31 December 2019	1,074	1,702	177	24,652	1,659	29,264

Note: Pursuant to the co-operation agreement dated 21 February 2020 entered into between the Group and the People's Government of Wucheng District, Changzhi City, Shanxi Province (the "District Government"), the District Government agreed to support the construction of the chlamydomonas reinhardtii and related products facilities by the provision of the relevant land use right for the construction of the facilities. The Group submitted the relevant documents for the formal application of the land use right. On 9 April 2020, the Natural Resources Bureau of Wucheng District, Changzhi City confirmed that the construction of manufacturing facilities for chlamydomonas reinhardtii at a site of approximately 12.44 hectares conform with the overall land use planning of the relevant area. As at 31 December 2020, the application for formal land use right certificate are under progress and has not been obtained, and the carrying amount of the construction in progress mainly related to the calculation cost of the above-mentioned construction of fermentation and related facilities for the production of chlamydomonas reinhardtii, micro-algae and related products.

15. RIGHT-OF-USE ASSETS

	Office buildings HK$'000	Office equipment HK$'000	Total HK$'000
As at 31 December 2020			
Carrying amount	21,807	10	21,817
As at 31 December 2019			
Carrying amount	23,405	22	23,427
For the year ended 31 December 2020			
Depreciation charge	16,463	10	16,473
For the year ended 31 December 2019			
Depreciation charge	16,436	8	16,444

	Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 HK$'000
Expense relating to short-term leases and other leases with lease terms end within 12 months	**1,970**	1,073
Total cash outflow for leases	**19,685**	18,959
Additions to right-to-use assets	**16,191**	23,609
Addition from acquisition of a subsidiary (note 33)	**1,083**	–

For both years, the Group leases various offices and equipment for its operations. Lease contracts are entered into for fixed terms of 1 year to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

During the year, lessors of the relevant offices provided rent concessions to the Group through rent reductions ranging from 17% to 100% over 1 to 3 months.

These rent concessions occurred as a direct consequence of Covid-19 pandemic and met of all of the conditions in HKFRS 16.46(b), and the Group applied the practical expedient not to assess whether the changes constitute lease modifications. For the year ended 31 December 2020, the effects on changes in lease payments due to forgiveness or waiver by the lessors for the relevant leases of HK$1,195,000 were recognised as negative variable lease payments.

16. INTANGIBLE ASSETS

	Patent HK$'000	Development costs (note (i)) HK$'000	Securities trading/ brokerage license HK$'000	Total HK$'000
Cost				
At 1 January 2019	2,859	21,157	–	24,016
Additions	–	3,979	–	3,979
Exchange realignment	(34)	(334)	–	(368)
At 31 December 2019 and 1 January 2020	**2,825**	**24,802**	**–**	**27,627**
Addition through acquisition of a subsidiary (note 33)	**–**	**–**	**6,500**	**6,500**
Exchange realignment	**169**	**1,484**	**–**	**1,653**
At 31 December 2020	**2,994**	**26,286**	**6,500**	**35,780**
Accumulated amortisation				
At 1 January 2019	910	7,052	–	7,962
Provided for the year	393	7,542	–	7,935
Impairment loss for the year (note (ii))	–	1,274	–	1,274
Exchange realignment	(19)	(266)	–	(285)
At 31 December 2019 and 1 January 2020	**1,284**	**15,602**	**–**	**16,886**
Provided for the year	**387**	**7,050**	**–**	**7,437**
Exchange realignment	**98**	**1,323**	**–**	**1,421**
At 31 December 2020	**1,769**	**23,975**	**–**	**25,744**
Carrying amount				
At 31 December 2020	**1,225**	**2,311**	**6,500**	**10,036**
At 31 December 2019	1,541	9,200	–	10,741

Notes:

(i) The development costs are internally generated for the QR code business.

(ii) Impairment loss of HK$1,274,000 in respect of all development costs on traceability platform had been fully recognised during the year ended 31 December 2019 as the Group considered that the recoverable amount of the asset is likely to be negligible, taking into account that the Group is unable to make successful bid on the projects for product tracing. Accordingly, the anticipated cash flows to be generated from the future use of the asset would be insignificant. As at 31 December 2019, there were no carrying amount of development costs related to traceability platform.

(iii) Securities trading/brokerage license acquired from business combination confer rights to the Group to trade securities and future contracts on or through the Stock Exchange and Hong Kong Futures Exchange Limited such that the Group can conduct the businesses including securities brokerage of securities and futures contracts. Securities trading/brokerage license are considered by the directors of the Company as having an indefinite useful life because the securities trading/brokerage license are expected to contribute to net cash inflows indefinitely. No impairment has been made for the securities trading/brokerage license for the year ended 31 December 2020.

17. GOODWILL

	2020 HK$'000	2019 HK$'000
Cost		
1 January	**569,947**	569,947
Goodwill arising from acquisition of a subsidiary (Note 33)	**510**	–
31 December	**570,457**	569,947
Accumulated impairment losses		
1 January	**569,947**	405,245
Impairment loss for the year	**–**	164,702
31 December	**569,947**	569,947
Net carrying amount		
31 December	**510**	–

The goodwill has been allocated to two cash generating units ("CGUs"): (i) a group of subsidiaries engaged in the provision of QR code on product packaging and advertising display services (the "QR Code CGUs"); and (ii) Hope Capital Limited ("Hope Capital") and its subsidiary (collectively referred to as the "Hope Group") engaged in securities brokerage services and margin financing (the "Hope Group CGUs") (Note 33).

QR Code CGUs

The allocated goodwill of QR Code CGUs was fully impaired in previous years and accordingly there was nil carrying amount of goodwill from QR Code CGUs as of 31 December 2020 and 31 December 2019.

Hope Group CGUs

The goodwill amounting to HK$510,000 as at 31 December 2020 was resulted from the acquisition of Hope Group.

The recoverable amount of the Hope Group CGUs is determined based on value in use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. The CGU's cash flow beyond the five-year period is extrapolated using a 3% growth rate. The growth rate used does not exceed the long-term average growth rates for the businesses in which the Hope Group CGUs operate. The pre-tax discount rate used of 15.56% for Hope Group business reflects specific risks relating to the relevant unit. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted revenue, such estimation is based on the unit's past performance and management's expectations for the market development.

For the year ended 31 December 2020, the recoverable amount of the Hope Group CGUs was calculated based on value in use that is higher than the carrying value of the Hope Group CGUs and accordingly no impairment loss was recognised in profit or loss for the year ended 31 December 2020. In the opinion of the Company's directors, a decrease in the revenue growth rate by 1% per annum would cause the recoverable amount of the Hope Group CGUs to exceed its carrying amount by approximately HK$9,100,000.

18. INTERESTS IN AN ASSOCIATE

(a) Interests in an associate

	2020 HK$'000	2019 HK$'000
At beginning of the year	**209,206**	148,844
Share of (loss)/profit for the year*	**(24,458)**	60,362
Deemed disposal of investment in an associate	**(184,748)**	–
Share of net assets	**–**	209,206

* Included in share of loss for the year ended 31 December 2019 was share of gain arising from capital injection from non-controlling shareholders of an associate's subsidiary amounting to approximately HK$14,262,000.

(b) Particulars of associate

Particulars of the Group's interests in an associate as at 31 December 2020 and 2019 is as follows:

Name	Particulars of issued shares held	Place of incorporation and business	Percentage of ownership interest	Percentage of voting power	Percentage of profit sharing	Principal activities
FreeOpt Holdings Limited ("FreeOpt")	Ordinary share without par value	Republic of Marshall Islands/ Hong Kong	N/A (2019: 31.38%)	N/A (2019: 31.38%)	N/A (2019: 31.38%)	Investment holding and money lending

On 2 July 2020, FreeOpt effected an increase in registered capital whereby an independent third party new investor injected HK$400,000,000 to FreeOpt. As a result, the Group's interest in FreeOpt was diluted from 31.38% to 17.61%. Taking into account the dilution of the Group's interest in FreeOpt to less than 20% and no director of FreeOpt was appointed by the Group. Therefore, the Group ceased to have significant influence over FreeOpt and the investment in FreeOpt became financial assets at fair value through profit or loss from 2 July 2020. On 2 July 2020, the financial assets at fair value through profit or loss was measured at its fair value amounted to HK$169,725,000, which was determined based on fair value of shareholding of adjusted net asset of FreeOpt; and the Group recognised a loss on deemed disposal of interests in an associate of HK$15,023,000 in profit or loss in accordance with HKAS 28 "Investments in associates and joint ventures", subsequent measurement on the Group's interest in FreeOpt as financial assets at fair value through profit or loss is set out in the Group's accounting policies.

The loss on deemed disposal of interests in an associate:

	2020 HK$'000
Fair value of retained interest as financial assets at fair value through profit or loss	**169,725**
Less: carrying amount of interests in an associate de-recognised	**(184,748)**
Loss on deemed disposal of an associate	**(15,023)**

18. INTERESTS IN AN ASSOCIATE *(Continued)*

The following table illustrates the summarised financial information for the year ended 31 December 2019, extracted from the management accounts of FreeOpt, reconciled to the carrying amount in the consolidated financial statements.

Summarised consolidated statement of financial position

	2019 HK$'000
Current assets	
Listed investments at FVTPL	326,186
Loan receivables	1,023,000
Loan interest receivable	12,021
Prepayments	23
Tax prepaid	1,067
Cash and cash equivalents	1,167
	1,363,464
Current liabilities	
Other payables	(10,228)
Loan and interest payable	(686,546)
	(696,774)
Net assets	666,690
Equity	
Share capital	478,000
Reserves	188,690
Total equity	666,690

Summarised consolidated statement of comprehensive income

	2019 HK$'000
Revenue	11,841
Other income	6,377
Fair value gain on investment at FVTPL	136,581
Finance costs	(6,546)
Administrative expenses	(1,341)
Profit before tax	146,912
Income tax	–
Profit and total comprehensive income for the year	146,912

18. INTERESTS IN AN ASSOCIATE *(Continued)*

Reconciliation summarised financial statements

Reconciliation of the summarised financial information presented to the carrying amount of its interests in an associate.

	2019 HK$'000
Opening net assets as at 1 January	474,328
Capital injection from non-controlling shareholders of a subsidiary	45,450
Profit and total comprehensive income for the year	146,912
Closing net assets as at 31 December	666,690
Percentage of the Group's interest in FreeOpt	31.38%
Carrying value as at 31 December	209,206

The Group has no contingent liabilities in relation to its interest in FreeOpt.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 HK$'000	2019 HK$'000
Non-current assets		
Unlisted equity investments, at fair value (note (i))		
Company A (note (ii))	**89,023**	100,618
Company B	**–**	4,025
Company C	**43,040**	37,360
Company D (note (iii))	**38,163**	59,275
Company E (note (iv))	**–**	47,724
Company F (note (v))	**150,460**	–
	320,686	249,002
Current assets		
Listed equity investments held for trading, at fair value (note (vi))	**111,956**	158,825

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

Notes:

(i) As at 31 December 2020, the unlisted equity investments relate to investments in five private entities (2019: five), which were intended to hold for long-term strategic purpose at the time of acquisition. The investee private entities are engaged in the provision of advisory and financial services, property holding, investment in securities trading and money lending. Details of the fair value measurement are disclosed in note 41.

(ii) As at 31 December 2020, the shareholding was diluted to 2.76% as Company A issued additional shares to another investors during the year ended 31 December 2020.

(iii) As at 31 December 2020, the shareholding was diluted to 12.12% as Company D issued additional shares to another investor during the year ended 31 December 2020.

(iv) On 4 August 2020, the Group entered into a sales and purchase agreement with Company E to buy back a total of 360 shares (representing 8% equity shareholding) of Company E at a cash consideration of HK$42,120,000.

(v) On 2 July 2020, Company F (being FreeOpt (see note 18)) effected an increase in registered capital whereby an independent third party new investor injected HK$400,000,000 to Company F. As a result, the Group's interest in Company F was diluted from 31.38% to 17.61% and the Group ceased to have significant influence over Company F. The interest in Company F has then been reclassified from interests in an associate to financial assets at fair value through profit or loss in the opinion of the directors of the Company. Further details are set out in note 18.

(vi) As at 31 December 2020, certain financial assets at FVTPL of approximately HK$65,529,000 (2019: Nil) of the Group were pledged to a securities brokerage company to secure the margin loans payable of approximately HK$28,470,000 (2019: Nil), details of which are set out in note 30.

20. INVENTORIES

	2020 **HK$'000**	2019 HK$'000
Raw materials	**2,192**	3,459
Work in progress	**5,132**	4,647
Finished goods	**26,417**	21,465
	33,741	29,571

21. TRADE AND BILLS RECEIVABLES

	2020 HK$'000	2019 HK$'000
Trade receivables — margin financing	**23,583**	–
Trade and bills receivables — non-margin financing	**36,638**	58,855
Less: Impairment loss allowance (note 42(b))	**(1,536)**	(4,092)
	58,685	54,763

As at 31 December 2020, trade receivables of HK$23,583,000 (2019: Nil) were arisen from margin loans to individual third parties for securities trading in Hong Kong. The margin loans to securities margin clients are secured by clients' pledged securities with fair value of HK$87,392,000 (2019: Nil). The pledged securities are listed equity securities in Hong Kong. The margin loans are repayable on demand subsequent to settlement date and carry interest typically 12% to 24% per annum as at 31 December 2020 (2019: Nil). Securities are assigned with specific margin ratios for calculating their margin values. Additional funds or collateral are required if the outstanding amount exceeds the eligible margin value of securities deposited. The collateral held can be repledged and can be sold at the Group's discretion to settle any outstanding amount owed by margin clients. Therefore, no impairment loss for trade receivables (margin financing) was recognised during the year (2019: Nil).

The Group's trading terms with other customers (non-margin financing) are mainly on credit, except for new customers where payment in advance is normally required. The credit period generally ranges from 30 to 90 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade and bills receivable balances (non-margin financing). Trade and bills receivables (non-margin financing) are non-interest-bearing.

An aged analysis of the trade and bills receivables (non-margin financing) at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	2020 HK$'000	2019 HK$'000
Within 1 month	**23,288**	32,151
1 to 2 months	**7,192**	12,904
2 to 3 months	**2,452**	1,617
Over 3 months	**2,170**	8,091
	35,102	54,763

Further details on the Group's credit policy and credit risk arising from trade debtors and bills receivable are set out in note 42(b).

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020 HK$'000	2019 HK$'000
Prepayments	**1,867**	1,402
Deposits	**7,848**	6,448
Value added tax recoverable	**8,621**	–
Other receivables	**1,728**	2,045
	20,064	9,895

23. LOANS AND INTEREST RECEIVABLES

The exposure of the Group's fixed rate loan to interest rate risks and their contractual maturity dates are as follows:

	2020 HK$'000	2019 HK$'000
Unsecured loan and interest receivables	**108,245**	71,250
Less: allowance for impairment	**(6,623)**	–
	101,622	71,250
Analysed for reporting purpose as:		
Current portion	**101,622**	71,250

As at 31 December 2020, unsecured loan and interest receivables of HK$108,245,000 are unsecured and will be matured within one year.

The range of effective interest rates which are equal to contractual interest rates on the Group's loan and interest receivables are as follows:

	Effective interest rate per annum	
	2020	2019
Unsecured loan and interest receivables	**6% to 10%**	10%

Analysis of changes in the corresponding credit loss allowance is as follow:

	HK$'000
Balance at 1 January 2019 and 2020	–
Impairment losses recognised for unsecured loan and interest receivables	6,623
Balance at 31 December 2020	**6,623**

24. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents

	2020	2019
	HK$'000	HK$'000
Cash and bank balances	**142,440**	40,457

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$27,198,000 (2019: HK$18,746,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Included in cash and bank balance were HK$14,748,000 (2019: HK$6,234,000) of short-term highly liquid investments that was readily convertible into known amount of cash.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

24. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(Continued)*

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's major liabilities arising from financing activities, including both cash and non-cash changes.

	Debt component of the convertible bond (Note 31) HK$'000	Lease liabilities (Note 28) HK$'000	Derivative embedded in the convertible bond (Note 31) HK$'000	Other borrowings (Note 29(a)) HK$'000	Amount due to a director (Note 29(b)) HK$'000	Margin loans payable (Note 30) HK$'000	Total HK$'000
At 1 January 2020	225,236	24,067	–	11,596	–	–	260,899
Financing cash flow							
Redemption of CB	(96,720)	–	–	–	–	–	(96,720)
Payment for modification of CB	(1,336)	–	–	–	–	–	(1,336)
Repayment of lease liabilities	–	(16,481)	–	–	–	–	(16,481)
Advance from a director	–	–	–	–	98,900	–	98,900
New other borrowings raised, net	–	–	–	13,261	–	–	13,261
New margin loans raised	–	–	–	–	–	28,001	28,001
	(98,056)	(16,481)	–	13,261	98,900	28,001	25,625
Changes in fair values	–	–	(183)	–	–	–	(183)
Other changes							
Interest expenses	28,374	1,234	–	911	–	469	30,988
Capitalisation of borrowing cost	–	–	–	2,236	–	–	2,236
Interest in advance drawn of bills receivables	–	–	–	864	–	–	864
Interest paid	(34,057)	(1,234)	–	(1,936)	–	–	(37,227)
Gain on extinguishment of CB	(9,265)	–	456	–	–	–	(8,809)
Gain on early redemption of CB	(3)	–	–	–	–	–	(3)
New leases	–	16,191	–	–	–	–	16,191
Addition from acquisition of a subsidiary (note 33)	–	1,083	–	30,600	–	–	31,683
Gain on early termination of lease	–	(3,373)	–	–	–	–	(3,373)
Waiver of interest expenses	–	–	–	(1,118)	–	–	(1,118)
Exchange difference	–	857	–	3,166	–	–	4,023
	(14,951)	14,758	456	34,723	–	469	35,455
At 31 December 2020	112,229	22,344	273	59,580	98,900	28,470	321,796

24. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(Continued)*

(b) Reconciliation of liabilities arising from financing activities *(Continued)*

	Debt component of the convertible bond (Note 31) HK$'000	Lease liabilities (Note 28) HK$'000	Derivative embedded in the convertible bond (Note 31) HK$'000	Other borrowings (Note 29(a)) HK$'000	Total HK$'000
At 1 January 2019	219,461	17,092	3,140	–	239,693
Financing cash flow					
Repayment of CB	(3,276)	–	–	–	(3,276)
Repayment of lease liabilities	–	(16,615)	–	–	(16,615)
New other borrowings raised	–	–	–	11,132	11,132
	(3,276)	(16,615)	–	11,132	(8,759)
Changes in fair values	–	–	(3,140)	–	(3,140)
Other changes					
Interest expenses	23,988	1,271	–	729	25,988
Interest paid	(14,937)	(1,271)	–	(255)	(16,463)
New leases	–	23,609	–	–	23,609
Exchange difference	–	(19)	–	(10)	(29)
	9,051	23,590	–	464	33,105
At 31 December 2019	225,236	24,067	–	11,596	260,899

25. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2020 HK$'000	2019 HK$'000
Within 1 month	**20,362**	22,564
1 to 2 months	**3,799**	3,390
2 to 3 months	**1,266**	161
Over 3 months	**4,540**	6,039
	29,967	32,154

Trade payables of HK$1,083,000 represents the payables to the securities clearing house arising from the securities brokerage business, which are repayable on two business days after trade date.

Other trade payables are non-interest-bearing and are normally settled on terms of 30 to 60 days.

26. CONTRACT LIABILITIES

	2020 HK$'000	2019 HK$'000
Contract liabilities		
Billings in advance of performance		
— Made-to-order software development	**22,868**	16,871
— Packaging products	**5,211**	7,368
	28,079	24,239

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

Sales of QR code related equipment

The Group typically receives a deposit on acceptance of the customers' order. The amount of deposits on acceptance of orders is assessed on a case by case basis before work commences.

The remainder of the consideration is payable on the earlier of the delivery of the finished goods and notice from the customer to cancel the order.

When the Group receives a deposit before the Group's relevant activity commences, this will give rise to contract liabilities at the start of a contract until the revenue is recognised.

26. CONTRACT LIABILITIES *(Continued)*

Made-to-order software development service

The Group receives upfront deposit or initial payments from customers before the development activity commences according to the stage payment schedules in the contract. The upfront deposit or initial payments on acceptance of orders is assessed on a case by case basis before work commences. The amount received from customers gave rise to contract liabilities until revenue is recognised when the performance obligation is satisfied.

Packaging products

The Group receives payments from new customers on acceptance of new order. The remainder of the consideration is payable on the earlier of the delivery of the finished goods and the notice from the customer to cancel the order. If the customer cancels the order, then the Group is immediately entitled to receive payment for work done to date.

Movements in contract liabilities are as follows:

	2020 HK$'000	2019 HK$'000
At 1 January	**24,239**	28,883
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(24,239)**	(28,883)
Increase in contract liabilities as a result of billing in advance	**13,345**	16,871
Increase in contract liabilities as a result of receiving forward sales deposits during the year	**14,734**	7,368
At 31 December	**28,079**	24,239

The amount of billings in advance of performance and forward sales deposits and instalments received are expected to be recognised as income within one year.

27. OTHER PAYABLES AND ACCRUALS

	2020 HK$'000	2019 HK$'000
Other payables	**17,348**	9,459
Accruals	**13,888**	13,153
	31,236	22,612

Other payables and accruals are non-interest-bearing and are normally settled within three months. Included in other payables are construction payables of HK$9,860,000 (2019: Nil).

28. LEASE LIABILITIES

	2020 HK$'000	2019 HK$'000
Lease liabilities		
Within one year	14,251	13,929
Within a period of more than one year but not more than two years	6,142	9,390
Within a period of more than two years but not more than five years	1,951	748
	22,344	24,067
Less: Amount due for settlement within 12 months shown under current liabilities	14,251	13,929
Amount due for settlement after 12 months shown under non-current liabilities	8,093	10,138

Lease obligations that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2020 HK$'000	2019 HK$'000
RMB	10,899	9,570

29. OTHER BORROWINGS/AMOUNT DUE TO A DIRECTOR

(a) Other borrowings

	2020 HK$'000	2019 HK$'000
Unsecured loan payable	58,990	11,132
Loan interest payable	590	464
	59,580	11,596

The amount represents an unsecured borrowing from an independent third party bearing an interest rate of 1% per month (2019: 10% per annum) and is repayable within one year.

(b) Amount due to a director

The amount is payable to the Company's director, which is unsecured, non-interest bearing and repayable within one year.

30. MARGIN LOANS PAYABLE

As at 31 December 2020, the margin loans payable was secured by the listed equity securities held under the margin accounts, with a total market value of approximately HK$65,529,000 (note 19).

	2020		2019	
	HK$'000	**Effective interest rate (%) p.a.**	HK$'000	Effective interest rate (%) p.a.
Within one year	**28,470**	**12%–20%**	–	–

The Group's variable-rate margin loans payable are mainly subject to interest ranged from 12% to 20%. The range of effective interest rates are equal to contractual interest rates.

31. CONVERTIBLE BOND

On 3 October 2017, the Company and China Huarong International Holdings Limited (the "Subscriber" or "CB Holder") entered into an agreement (the "CB Agreement"), pursuant to which the Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for, the convertible bond ("CB") in the aggregate principal amount of US$40,000,000 (equivalent to HK$312,000,000). The net proceeds from the issue of the CB of approximately US$39,671,000 (equivalent to HK$309,439,000) will be used for development of the business operations of SHTY, a subsidiary of the Company, in particular, Touyun Retailers Management System, and for other general corporate purposes. The CB Agreement was completed on 10 November 2017 (the "Issue Date").

The CB is secured by the share capital or registered capital of certain subsidiaries of the Group and personal guarantee provided by Mr. Wang Liang, a director and a shareholder of the Company. The CB bears interest from and including the Issue Date at the rate of 7.0% per annum, payable semi-annually. The CB matured on the date falling on the second anniversary of the Issue Date (i.e. 10 November 2019) subject to an automatic extension to the third anniversary of the Issue Date (i.e. 10 November 2020) if the following conditions are satisfied (the "Maturity Date"):

(i) the revenue for the six months ending 30 June 2019 as shown in the unaudited consolidated accounts of SHTY shall be not less than RMB500 million; and

(ii) the total debt of SHTY as at 30 June 2019 as shown in its unaudited consolidated accounts for the six months ended 30 June 2019 shall not be more than 40% of its total assets.

On 10 November 2019, condition (i) above had not been satisfied and the maturity date of the CB had not been extended to the third anniversary of the Issue Date. (i.e. 10 November 2020).

The initial conversion price is HK$1.968 per share (adjusted for the effect of share consolidation as disclosed in note 34), subject to anit-dilutive adjustments. The CB Holder has the right to convert the principal amount of the CB into fully-paid ordinary shares of the Company at any time during the period beginning on, and including, the date falling on the 180th day from the Issue Date and ending on, the Maturity Date.

In the situation where the CB is not redeemed on the Maturity Date, the conversion right attaching to the CB will revive and/or will continue to be exercisable up to, and including, on the date upon which the full amount of the moneys payable in respect of the CB has been duly received by the CB Holder.

31. CONVERTIBLE BOND *(Continued)*

Unless previously redeemed, converted or purchased and cancelled, the Company shall, redeem all the outstanding CB on the Maturity Date at an amount equal to the Redemption Amount*. The Company may give notice to redeem in whole, or in part, such CB for the time being outstanding at the Redemption Amount after the 180th calendar day after the Issue Date. Unless previously redeemed, converted or purchased and cancelled, the CB Holder may give notice to redeem in whole, or in part, such CB for the time being outstanding at the Redemption Amount upon occurrence of two consecutive breaches of certain financial covenants as set forth in the CB Agreement.

* Redemption Amount is defined as an amount equal to the aggregate of (a) the aggregate principal amount of such outstanding CB held by the relevant CB Holder, (b) any accrued but unpaid interest on such outstanding CB on the relevant redemption date; (c) if the sum of the amounts referred in paragraphs (a) and (b) above plus interest already paid on such outstanding CB falls short of making up a return equal to an internal rate of return of 10.0% on the aggregate principal amount of the outstanding CB calculated from the Issue Date until the redemption date, such additional amount which would make up an internal rate of return of 10.0% on the aggregate principal amount of the outstanding CB; and (d) (in respect of any redemption made as a result of any events of default) any default interest accrued but unpaid.

The net proceeds of the CB was HK$309,439,000, after netting off the issuance cost of HK$2,561,000.

On initial recognition, the CB contains two components, debt component and derivative (including conversion and early redemption options) component. Since the Redemption Amount, the principal payable on the Maturity Date are denominated and settled in United States dollars ("US$") which is not same as the Company's functional currency which is HK$, the conversion option will not result in an exchange of a fixed amount of cash (in the context of the functional currency of the Company) for a fixed number of shares and hence the conversion option does not meet the definition of an equity instrument in accordance with the applicable accounting standards. The effective interest rate of the debt component is 13.08%. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

On 31 August 2018, the Company redeemed US$13.0 million in principal amount of the convertible bond at the Redemption Amount of approximately US$13.6 million together with the relevant interest up to 31 August 2018 of approximately US$0.3 million in accordance with the terms of the convertible bond. Upon completion of the redemption, the outstanding principal amount of the convertible bond is US$27.0 million.

During the year ended 31 December 2018, the Group failed to comply with certain financial covenants of the CB Agreement. As a result of such breach of the financial covenants, the CB Holder has the rights to serve written notice to the Company demand immediate repayment of the CB within 3 months from the date of the notice served. Hence, the CB in principal amount of HK$210,600,000 at the Redemption Amount of HK$219,461,000 has been classified as a current liability as at 31 December 2018.

During the year ended 31 December 2019, the Group repaid principal and interest amounting to US$420,000 and US$1,915,000 (equivalent to HK$3,276,000 and HK$14,937,000) respectively. As at 31 December, 2019, the CB had been past due which is due for immediate payment.

As at 31 December 2019, the amount immediately payable by the Group, taken into account (a) outstanding principal, (b) interest accrued but unpaid, (c) additional interest to make up an internal rate of return of 10.0% on the aggregate principal amount of the outstanding CB and (d) default interest at a rate of 18% per annum, was approximately US$28,876,000 (equivalent to HK$225,236,000).

31. CONVERTIBLE BOND *(Continued)*

In March 2020, the Company repaid the CB principal and interest at amounts of US$6,000,000 and US$587,000 (equivalent to HK$46,800,000 and HK$4,580,000) respectively, US$20,580,000 (equivalent to HK$160,524,000) of the principal amount of the CB remained outstanding. In May and July 2020, the Company repaid interest of US$642,000 and US$1,814,700 (equivalent to HK$5,008,000 and HK$14,155,000) respectively.

On 21 July 2020, the Company entered into an amendment deed (the "Amendment Deed") with the CB Holder and agreed to extend the maturity date of the CB from the second anniversary of the issue date (i.e. 10 November 2019) to the fourth anniversary of the issue date (i.e. 10 November 2021) (the "Revised Maturity Date"). Interest of the CB is charged at 12% per annum from 10 November 2019 to the Revised Maturity Date. The conversion price is amended as HK$0.8 per share, subject to anti-dilutive adjustments. The convertible bond is secured by the share capital or registered capital of certain subsidiaries of the Group and certain cash/securities account and personal guarantee provided by Mr. Wang Liang, a director of the Company.

The conditions precedent in Amendment Deed were fulfilled on 10 August 2020, and accordingly the Amendment Deed became effective on 10 August 2020. According to the Amendment Deed, CB Holder is entitled to require the Company to redeem the CB in whole, or in part for the time being outstanding at the revised redemption amount (the "Revised Redemption Amount*") from 10 October 2020. Details of these are set out in the Company's announcement dated 21 July 2020.

* Revised Redemption Amount is defined as an amount equal to the aggregate of (a) the aggregate principal amount of such outstanding CB held by the relevant CB Holder, (b) any accrued but unpaid interest on such outstanding CB on the relevant redemption date; and (c) in respect of any redemption made pursuant to the occurrence of events of default any default interest of 18% per annum accrued but unpaid from the due date.

According to the Amendment Deed, the contractual terms of the convertible bond have been modified, such as extending the tenure, change in exercise price of the conversion options, the revised terms resulted in a substantial modification from the original terms. The difference of HK$8,809,000 taking into account the costs incurred for modification is recognised as net gain on extinguishment of convertible bond in profit or loss. The effective interest rate of the debt component is 12.04% per annum after effect of Amendment Deed.

On 21 December 2020, the Group repaid principal and interest amounting to US$6,400,000 and US$1,322,000 (equivalent to HK$49,920,000 and HK$10,314,000) respectively.

31. CONVERTIBLE BOND *(Continued)*

The movement of the components of the convertible bond for the years ended 31 December 2020 and 2019 is set out below:

	2020 Debt component HK$'000	2020 Derivative component HK$'000	2020 Total HK$'000	2019 Debt component HK$'000	2019 Derivative component HK$'000	2019 Total HK$'000
At 1 January	**225,236**	**–**	**225,236**	219,461	3,140	222,601
Finance cost-interest paid	**(23,743)**	**–**	**(23,743)**	(14,937)	–	(14,937)
Repayment of CB	**(46,800)**	**–**	**(46,800)**	(3,276)	–	(3,276)
Finance cost-interest charge	**20,824**	**–**	**20,824**	23,988	–	23,988
Change in fair value	**–**	**–**	**–**	–	(3,140)	(3,140)
Extinguishment of CB	**(175,517)**	**–**	**(175,517)**	–	–	–
Carrying amount at 10 August/31 December	**–**	**–**	**–**	225,236	–	225,236
CB raised	**164,916**	**456**	**165,372**	–	–	–
Finance cost-interest paid	**(10,314)**	**–**	**(10,314)**	–	–	–
Repayment of CB	**(49,920)**	**–**	**(49,920)**	–	–	–
Finance cost-interest charge	**7,550**	**–**	**7,550**	–	–	–
Gain on early redemption of CB	**(3)**	**–**	**(3)**	–	–	–
Change in fair value	**–**	**(183)**	**(183)**	–	–	–
Carrying amount at 31 December	**112,229**	**273**	**112,502**	225,236	–	225,236
Classified as:						
Current liability	**112,229**	**273**		225,236	–	
Non-current liability	**–**	**–**		–	–	
	112,229	**273**		225,236	–	

32. DEFERRED TAX LIABILITIES

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2020 HK$'000	2019 HK$'000
Deferred tax assets	**–**	–
Deferred tax liabilities	**–**	–
	–	–

The movements in the deferred income tax (assets)/liabilities are as follows:

	Tax losses HK$'000	**Depreciation allowance in excess of related depreciation** HK$'000	**Fair value adjustment on intangible assets acquired on business combination** HK$'000	**Total** HK$'000
At 1 January 2019	–	42	–	42
Credited to profit or loss during the year	–	(42)	–	(42)
At 31 December 2019 and 1 January 2020	**–**	**–**	**–**	**–**
Addition through acquisition of a subsidiary	**(908)**	**–**	**908**	**–**
At 31 December 2020	**(908)**	**–**	**908**	**–**

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between PRC and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in PRC in respect of earnings generated from 1 January 2008.

At 31 December 2020 and 2019, no deferred tax liabilities has been recognised for withholding taxes as the Group's subsidiaries established in PRC do not have any unremitted retained earnings as at 31 December 2020 and 2019.

The Group had tax losses arising in Hong Kong of HK$373,352,000 (2019: HK$356,406,000) (subject to agreement by the Inland Revenue Department) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in the PRC of HK$263,655,000 (2019: HK$248,771,000) that will expire in one to five years for offsetting against future taxable profits. No deferred tax assets have been recognised in respect of tax losses for the year ended 31 December 2020 (2019: Nil) as it is not considered probable that there would be sufficient future taxable profits to utilise such tax losses.

33. ACQUISITION OF A SUBSIDIARY

On 10 December 2020, Galaxy Vantage Limited ("Galaxy Vantage"), an indirect wholly-owned subsidiary of the Company acquired 100% of the entire issued share capital of Hope Capital from an independent third party (as vendor) at a consideration satisfied by issuance of 13,513 new ordinary shares of Galaxy Vantage to the vendor, pursuant to the subscription agreement dated 17 March 2020 and entered into between Galaxy Vantage and the vendor. Upon the acquisition, the Group held an effective 83.9% equity interest in Hope Capital. According to the subscription agreement, upon the completion of aforesaid acquisition, the vendor was granted a five year option to top up the shareholding of Galaxy Vantage to 30% of the enlarged issued share capital of Galaxy Vantage at the consideration of each new share to be acquired under the option calculated by the net asset value of Galaxy Vantage and its subsidiaries per existing share at the time of exercise of the option. The directors of the Company are of the opinion that the fair value of the vendor's call option is minimal as at 31 December 2020.

Hope Group is principally engaged in business of securities brokerage services, margin financing and asset management. Hope Securities Limited (a subsidiary of Hope Capital) is a licensed corporation under the Securities and Futures Ordinance to carry out regulated activities Type 1 "Dealing in Securities", Type 2 "Dealing in Futures Contracts", Type 4 "Advising on Securities", Type 5 "Advising on Futures Contracts" and Type 9 "Asset Management". The Group considered the acquisition of Hope Capital will allow the Group to acquire a new complementary capability and participate in the brokerage and related businesses which together will form an important component of treasury investment business.

Details of fair value of net identifiable assets acquired and goodwill arising on acquisition are as follows:

	HK$'000
Consideration (Note)	34,777
Acquiree's fair value of net identifiable assets acquired (see below)	(34,267)
Goodwill arising on acquisition	510

Note: The consideration for acquisition of Hope Capital was satisfied by issuance of 13,513 new ordinary shares of Galaxy Vantage to the vendor. As a result, upon transfer of such consideration for the acquisition, non-controlling interests of HK$34,777,000 were resulted accordingly. The difference between the carrying amount of the non-controlling interests amounting to HK$39,513,000 and the fair value of non-controlling interests of HK$34,777,000 was debited to capital reserve accordingly.

33. ACQUISITION OF A SUBSIDIARY *(Continued)*

The net identifiable assets acquired in the transaction are as follows:

Assets and liabilities of the acquiree recognised at acquisition date:

	HK$'000
Property, plant and equipment	283
Intangible asset	6,500
Right-of-use assets	1,083
Trade receivables (note)	23,587
Deposits, prepayment and other receivables (note)	1,869
Cash and cash equivalent	32,794
Trade payables	(137)
Other payables and accruals	(29)
Other borrowings	(30,600)
Lease liabilities	(1,083)
	34,267

Note: The fair values of trade receivables and deposits, prepayment and other receivables at acquisition date amounted to HK$23,587,000 and HK$1,869,000 respectively. The gross contractual amounts of those trade receivables and deposits, prepayment and other receivables amounted to HK$23,587,000 and HK$1,869,000 respectively at acquisition date. The best estimate at acquisition date of the contractual cash flows not expected to be collected would be minimal.

Net cash inflow arising on acquisition:

	HK$'000
Cash and cash equivalent acquired	32,794

The Group incurred transaction costs of HK$350,000 for the acquisitions. These transaction costs have been expensed and included in administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

Goodwill arising on acquisition

Goodwill arose from the acquisition of the Hope Group because the cost of the business combination effectively included amounts in relation to the licenses governed by the Securities and Futures Ordinance to expand the treasury business, future revenue growth and future market development of the Hope Group. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria of identifiable assets.

None of goodwill arising on this acquisition is expected to be deductible for tax purpose.

Included in the loss for the year was a loss of HK$545,000 incurred by Hope Group from the date of acquisition. The revenue included in the consolidated statement of profit or loss and other comprehensive income since 10 December 2020 contributed by Hope Group was HK$271,000.

If the acquisition of Hope Group had occurred on 1 January 2020, the Group's revenue (excluding fair value losses on financial assets at fair value through profit or loss) and loss for the year would have been HK$222,057,000 and HK$176,089,000 respectively. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had an acquisition been completed on 1 January 2020, nor is it intended to be a projection of future results.

34. SHARE CAPITAL

	Number of shares		Share capital	
	2020	2019	**2020**	2019
	'000	'000	**HK$'000**	HK$'000
Ordinary share of HK$0.04 each				
Authorised:				
At beginning of year	**12,500,000**	50,000,000	**500,000**	500,000
Share consolidation (note 1)	**–**	(37,500,000)	**–**	–
At end of year	**12,500,000**	12,500,000	**500,000**	500,000
Issued and fully paid:				
At beginning of year	**2,449,328**	9,797,311	**97,973**	97,973
Share consolidation (note 1)	**–**	(7,347,983)	**–**	–
Share subscription (note 2)	**135,135**	–	**5,406**	–
Share subscription (note 3)	**135,135**	–	**5,406**	–
Share subscription (note 4)	**54,054**	–	**2,161**	–
At end of year	**2,773,652**	2,449,328	**110,946**	97,973

Notes:

(1) On 12 August 2019, the Company implemented the share consolidation ("Share Consolidation") on the basis that every four issued and unissued existing shares of a par value of HK$0.01 each in the share capital of the Company be consolidated into one consolidated ordinary share of HK$0.04 each.

(2) On 13 March 2020, the Company entered into a share subscription agreement with an independent third party of the Company, Ms. Tian Yuze (who was subsequently appointed as a non-executive Director of the Company on 7 April 2020), in relation to the subscription for 135,135,135 new shares of the Company at HK$0.37 per share. The gross proceeds and net proceeds from the subscription are HK$50,000,000 and HK$49,876,000 respectively. The proceeds are applied as general working capital of the Group.

(3) On 14 April 2020, the Company further entered into a share subscription agreement with an independent third party, Ngai Shun, in relation to the subscription for 135,135,135 new shares of the Company at HK$0.37 per share. The gross proceeds and net proceeds from the subscription are HK$50,000,000 and HK$49,987,000 respectively. The proceeds are applied as general working capital of the Group.

(4) On 17 July 2020, the Company entered into a share subscription agreement with an independent third party, Liu Jing, in relation to the subscription for 54,054,054 new shares of the Company at HK$0.37 per share. The gross proceeds and net proceeds from the subscription are HK$20,000,000 and HK$19,984,000 respectively. 70% and 30% of the proceeds are applied as repayment to the interest of convertible bond and general working capital of the Group respectively.

35. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

(a) Share premium

The application of share premium account is governed by section 40 of the Companies Act 1981 of Bermuda.

(b) Capital reserve

The Group's capital reserve represents the followings:

(i) the deemed capital contribution from the then controlling shareholder pursuant to the reorganisation in 2012;

(ii) the deemed capital contribution to a non-wholly owned subsidiary; and

(iii) the difference between the carrying amount of the non-controlling interests and the fair value of non-controlling interests pursuant to the acquisition of Hope Capital Limited in 2020.

(c) Contributed surplus

The contributed surplus of the Group represents the capital contributions from the equity holders of the subsidiaries now comprising the Group before the completion of the reorganisation in 2012 and the par value of the Company's shares issued to the then controlling shareholder for the acquisition of a subsidiary pursuant to the reorganisation.

(d) Share option reserve

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire after the vesting period.

36. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include (i) any director, officer, employee, consultant, professional, customer, supplier (whether of goods or services), agent, partner or adviser of or contractor to any member of the Group or its Related Group or a company in which the Group holds an interest or a subsidiary of such company (collectively the "Eligible Group"); or (ii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include the Eligible Group; or (iii) a company beneficially owned by the Eligible Group. The Scheme became effective on 18 May 2012 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

"Related Group" means (i) each of the substantial shareholders of the Company, and (ii) each associate and substantial shareholder or direct or indirect associated company or jointly-controlled entity of any of the Company or of a substantial shareholder referred to in (i) above, and (iii) each associate or substantial shareholder or direct or indirect associated company or jointly-controlled entity of any of the foregoing entities referred to in (ii) above, and (iv) each associate or substantial shareholder or direct or indirect associated company or jointly-controlled entity of any of the foregoing entities referred to in (iii) above, and (v) each associate or substantial shareholder or direct or indirect associated company or jointly-controlled entity of any of the foregoing entities referred to in (iv) above.

36. SHARE OPTION SCHEME *(Continued)*

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue on the date of approval of the refreshment of the Scheme mandate limit on 20 October 2016. The maximum number of shares issuable under the Scheme to each eligible participant within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director or substantial shareholder of the Company, or to any of their associate, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associate, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 14 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, save that such period shall not be more than 10 years from the date of offer of the share options.

The exercise price of share options is determinable by the directors, but may not be less than the highest of (i) The Stock Exchange of Hong Kong Limited (the "Stock Exchange") closing price of the Company's shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of an issued ordinary share of the Company on the date of offer of the share options.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

Pursuant to the Scheme, details of share options granted to eligible participants were as follows:

Date of grant	**Number of share options granted***	**Exercise price/ Adjusted exercise price***
25/1/2017	29,925,000	1.34
12/12/2017	24,437,500	1.34
21/2/2019	126,000,000	0.48
8/10/2020	47,000,000	0.36
16/11/2020	68,900,000	0.53

36. SHARE OPTION SCHEME *(Continued)*

As at date of this annual report, an aggregate of 193,050,000 shares may be issued upon full exercise of all vested and unvested share options granted under the Scheme, out of which 51,183,125 shares are immediately issuable, representing approximately 1.85% of the total number of issued shares as at the date of this annual report, and 141,866,875 shares are issuable upon vesting and full exercise of share options. The options holders should be remained as eligible participants throughout the vesting period. Movements of the options granted under the Scheme, during the year were as follows:

Date of grant	Exercise price* HK$	Exercisable period	Number of options outstanding at 1 January 2019	Adjustment on share consolidation	Lapsed/ cancelled during the year	Number of options outstanding at 31 December 2019	Lapsed/ cancelled during the year	Number of options outstanding at 31 December 2020
Employees								
25/01/2017	1.34	02/07/2018 to 01/07/2022	21,602,500	(16,201,875)	(1,953,125)	3,447,500	(350,000)	3,097,500
25/01/2017	1.34	02/07/2019 to 01/07/2022	21,602,500	(16,201,875)	(1,953,125)	3,447,500	(350,000)	3,097,500
25/01/2017	1.34	02/07/2020 to 01/07/2022	21,602,500	(16,201,875)	(1,953,125)	3,447,500	(350,000)	3,097,500
25/01/2017	1.34	02/07/2021 to 01/07/2022	21,602,500	(16,201,875)	(1,953,125)	3,447,500	(350,000)	3,097,500
			86,410,000	(64,807,500)	(7,812,500)	13,790,000	(1,400,000)	12,390,000

The above options were vested on 2 July 2018. As at 31 December 2020, 9,292,500 (2019: 6,895,000) shares options were exercisable.

Date of grant	Exercise price* HK$	Exercisable period	Number of options outstanding at 1 January 2019	Adjustment on share consolidation	Lapsed/ cancelled during the year	Number of options outstanding at 31 December 2019	Lapsed/ cancelled during the year	Number of options outstanding at 31 December 2020
Employees								
12/12/2017	1.34	10/06/2019 to 09/06/2023	18,612,500	(13,959,375)	(78,125)	4,575,000	(2,479,375)	2,095,625
12/12/2017	1.34	10/06/2020 to 09/06/2023	18,612,500	(13,959,375)	(78,125)	4,575,000	(2,479,375)	2,095,625
12/12/2017	1.34	10/06/2021 to 09/06/2023	18,612,500	(13,959,375)	(78,125)	4,575,000	(2,479,375)	2,095,625
12/12/2017	1.34	10/06/2022 to 09/06/2023	18,612,500	(13,959,375)	(78,125)	4,575,000	(2,479,375)	2,095,625
			74,450,000	(55,837,500)	(312,500)	18,300,000	(9,917,500)	8,382,500
Directors								
12/12/2017	1.34	10/06/2019 to 09/06/2023	5,125,000	(3,843,750)	–	1,281,250	–	1,281,250
12/12/2017	1.34	10/06/2020 to 09/06/2023	5,125,000	(3,843,750)	–	1,281,250	–	1,281,250
12/12/2017	1.34	10/06/2021 to 09/06/2023	5,125,000	(3,843,750)	–	1,281,250	–	1,281,250
12/12/2017	1.34	10/06/2022 to 09/06/2023	5,125,000	(3,843,750)	–	1,281,250	–	1,281,250
			20,500,000	(15,375,000)	–	5,125,000	–	5,125,000

The above options were vested on 10 June 2019. As at 31 December 2020, 6,753,750 (2019: 5,856,250) share options were exercisable.

36. SHARE OPTION SCHEME *(Continued)*

Date of grant	Exercise price* HK$	Exercisable period	Number of options outstanding at 1 January 2019	Granted during the year	Adjustment on share consolidation	Lapsed/ cancelled during the year	Number of options outstanding at 31 December 2019	Lapsed/ cancelled during the year	Number of options outstanding at 31 December 2020
Employees									
21/02/2019	0.48	21/02/2020 to 20/02/2024	–	32,000,000	(24,000,000)	–	8,000,000	–	8,000,000
21/02/2019	0.48	21/02/2021 to 20/02/2024	–	32,000,000	(24,000,000)	–	8,000,000	–	8,000,000
21/02/2019	0.48	21/02/2022 to 20/02/2024	–	32,000,000	(24,000,000)	–	8,000,000	–	8,000,000
			–	96,000,000	(72,000,000)	–	24,000,000	–	24,000,000
Other Participants *(Note)*									
21/02/2019	0.48	21/02/2020 to 20/02/2024	–	136,000,000	(102,000,000)	(24,000,000)	10,000,000	–	10,000,000
21/02/2019	0.48	21/02/2021 to 20/02/2024	–	136,000,000	(102,000,000)	(24,000,000)	10,000,000	–	10,000,000
21/02/2019	0.48	21/02/2022 to 20/02/2024	–	136,000,000	(102,000,000)	(24,000,000)	10,000,000	–	10,000,000
			–	408,000,000	(306,000,000)	(72,000,000)	30,000,000	–	30,000,000

The above options were vested on 21 February 2020. As at 31 December 2020, 18,000,000 (2019: Nil) share options were exercisable.

Date of grant	Exercise price HK$	Exercisable period	Number of options outstanding at 1 January 2020	Granted during the year	Lapsed/ cancelled during the year	Number of options outstanding at 31 December 2020
Employees						
08/10/2020	0.36	8/10/2023 to 7/10/2028	–	11,750,000	–	11,750,000
08/10/2020	0.36	8/10/2024 to 7/10/2028	–	11,750,000	–	11,750,000
08/10/2020	0.36	8/10/2025 to 7/10/2028	–	11,750,000	–	11,750,000
08/10/2020	0.36	8/10/2026 to 7/10/2028	–	11,750,000	–	11,750,000
			–	47,000,000	–	47,000,000

The above options will be vested on 8 October 2023.

36. SHARE OPTION SCHEME *(Continued)*

Date of grant	Exercise price HK$	Exercisable period	Number of options outstanding at 1 January 2020	Granted during the year	Lapsed/ cancelled during the year	Number of options outstanding at 31 December 2020
Employees						
16/11/2020	0.53	16/11/2022 to 15/11/2027	–	6,299,991	–	6,299,991
16/11/2020	0.53	16/11/2023 to 15/11/2027	–	6,299,991	–	6,299,991
16/11/2020	0.53	16/11/2024 to 15/11/2027	–	6,300,018	–	6,300,018
			–	18,900,000	–	18,900,000
Other participants *(Note)*						
16/11/2020	0.53	16/11/2022 to 15/11/2027	–	16,666,666	–	16,666,666
16/11/2020	0.53	16/11/2023 to 15/11/2027	–	16,666,666	–	16,666,666
16/11/2020	0.53	16/11/2024 to 15/11/2027	–	16,666,668	–	16,666,668
			–	50,000,000	–	50,000,000

The above options will be vested on 16 November 2022.

The fair value of the share options granted on 25 January 2017, 12 December 2017, 21 February 2019, 8 October 2020 and 16 November 2020 are determined using the Binomial Option Pricing Model (the "Model"), was HK$17,892,000, HK$17,950,000, HK$27,504,000, HK$12,731,000 and HK$25,407,000 respectively. The inputs into the Model and the estimated fair value of the share options are as follows:

	25 January 2017	12 December 2017	21 February 2019	8 October 2020	16 November 2020
Closing price of the shares	HK$1.14*	HK$1.22*	HK$0.42*	HK$0.36	HK$0.53
Exercise price	HK$1.34*	HK$1.34*	HK$0.48*	HK$0.40	HK$0.60
Dividend yield	Nil	Nil	Nil	Nil	Nil
Expected volatility	93.19%	87.92%	94.36%	92.04%	94.06%
Risk-free interest rate	1.289%	1.582%	1.423%	0.42%	0.33%
Fair value per share option	HK$0.572* to HK$0.612*	HK$0.716* to HK$0.744*	HK$0.216* to HK$0.22*	HK$0.064 to HK$0.071	HK$0.116 to HK$0.129

Expected volatility was estimated based on the historical volatilities of the Company's share price while dividend yield was estimated by the historical dividend payment record of the Company.

During the year ended 31 December 2020, the Group recognised an expense of HK$4,261,000 (2019: HK$15,135,000) as equity-settled share based payments in the consolidated statement of profit or loss with reference to their respective vesting period.

Note: Other participants represented the business partners for providing marketing and promotion activities/assistance for promoting the Group's business, whose contributions are expected to be beneficial to the Group.

* The exercise price has been adjusted for the effect of Share Consolidation as disclosed in note 34.

37. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Save as disclosed elsewhere in the consolidated financial statements, the following transactions with related parties took place during the year:

(a) Key management compensation

During both years, compensation of key management personnel represents directors' remuneration and those of senior staff as stated in notes 9 and 10 respectively.

(b) Outstanding balance

The following balances are outstanding at the end of the reporting period in relation to transactions with a related party:

	2020 HK$'000	2019 HK$'000
Trade payables		
A company controlled by a director and a shareholder of the Company	**–**	1,086
Amount due to a director (Note 29(b))	**98,900**	–

38. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its office premises, manufacturing plants and car parks under operating lease arrangements. The leases for the office premises are negotiated for a term of one year, and those for the manufacturing plants and car parks are negotiated for a term of one year.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2020 HK$'000	2019 HK$'000
Within one year	**1,139**	476

39. COMMITMENTS

In addition to the operating lease commitments detailed in note 38 above, the Group had the following capital commitments at the end of the reporting period:

	2020 HK$'000	2019 HK$'000
Contracted, but not provided for:		
Construction in process	**52,669**	–
Equipment	**–**	41

40. FINANCIAL INSTRUMENTS BY CATEGORY AND FAIR VALUE OF FINANCIAL INSTRUMENTS

As at 31 December 2020 and 2019, except for financial assets at fair value through profit or loss as set out in note 19, financial assets of the Company and the Group are measured at amortised cost.

As at 31 December 2020 and 2019, except for derivative embedded in the CB as set out in note 31, financial liabilities of the Company and the Group are measured at amortised cost.

Management has assessed that the fair values of cash and cash equivalents, trade and bills receivables, trade payables, loan and interest receivables, other borrowings, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, margin loans payable, other borrowings, amount due to a director and convertible bonds, approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by a director is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the directors and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the directors. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The fair values of the financial assets and liabilities are included at the amounts at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The fair values of listed equity investments as at 31 December 2020 and 2019 classified as financial assets at fair value through profit or loss are based on quoted market prices as at 31 December 2020 and 2019.

The fair value of two (2019: two) unlisted equity securities without an active market classified in Level 3 are estimated by a number of significant unobservable inputs including the market value of invested capital-to-total assets multiple, price-to-net assets multiple and adjustment for a lack of marketability associated with the investments. The fair value of the one (2019: one) of the above unlisted equity securities amounting to HK$43,040,000 (2019: HK$37,360,000) was determined by the management based on the valuation from an independent professional qualified valuer. The fair value of another one (2019: one) of the above unlisted equity securities amounting to HK$38,163,000 (2019: HK$59,275,000) was determined by the directors of the Company.

The fair values of the remaining unlisted equity securities were determined by the directors in which one (2019: Nil) of them based on the valuation from an independent professional qualified valuer. The fair value of such securities is estimated on the basis of an analysis of the investee's financial position and results, risk profile and prospects and other factors.

Binomial tree option pricing model is used for the fair value of the embedded derivative of the CB.

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

The directors believe that the estimated fair values, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in profit or loss and other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

As at 31 December 2020
Assets measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Financial assets at fair value through profit or loss:				
Listed equity instruments	**111,956**	**–**	**–**	**111,956**
Unlisted equity instruments	**–**	**–**	**320,686**	**320,686**
Financial liabilities				
Derivative embedded in the CB	**–**	**–**	**273**	**273**

As at 31 December 2019
Assets measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets at fair value through profit or loss:				
Listed equity instruments	158,825	–	–	158,825
Unlisted equity instruments	–	–	249,002	249,002

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Information of level 3 fair value measurements

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2020 and 2019:

	Valuation technique	Significant unobservable inputs	Range	Sensitivity of fair value to the input
Unlisted equity instruments	Adjusted net asset value	The fair value of net assets of the investee	N/A (2019: N/A)	1% increase in fair value of net assets would result in increase fair value by HK$2,395,000 (2019: HK$1,524,000)
	Market approach adopted. The value is based on market value of invested capital-to-total asset and price-to-net assets	Market value of invested capital-to-total asset multiple	0.36 to 0.4 (2019: 0.4 to 0.41)	1% increase in market value of invested capital-to-total asset multiple would result in increase fair value by HK$351,000 (2019: HK$650,000)
		Price-to-net assets multiple	0.3 to 0.32 (2019: 0.36 to 0.47)	1% increase in price-to-net assets multiple would result in increase fair value by HK$198,000 (2019: HK$429,000)
		Lack of marketability discount	10% to 25% (2019: 10% to 25%)	1% increase in lack of marketability discount would result in decrease fair value by HK$428,000 (2019: HK$190,000)
Derivative embedded in the CB	Binomial tree option pricing model	Risk free rate	0.10% (2019: 1.57%)	1% increase in risk-free rate would result in decrease in fair value by HK$Nil* (2019: HK$Nil)
		Expected volatility	99.18% (2019: 96.72%)	10% increase in volatility would result in increase in fair value by HK$Nil* (2019: HK$Nil)

* The sensitivity impact is less than HK$1,000.

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy

	Assets Unlisted equity instruments HK$'000	**Liabilities Derivatives embedded in the CB** HK$'000
At 1 January 2019	243,009	(3,140)
Acquisitions	48,960	–
Disposals	–	–
Net (loss)/gain from fair value adjustment recognised in profit or loss	(42,967)	3,140
At 31 December 2019 and 1 January 2020	249,002	–
Acquisitions	–	–
Disposals	(42,120)	–
Transfer from interests in an associate to financial assets at fair value through profit or loss	169,725	–
CB raised	–	456
Net loss from fair value adjustment recognised in profit or loss	(55,921)	(183)
At 31 December 2020	320,686	273

During the year, there were no transfers of fair value measurement between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2019: None).

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments include cash and cash equivalents, trade and bills receivables, deposits and other receivables, financial assets at fair value through profit or loss, loan and interest receivables, other borrowings, convertible bond, trade payables and other payables and accruals, margin loans payable and amount due to a director. Details of the major financial instruments and the Group's relevant accounting policies are disclosed in note 2 to the consolidated financial statements.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk, liquidity risk, equity price risk and interest rate risk. The directors review and agree policies for managing each of these risks and they are summarised below.

(a) Foreign currency risk

The Group operates in both Hong Kong and the PRC and sells its products internationally. The Group is exposed to foreign exchange risk arising from various currency exposures, primarily through cash and bank balances arising from sales and purchases, deposits, trade and other receivables, trade and other payables and convertible bonds that are denominated in a currency other than the functional currency of the operations in which they relate. The currencies giving rise to this risk are primarily US$, Swiss Franc ("CHF") and RMB.

RMB is not a freely convertible currency. Future exchange rates of RMB could vary significantly from the current or historical exchange rates as a result of controls that could be imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes domestically and internationally, and the demand and supply of RMB. The appreciation or depreciation of RMB against HK$ may have impact on the operating results of the Group. The Group's exposure to currency risk arising from US$ against HK$ is considered by the directors as insignificant since HK$ is pledged to US$.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(a) Foreign currency risk *(Continued)*

There are limited hedging instruments available to the Group to reduce the Group's exposure to exchange rate fluctuations between RMB and other currencies. The Group may decide to enter into hedging transactions in the future and management monitors the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The following table demonstrates the sensitivity to a reasonably possible changes in the exchange rates, with all other variables held constant, of the Group's profit after tax.

	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in profit for the year HK$'000
2020		
If HK$ weakens against RMB	**3**	**(1)**
If HK$ strengthens against RMB	**(3)**	**1**
If HK$ weakens against USD	**3**	**403**
If HK$ strengthens against USD	**(3)**	**(403)**
2019		
If HK$ weakens against RMB	3	(17)
If HK$ strengthens against RMB	(3)	17
If HK$ weakens against USD	3	423
If HK$ strengthens against USD	(3)	(423)

(b) Credit risk

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade and bills receivables, restricted bank deposits, bank balances, other receivables, and loan and interest receivables. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except that the settlement of certain trade receivables is backed by bills issued by reputable financial institutions. The Group trades only with recognised and creditworthy customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, trade and other receivable balances are monitored on an ongoing basis to ensure that follow-up action is taken to recover overdue debts and the Group's exposure to bad debts is not significant. The Group's maximum exposures to credit risk are the carrying amounts of trade and bills receivables, as disclosed in note 21 to the consolidated financial statements. In addition, the Group reviews the recoverable amount of each individual debtor at the end of the reporting period to ensure that adequate impairment losses have been made for irrecoverable amounts.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(b) Credit risk *(Continued)*

Credit risk arising from trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of reporting period, 8% (2019: 14%) and 30% (2019: 45%) of the total trade and bills receivable were due from the Group's largest customer and the five largest customers respectively.

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

The following table provides information about the Group's exposure to credit risk and ECLs for trade and bills receivables (non margin-financing) as at 31 December 2020 and 2019:

	2020			2019		
	Expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000	Expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000
Current (not past due)	2%	33,284	753	4%	41,475	682
1–30 days past due	1%	1,567	21	8%	5,866	116
31–180 days past due	8%	908	72	12%	8,449	428
181–365 days past due	10%	210	21	13%	226	27
More than 365 days past due	100%	669	669	100%	2,839	2,839
		36,638	1,536		58,855	4,092

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

The trade receivables (margin financing) are secured by client's pledged securities listed in Hong Kong Stock Exchange. Additional funds or collateral are required if the outstanding amount exceeds the eligible margin value of securities deposited. The collateral held can be repledged and can be sold at the Group's discretion to settle any outstanding amount owed by margin clients. Therefore, the Group considers no impairment loss for margin loans was recognised during the year (2019: Nil).

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(b) Credit risk *(Continued)*

Credit risk arising from trade receivables *(Continued)*

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	HK$'000
Balance at 1 January 2019	1,341
Impairment losses recognised during the year	3,210
Amounts written off during the year	(459)
Balance at 31 December 2019	4,092
Impairment losses recognised during the year	272
Amounts written off during the year	(2,828)
Balance at 31 December 2020	1,536

The Group has concluded that there is no significant changes in the gross carrying amounts of trade and bills receivables contributed to the increase in loss allowance during 2020 and 2019.

Credit risk arising from bank balances

Credit risk on bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by international credit agencies. Therefore, the ECL on bank balances is considered to be insignificant.

Credit risk arising from loan and interest receivables

The directors of the Company regularly review and assess the credit quality of the counterparties. The Group uses lifetime ECL to assess the loss allowance of loan and interest receivables. Since these receivables are not past due, and there has no historical default record, the directors consider that the Group's credit risk in not significant after considering the financial background and condition of the counterparties. Accordingly, the directors of the Company consider to recognise the ECL for loan and interest receivables amounted to HK$6,623,000.

(c) Liquidity risk

The Group managed the risk by matching the raising of loans or equity funding to cover expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(c) Liquidity risk *(Continued)*

The maturity profile of the Group's financial liabilities and lease liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

	Weighted average interest rate	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years HK$'000	Total HK$'000	Carrying amount HK$'000
At 31 December 2020						
Trade payables	–	29,967	–	–	29,967	29,967
Other payables and accruals	–	31,236	–	–	31,236	31,236
Lease liabilities	4.93%	14,754	5,886	1,872	22,512	22,344
Margin loans payable	12%	28,470	–	–	28,470	28,470
Amount due to a director	–	98,900	–	–	98,900	98,900
Convertible bond	12.09%	112,229	–	–	112,229	112,229
Other borrowings	12%	59,580	–	–	59,580	59,580
		375,136	5,886	1,872	382,894	382,726

	Weighted average interest rate	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	Total HK$'000	Carrying amount HK$'000
At 31 December 2019					
Trade payables	–	32,154	–	32,154	32,154
Other payables and accruals	–	22,612	–	22,612	22,612
Lease liabilities	4.84%	14,792	10,403	25,195	24,067
Convertible bond	14.62%	225,236	–	225,236	225,236
Other borrowings	10%	11,596	–	11,596	11,596
		306,390	10,403	316,793	315,665

Note:

(i) The contractual undiscounted payment of the CB as at 31 December 2020 represented the Redemption Amount if the CB Holder invokes its right to request immediate repayment.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(c) Liquidity risk *(Continued)*

The amounts disclosed in the table are the contractual undiscounted cash flows, which may differ from the carrying values of the liabilities at the balance sheet date.

Although the Group has a considerable amount of financial liabilities to be settled within the next twelve month from the end of the reporting period, the directors of the Company are of the view that the Group can manage the associated liquidity risks taking into account the financial resources and the Group's cash flow projections.

(d) Equity price risk

Equity price risk is the risk that the fair values of equity investments decrease as a result of changes in the levels of equity indices and the values of individual securities. The Group was exposed to equity price risk arising from individual equity investments classified as financial assets at fair value through profit or loss (note 19) for both years.

The Group's listed equity investments are listed on the Stock Exchange and are valued at quoted market prices at the end of the reporting period.

All of the Group's unquoted investments are held for long term strategic purposes. Their performance is assessed at least bi-annually against performance of similar listed entities, based on the limited information available to the Group, together with an assessment of their relevance to the Group's long term strategic plans.

The Group is also exposed to equity price risk arising from changes in the Company's own share price to the extent that the Company's own equity instruments underlie the fair values of derivatives or other financial liabilities of the Group. As at the end of the reporting period the Group is exposed to this risk through the conversion rights attached to the convertible bond issued by the Company as disclosed in note 31.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(d) Equity price risk *(Continued)*

The market equity index for the Stock Exchange, at the close of business of the nearest trading day in the year to the end of the reporting period, and its respective highest and lowest points during the year were as follows:

	31 December 2020	**High/low 2020**	**1 January 2020**
Hong Kong — Hang Seng Index	27,147	29,175/21,139	28,190

The Group manages its exposure by closely monitoring the price movements and the changes in market conditions that may affect the value of these equity investments.

The following table demonstrates the sensitivity to a reasonably possible change in the fair values of the equity investments, excluding financial assets at fair value through profit or loss (not held for trading) as at 31 December 2020 and 2019 with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period.

Sensitivity analysis of equity securities with fair value measured categorised within Level 3 were disclosed in note 41.

	Carrying amount of financial investments HK$'000	**Increase/ (decrease) in price %**	**Increase/ (decrease) in profit after tax and retained profit HK$'000**	**Increase/ (decrease) in other components of equity HK$'000**
2020				
Equity securities listed in Hong Kong:				
Held-for-trading	**111,956**	**38.01%**	**35,536**	**–**
Held-for-trading	**111,956**	**(38.01%)**	**(35,536)**	**–**
2019				
Equity securities listed in Hong Kong:				
Held-for-trading	158,825	21.62%	28,672	–
Held-for-trading	158,825	(21.62%)	(28,672)	–

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(e) Interest rate risk

The Group's cash flow interest rate risk relates primarily to variable-rate cash at bank. The Group's cash flow interest rate results mainly from the fluctuations of market interest rates. The directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant. The Group is exposed to fair value interest rate risk in relation to fixed-rate loan and interest receivables, lease liabilities, margin loans payable, other borrowings and convertible bond. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Total interest income from financial assets that are measure at amortised cost is as follows:

	2020 HK$'000	2019 HK$'000
Interest income		
Financial assets at amortised cost	**2,156**	10,900

Interest expense on financial liabilities not measured at FVTPL:

	2020 HK$'000	2019 HK$'000
Interest expense		
Financial liabilities at amortised cost	**31,852**	25,988

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(f) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern in order to provide returns to the shareholders, to procure adequate financial resources from shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 2019.

The Group monitors capital using a net debt-to-adjusted capital ratio, which is net debt divided, by adjusted capital. Net debt includes trade payables, other payables and accruals, amount due to a director, other borrowings, lease liabilities, margins loans payables and convertible bond, less cash and cash equivalents and excludes assets of a disposal group classified as held for sale and liabilities directly associated with the assets classified as held for sale. Adjusted capital includes equity attributable to owners of the parent and net debt. The net debt-to-adjusted capital ratios as at the end of the reporting periods were as follows:

	Group	
	2020	2019
	HK$'000	HK$'000
Trade payables	**29,967**	32,154
Other payables and accruals	**31,236**	22,612
Amount due to a director	**98,900**	–
Convertible bond	**112,229**	225,236
Lease liabilities	**22,344**	24,067
Other borrowings	**59,580**	11,596
Margin loans payable	**28,470**	–
Less: Cash and cash equivalents	**(142,440)**	(40,457)
Net debt	**240,286**	275,208
Equity attributable to owners of the parent	**488,043**	541,205
Adjusted capital	**247,757**	265,997
Net debt-to-adjusted capital ratio	**0.97**	1.03

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Investments in subsidiaries	(a)	**47,970**	47,890
Current assets			
Prepayments and other receivables		**290**	175
Amounts due from subsidiaries	(a)	**720,237**	631,233
Cash and cash equivalents		**33,376**	187
Total current assets		**753,903**	631,595
Current liabilities			
Other payables and accruals		**1,039**	1,105
Loan from a subsidiary		**63,098**	–
Amounts due to subsidiaries		**56,485**	2
Derivative under convertible bond		**273**	–
Convertible bond		**112,229**	225,236
Total current liabilities		**233,124**	226,343
Net current assets		**520,779**	405,252
Net assets		**568,749**	453,142
Equity			
Issued capital		**110,946**	97,973
Reserves	(b)	**457,803**	355,169
Total equity		**568,749**	453,142

Wang Liang
Director

Du Dong
Director

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Notes:

(a) During the year ended 31 December 2020, an impairment loss on amounts due from subsidiaries of HK$4,866,000 (2019: HK$211,957,000) was recognised in view of the decrease in the net assets value of subsidiaries.

(b) A summary of the Company's reserves is as follows:

	Share premium account HK$'000 (note 35(a))	**Contributed surplus** HK$'000 (note 35(c))	**Share option reserve** HK$'000 (note 35(d))	**Accumulated losses** HK$'000	**Total** HK$'000
At 1 January 2019	1,769,428	13,387	25,211	(1,210,746)	597,280
Total comprehensive loss for the year	–	–	–	(257,246)	(257,246)
Equity settled share-based transactions	–	–	15,135	–	15,135
Share option lapsed	–	–	(4,782)	4,782	–
At 31 December 2019 and 1 January 2020	1,769,428	13,387	35,564	(1,463,210)	355,169
Total comprehensive loss for the year	**–**	**–**	**–**	**(8,501)**	**(8,501)**
Share subscription	**106,874**	**–**	**–**	**–**	**106,874**
Equity settled share-based transactions	**–**	**–**	**4,261**	**–**	**4,261**
Share option lapsed	**–**	**–**	**(8,122)**	**8,122**	**–**
At 31 December 2020	**1,876,302**	**13,387**	**31,703**	**(1,463,589)**	**457,803**

The Company's contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the reorganisation on 29 December 2011 over the previous nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda, a company may make distributions to its members out of the contributed surplus in certain circumstances.

44. EVENTS AFTER THE REPORTING PERIOD

(a) On 23 February 2021, Galaxy Vantage entered into a subscription agreement with Blue River Investments Limited (the "Subscriber", a wholly-owned subsidiary of PYI Corporation Limited, whose shares are listed on the Main Board of the Stock Exchange with Stock Code of 0498), pursuant to which Galaxy Vantage has agreed to allot and issue 31,500 new shares to the Subscriber and the Subscriber has agreed to subscribe the 31,500 news shares of Galaxy Vantage at a consideration of HK$100,000,000. Details of these are set out in the Company's announcement dated 23 February 2021. As of the date when the consolidated financial statements are authorised for issue, the subscription was completed.

(b) On 4 March 2021, the Company proposes to change the English and Chinese name of the Company from China Touyun Tech Group Limited 中國透雲科技集團有限公司 to Touyun Biotech Group Limited 透雲生物科技集團有限公司. The change of name of the Company is subject to satisfaction of the following conditions: (i) the passing of the necessary special resolution by the shareholders at the special general meeting (to be held on 31 March 2021) to approve the change of name of the Company; and (ii) the registrar of companies in Bermuda approving the change of name of the Company.

45. PRINCIPAL SUBSIDIARIES

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct %	Percentage of equity attributable to the Company Indirect %	Principal Activities
Apex Capital Business Limited	BVI	Ordinary US$100	100 (2019: 100)	–	Investment holding
Era Bright Limited	Hong Kong	Ordinary HK$13,026,817	–	79.22 (2019: 76.92)	Money lending
Genius Spring Limited	BVI/Hong Kong	Ordinary US$999	–	75.6 (2019: 90.1)	Securities investment and trading
Hope Securities Limited	Hong Kong	Ordinary HK$73,000,000	–	83.9 (2019: Nil)	Securities brokerage service and margin financing
Qualipak Development Limited	BVI	Ordinary US$10,000	100 (2019: 100)	–	Investment holding
Qualipak Manufacturing Limited	Hong Kong	Ordinary HK$100 Non-voting deferred HK$22,303,857^	–	100 (2019: 100)	Manufacture and sale of watch boxes, jewellery boxes, eyewear cases, bags and pouches and display units
Joy Forever Limited	Hong Kong	Ordinary HK$1	–	100 (2019: 100)	Provision of corporate management services
Shanghai TY Technology Co. Ltd. *# (上海透雲物聯網科技有限公司)	PRC	Registered RMB600,000,000 and paid up RMB302,451,020 (2019: Registered RMB600,000,000 and paid-up RMB302,451,020)	–	100 (2019: 100)	Provision of QR codes on product packaging and business intelligence IT solutions, and online advertising display services
TY Technology (Beijing) Co., Ltd.* 透雲物聯網科技 (北京)有限公司)	PRC	Registered and paid-up RMB67,000,000 (2019: 62,000,000)	–	100 (2019: 100)	Provision of QR codes on product packaging

45. PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal Activities
Victor Choice Global Limited	BVI	Ordinary US$100	–	100 (2019: 100)	Investment holding
Shanxi Touyun Biotechnology Co., Ltd. 山西透雲生物科技有限公司*#	PRC	Registered and paid up USD12,000,000	–	100 (2019: Nil)	Production and sale of chlamydomonas reinhardtii, micro-algae and related products

Notes:

- # Registered as a wholly-owned foreign enterprise under the PRC law
- * Direct translation from the Chinese name which is for identification purposes only
- ^ The non-voting deferred shares have restricted rights on the distribution of profits, capital and voting

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

46. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 26 March 2021.

FIVE-YEAR FINANCIAL SUMMARY

31 December 2020

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years is set out below.

RESULTS

The summary of the consolidated results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, has been extracted from the published audited financial statements.

	Years ended 31 December				
	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000
Revenue from sales of goods and services rendered	**218,805**	329,979	349,630	397,447	317,746
Revenue from treasury investment					
Fair value losses/(gains) on financial assets at fair value through profit or loss held for trading, net	**(14,205)**	10,074	(1,307)	(80,248)	(361,874)
Interest income from money lending business	**1,745**	1,250	–	–	4,837
Dividend income from financial assets at FVTPL held for trading	**170**	1,393	447	500	–
Interest income from margin financing	**262**	–	–	–	–
Commission income from securities brokerage	**9**	–	–	–	–
Interest income from convertible notes	**–**	–	–	–	1,668
Loss before tax	**(171,983)**	(194,896)	(251,974)	(248,987)	(1,107,838)
Income tax	**(6)**	(4,213)	(1,989)	(4,229)	(26)
Loss for the year	**(171,989)**	(199,109)	(253,963)	(253,216)	(1,107,864)
Loss for the year from discontinued operations:	**–**	–	–	–	(55,959)
Loss for the year	**(171,989)**	(199,109)	(253,963)	(253,216)	(1,163,823)
Attributable to:					
Owners of the Company	**(168,776)**	(200,513)	(253,877)	(245,226)	(1,150,825)
Non-controlling interests	**(3,213)**	1,404	(86)	(7,990)	(12,998)
	(171,989)	(199,109)	(253,963)	(253,216)	(1,163,823)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000
Total assets	**971,940**	886,401	1,043,704	1,348,425	1,266,945
Total liabilities	**(415,571)**	(341,834)	(316,456)	(390,541)	(73,533)
Non-controlling interests	**(68,326)**	(3,362)	(456)	(542)	(8,493)
	488,043	541,205	726,792	957,342	1,184,919

The summary of the consolidated results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, has been extracted from the published audited financial statements.