OSHIDORI
INTERNATIONAL HOLDINGS LTD
威華達控股有限公司*

ANNUAL REPORT 2020

* For identification purpose only

STOCK CODE:
622.HK or *"Oshidori"*

(Incorporated in Bermuda with limited liability)

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Ms. WONG Wan Men Margaret
Mr. WONG Yat Fai

Non-executive Directors
Mr. Alejandro YEMENIDJIAN
(Appointed as Non-executive Director and Non-executive Chairman on 9 June 2020)
Hon. Joseph Edward SCHMITZ
(Appointed on 17 January 2020)
Mr. SAM Nickolas David Hing Cheong
(Re-designated from Executive Director and Chairman to Non-executive Director on 5 June 2020)

Independent Non-executive Directors
Mr. CHAN Hak Kan
Mr. CHEUNG Wing Ping
Mr. HUNG Cho Sing

AUTHORISED REPRESENTATIVES
Ms. WONG Wan Men Margaret
Mr. WONG Yat Fai
(Appointed on 8 July 2020)
Mr. SAM Nickolas David Hing Cheong
(Ceased to be Authorised Representative on 8 July 2020)

AUDIT COMMITTEE
Mr. CHEUNG Wing Ping *(Chairman)*
Mr. CHAN Hak Kan
Mr. HUNG Cho Sing

NOMINATION COMMITTEE
Mr. CHEUNG Wing Ping *(Chairman)*
Mr. CHAN Hak Kan
Mr. HUNG Cho Sing
Ms. WONG Wan Men Margaret
(Appointed on 5 June 2020)
Mr. SAM Nickolas David Hing Cheong
(Ceased to be member of the nomination committee on 5 June 2020)

REMUNERATION COMMITTEE
Mr. CHEUNG Wing Ping *(Chairman)*
Mr. CHAN Hak Kan
Mr. HUNG Cho Sing
Ms. WONG Wan Men Margaret
(Appointed on 5 June 2020)
Mr. SAM Nickolas David Hing Cheong
(Ceased to be member of the remuneration committee on 5 June 2020)

COMPANY SECRETARY
Ms. LIU Tsui Fong

LEGAL ADVISOR
(As to Bermuda law)
Conyers Dill & Pearman

REGISTERED OFFICE
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Bermuda

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
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4th floor, North Cedar House
41 Cedar Avenue
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HONG KONG BRANCH SHARE REGISTRAR
Computershare Hong Kong Investor Services Limited
46th Floor, Hopewell Centre
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Wanchai
Hong Kong

HONG KONG BRANCH SHARE TRANSFER OFFICE
Computershare Hong Kong Investor Services Limited
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Hong Kong

AUDITOR
Mazars CPA Limited
Certified Public Accountants
42nd Floor, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

PRINCIPAL BANKERS
Bank of China
Bank of China (Hong Kong) Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited

CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "**Board**") of Oshidori International Holdings Limited ("**Oshidori**" or the "**Company**"), I am pleased to present our shareholders with the annual report of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2020 (the "**Year**").

FINANCIAL HIGHLIGHTS

The Group's audited consolidated profit for the Year was HK$2,819.5 million, a turnaround from the audited consolidated loss of HK$360.0 million for the Previous Year. The Group achieved its highest profit ever for the Year since its listing. Return on equity (calculated based on profit for the year divided by total equity at the end of the year) was 28.4% for the Year. Basic and diluted earnings per share for the Year were HK46.92 cents and HK46.80 cents respectively, as compared to basic and diluted losses per share for the Previous Year of HK6.19 cents.

OVERVIEW

The world faced unprecedented challenges during the Year due to the outbreak of the COVID-19 pandemic, putting extraordinary pressure to all of society — from every family in the world to multinationals as well as small businesses, i.e. the vast majority of the work force. Countries around the world including China, Japan and United States have adopted lockdown and quarantine policies that have significantly reduced business activities worldwide. As a company with social responsibility, we are taking actions to support our people, their families, and our clients.

Despite the current difficult market conditions, the Group had made encouraging progress in the operating performance of its principal businesses and attained the highest profit ever for the Year since its listing, which amounted to HK$2,819.5 million. The solid growth for the Year under a challenging environment is a good illustration that the Group has established a viable and sustainable operation which possessed adequate strength and capability in coping with challenging conditions.

With regards to the integrated resort project in Nagasaki, Japan (the "**IR Project**"), the Group continues to pursue the development of the IR Project in Sasebo City, Nagasaki, Japan and is collaborating with our partner, Mohegan Gaming & Entertainment ("**MGE**"), a master developer and operator of premier global integrated entertainment resorts, on a unique proposal in order to be successfully selected as an integrated resort operator for the Nagasaki Prefecture. The Company and MGE are not only aiming at collaborating in the development of a world-class integrated resort but also in creating a dynamic community for Nagasaki to become a premier travel destination and a sought-after residential location. Furthermore, the development of the integrated resort will allow the Group to contribute to the continual prosperity of the region.

Our Purpose and Core Values

We invest in businesses with growth potential. We have embarked on a firmwide effort to enhance how our clients to interact with us in an integrated way, and to be more open and accessible with our stakeholders. We mobilize our people and resources to advance the success of our clients, broaden individual prosperity and accelerate economic progress for all. If we successfully deliver on this purpose, we are confident that we will also succeed in delivering significant value to our shareholders.

CHAIRMAN'S STATEMENT

Our Corporate Strategy

It is our vision to implement the corporate strategy through building a successful portfolio of investments that is resilient, sound and creating value for our shareholders.

We are a prudent deal-maker and have generated significant business under the Group's tactical and/or strategical investment segment, mainly arising from capital appreciation of the Group's strategically sound portfolio. It aligns with the overall Group's strategy, creates value through investment selection and disposal, and demonstrates resilience through our outstanding performance and financial position.

In addition, since the past year, we have been engaging in certain operational shifts to support and accelerate our next major growth initiatives and made efforts to be more open and accessible, both internally and externally. As we often come across various opportunities to invest in different assets, we have formulated an investment philosophy to identify the appropriate investments, establish the criteria for evaluation, consider the opportunity for its strategic value and categorize such investments to reflect their significance and contribution to the group. The size of holdings and holding periods are mainly dependent upon the reasons for the acquisition, the strategic value of the investments, and potential returns. We may consider realizing certain investments based on the internal resources' requirements, the increase/decrease in valuations that trigger the threshold for disposal, and the availability of alternative investment opportunities that may be superior in returns than existing holdings from time to time.

PROSPECTS

It is expected that the global and Hong Kong financial markets will continue to be fluctuant in 2021 under the impact of the uncertainty of the global economic and political situation as well as the continuing influence of COVID-19. Although uncertainties may persist, the Group's overall business development and expansion strategy to broaden the scope of its integrated financial services with full service offering and to enlarge its client base remains unchanged.

The Group has commenced IPO margin financing in January 2021. In addition to providing IPO margin financing, going forward, the business offering of the Group will be further diversified upon the launch of brokerage services of dealing in futures contracts and provision of customized margin financing services to various types of customers under Type 8 (securities margin financing) licence. The Group is in the process of applying for relevant licence and qualification for the aforesaid new businesses. With a more comprehensive profile of financial service offerings by the Group, it shall create synergy effect favourable to the Group's business development and shall enable it to capture the opportunities in the capital market when the COVID-19 pandemic is brought under control. The Group also believes that there will be significant cross selling potential across different business lines, which will broaden revenue sources and enhance client loyalty.

In order to prepare for business expansion, the Group will recruit professionals with extensive experience and leverage on their expertise to mitigate risks as well as to fuel the stable and healthy business growth of the Group. In addition, Group will grow its client base through a combination of the following: (i) leveraging on the established and extensive business network and connections of directors, senior management and licensed persons of the Group; (ii) through the recruitment of seasoned professionals with high caliber customer networks; (iii) obtaining referrals from financial institutions, investment banks, professional parties, business partners, and/or existing clients.

CHAIRMAN'S STATEMENT

In pursuing the Group's development and expansion strategy for achieving long-term growth, the management will closely monitor market conditions and will remain cautious in managing the Group's operating segments.

The Nagasaki Prefecture announced on 12 February 2021 and confirmed that the Company has met the prefecture's initial qualification requirement. It is anticipated that the Nagasaki Prefecture will select their partner in the third quarter of 2021 and the Company remains optimistic of the prospect of winning this bid and subsequently the license at the national level. On 19 March 2021, the Group's IR project was selected as one of the three finalists to be considered as an integrated resort operator by the Government of Japan. The Group will fully devote ourselves to become an integrated resort operator for the Nagasaki Prefecture.

The Group is committed to executing upon its long-term strategy and investing for growth in new businesses and opportunities. The Group will continue to improve its performance in different operating segments and maintain a balanced approach to asset allocation with appropriate risk and potential reward. The Board is confident that the solid growth of the Group's operating segments will further enhance the sustainable development of the Group, and that the Group is well-positioned to deliver higher and more sustainable returns for our shareholders in the future.

APPRECIATION

On behalf of the Board, I would like to express my gratitude to all the staff and stakeholders for their devoted efforts and hard work. I would also like to thank all the shareholders for their continued support.

Alejandro Yemenidjian
Non-Executive Chairman

Hong Kong, 30 March 2021

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group principally engages in investment holdings, tactical and/or strategical investments, and provisions of financial services including the Securities and Futures Commission (the "**SFC**") regulated activities namely Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management); and the provision of credit and lending services regulated under the Money Lenders Ordinance. The Group is still pursuing the development of the IR Project and is collaborating with Mohegan Gaming & Entertainment, a master developer and operator of premier global integrated entertainment resorts, on a unique proposal in order to be successfully selected as an integrated resort operator for the Nagasaki Prefecture.

A. Financial Services (SFC Type 1, 2, 4, 6 and 9 Regulated Activities)

Oshidori Securities Limited ("**OSL**", formerly known as Win Wind Securities Limited) is a wholly owned subsidiary of the Company which runs the Group's securities brokerage and financial services business. OSL is licensed by the SFC to conduct regulated activities including Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 9 (asset management). In order to trade securities through the trading facilities of the Stock Exchange, OSL, among other things, holds a Stock Exchange Trading Right and is an Exchange Participant of the Stock Exchange. Being a Stock Exchange Participant, OSL is a licensed corporation under the Securities and Futures Ordinance (the "**SFO**") for Type 1 (dealing in securities) regulated activity and complies with the financial resources requirements specified by the Financial Resources Rules and the Stock Exchange. OSL is also a China Connect Exchange Participant and China Connect Clearing Participant, offering clients a platform to trade eligible stocks listed on the Shanghai Stock Exchange and Shenzhen Stock Exchange.

OSL has been trying to expand its scope of operations to cover futures brokerage. In 2019, OSL applied for and was successfully granted a Type 2 regulated activity licence (dealing in futures contracts) from the SFC. OSL is in the process of applying as a participant of Hong Kong Futures Exchange Limited and HKFE Clearing Corporation Limited. It is expected that commencing from the second quarter of 2021, the brokerage services of dealing in futures contracts will bring another stream of commission income to the Group.

Oshidori Corporate Finance Limited ("**OCFL**", formerly known as Enerchine Corporate Finance Limited) is a wholly owned subsidiary of the Company which runs the Group's corporate finance business. OCFL is licensed by the SFC to conduct Type 6 (advising on corporate finance) regulated activity since 2005. The client base of the Group's corporate finance business has been expanded in 2020. Various listed companies appointed OCFL as their respective corporate financial advisor to provide advice on their corporate activities in relation to compliance with the Listing Rules.

The Group has set up a new company, Win Wind Finance Limited, to strengthen its revenue stream by obtaining a SFC licence Type 8 (securities margin financing), so that the Group can attract clients with sound financial background, particularly for clients who hold significant shareholding of a single stock, but are unable to seek additional financing for acquisition of securities and/or for the continuation of holding securities from banks and/or other brokers. The proposed new margin financing service is part of the Group's plan to expand its scope of business.

MANAGEMENT DISCUSSION AND ANALYSIS

(i) Securities Brokerage Services and Margin Financing Services

Brokerage commission income generated from securities brokerage services increased by 50% from HK$1.6 million for the year ended 31 December 2019 (the "**Previous Year**") to HK$2.4 million for the Year. Interest income generated from provision of margin financing services increased by 24.1% from HK$29.9 million for the Previous Year to HK$37.1 million for the Year.

In pursuing further development of margin financing business, the Group will continue to balance risk and return and maintain a cautious approach to the credit control of its margin financing business.

(ii) Placing and Underwriting Services

Despite difficult market conditions, the Group, through its wholly-owned subsidiary OSL, completed three underwriting projects in 2020. OSL acted as either an underwriter or a sub-underwriter for equity fund raising activities conducted by listed companies on the Stock Exchange, with a total underwriting commitment of HK$118 million. These projects generated an underwriting commission of HK$0.7 million for the Group for the Year, compared to approximately HK$3,000 for the Previous Year.

In exploring business opportunities for placing and underwriting services, the Group has maintained and will continue to adopt a cautious approach before committing to placing and underwriting services during these times of market turbulence.

(iii) Corporate Finance Advisory

Various listed companies appointed OCFL to provide corporate finance advisory services. The income generated from corporate finance advisory slightly decreased from HK$0.5 million for the Previous Year to HK$0.3 million for the Year. Given prevailing sentiments of market uncertainty in recent years and regulatory changes, the approach of the market to fund-raising and substantial acquisitions has been increasingly conservative. In line with prevailing market sentiments, the Group's approach to fund-raising activities (in a corporate financial advisory capacity) has also been increasingly conservative. Therefore, although the client base of the Group's corporate finance business was expanded in 2020, the relevant fund-raising projects require a comparatively longer period for completion and have not been completed by the end of the Year.

(iv) Asset Management

Currently the Group offers a discretionary investment management service for clients who would like to diversify their investments with a customized solution.

The Group has been working on building its client network and forming strong relationships with clients and is focused on building its reputation and presence so as to attract various types of customers.

The Group is also reviewing the possibilities of offering fund investment services to clients who may have a need to look for investments other than equities. The ability to offer a portfolio of investment products should appeal to clients who would wish to diversify across different asset classes as well as different regions for their investment needs.

MANAGEMENT DISCUSSION AND ANALYSIS

B. Credit and Lending Services

Chapter 163 of the Laws of Hong Kong, the Money Lenders Ordinance, is a principal statute which governs the money lending business in Hong Kong. The Company's credit and lending business obtained money lenders licences granted by the Licensing Court and renew their money lenders licences annually.

The credit and lending business performed well in the Year. Interest income from loan receivables increased by 112.6% from HK$49.4 million for the Previous Year to HK$105.0 million for the Year. The significant improvement was mainly attributable to the increasing demand of the Group's credit and lending service.

C. Tactical and/or Strategical Investments

The Group engages in tactical and/or strategical investments of a diversified portfolio, which is overseen by a professional investment team that holds Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), and Type 9 (asset management) licences under the SFO.

Vision

The Group's vision is to implement its corporate strategy through building a successful portfolio of investments that is resilient, sound and of value to the shareholders of the Company.

Investment Strategy

The Group is a prudent deal-maker and has generated significant businesses under the Group's tactical and/or strategical investments segment, mainly arising from capital appreciation of the Group's strategically sound portfolio. It aligns with the Group's overall strategy, creates value through investment selection and disposal, and demonstrates resilience through the Group's outstanding performance and financial position.

Since the past year, the Group has been engaging in certain operational shifts to support and accelerate next major growth initiatives and made efforts to be more open and accessible both internally and externally. As the Group comes across various opportunities to invest in different assets, it has formulated an investment philosophy to identify the appropriate investments, establish the criteria for evaluation, consider the opportunity for its strategic value and categorize such investments to reflect their significance and contribution to the Group. The holding size and holding periods are mainly dependent upon the reasons for the acquisition, the strategic value of the investments, and potential returns. The Group may consider realizing certain investments based on the internal resources' requirements, the increase/decrease in valuations that trigger the threshold for disposal, and the availability of alternative investment opportunities that may be superior in returns than existing holdings from time to time.

Performance

The Group's tactical and/or strategical investments segment achieved remarkable performance during the Year. There was a turnaround from segment loss of HK$311.8 million for the Previous Year to segment profit of HK$3,191.8 million for the Year. The drastic improvement was mainly attributable to significant growth of the Group's deal making revenue, arising from capital appreciation of the Group's shareholding, in particular China Evergrande New Energy Vehicle Group Limited, a listed company on the Stock Exchange (stock code: 708).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group's audited consolidated profit for the Year was HK$2,819.5 million, a turnaround from the audited consolidated loss of HK$360.0 million for the Previous Year. The Group achieved its highest profit ever for the Year since its listing. Return on equity (calculated based on profit for the year divided by total equity at the end of the year) was 28.4% for the Year. Basic and diluted earnings per share for the Year were HK46.92 cents and HK46.80 cents respectively, as compared to basic and diluted losses per share for the Previous Year of HK6.19 cents.

The turnaround was mainly attributable to the significant growth in deal making revenue under the Group's tactical and/or strategical investments segment for the Year, mainly arising from capital appreciation of the Group's shareholding, in particular China Evergrande New Energy Vehicle Group Limited, a listed company on the Stock Exchange (stock code: 708). Going forward, the Group will realise its tactical and/or strategical investments to prepare its pursuit in developing the IR Project.

The Group's asset base continued to increase for the Year. The Group's total asset value increased significantly by 59.4% and reached HK$10,902.5 million as at 31 December 2020 (2019: HK$6,840.2 million). The net asset value of the Group also increased by 60.9% and reached HK$9,937.2 million as at 31 December 2020 (2019: HK$6,174.5 million). Apart from financial assets being held by the Group for its tactical and/or strategical investments, the Group also holds substantive assets which mainly comprise tangible assets such as cash and bank balances and trade, loan and other receivables.

As at 31 December 2020, the Group's gearing ratio remained at a low level of 2.4% (2019: 2.4%).

The fact that the Group recorded total assets of over HK$10 billion as at 31 December 2020 and maintained a low gearing ratio of less than 3%, it indicates that the Group is effectively using its capital without heavy reliance on credit facilities. This efficient use of capital can be seen clearly in the Group's growing asset base and net worth over the past few years. A growing asset base coupling with low gearing ratio are good indicators that the Group's business operation is stable, sustainable and has sufficient financial and operational strength.

SIGNIFICANT INVESTMENTS

As at 31 December 2020, the Group's significant investments were as follows:

Name of significant investments	*Notes*	Number of shares held as at 31 Dec 2020	Percentage of shareholding held as at 31 Dec 2020	Realised and unrealised gain for the year ended 31 Dec 2020	Dividends received for the year ended 31 Dec 2020	Approximate% to the Group's total assets as at 31 Dec 2020	Investment cost	Market value as at 31 Dec 2020
			%	*HK$'000*	*HK$'000*	*%*	*HK$'000*	*HK$'000*
Listed shares in Hong Kong								
– China Evergrande New Energy Vehicle Group Limited (Stock code: 708)	*1*	138,245,000	1.57	3,270,180	–	38.29	1,005,456	4,174,999
– Shengjing Bank Co., Ltd. (Stock code: 2066)	*2*	193,034,000	8.25	123,280	–	12.80	1,272,356	1,395,636

MANAGEMENT DISCUSSION AND ANALYSIS

The performance and prospects of the Group's significant investments during the Year are detailed as follows:

1. China Evergrande New Energy Vehicle Group Limited ("Evergrande New EV") (Stock Code: 708)

Evergrande New EV and its subsidiaries engage in technology research and development, production and sales of new energy vehicles in the PRC and other countries, as well as "Internet+" community health management, international hospitals, and elderly care and rehabilitation in the PRC.

Evergrande New EV is developing its new energy vehicle business in full speed and has built a new energy vehicle industry chain which covers power battery, motor powertrain, advanced vehicle manufacturing, vehicle sales and smart charging. Equipped with world-leading core technologies in key aspects, Evergrande New EV has implemented a global integrated research and development model to coordinate research and development works in China, Sweden, Germany, the United Kingdom, the Netherlands, Austria, Italy, Japan, South Korea and other countries. Evergrande New EV strives to become the world's largest and most powerful new energy vehicle group within 3–5 years. On 10 June 2020, Evergrande New EV became the sole shareholder of National Electric Vehicle Sweden, a Sweden-based company focusing in fields such as intelligent electric vehicle manufacturing, motor electronic control, smart charging and vehicle-sharing. Evergrande New EV can benefit from the enormous potential of the new vehicle market to develop its own automobile brand "Hengchi". Since new energy vehicles have become the most important business, it changed its name from Evergrande Health Industry Group Limited to China Evergrande New Energy Vehicle Group Limited in August 2020.

On 3 August 2020, Evergrande New EV announced the six first-phase "Hengchi" vehicle models, covering all major passenger car categories including sedan, sport utility vehicles and multi-purpose vehicles. On 7 August 2020, the Shanghai production base and the Guangdong production base were officially unveiled. At present, the two major bases have been constructed in accordance with Industry 4.0 Standard and have been equipped with 2,545 intelligent robots. The entire manufacturing line has entered the equipment installation and commissioning stages. On 24 January 2021, Evergrande New EV successfully attracted six new investors to subscribe for its new shares at a total consideration of HK$26.0 billion, to strengthen its capital base in order to accelerate the development of new energy vehicle business. On 3 February 2021, Evergrande New EV announced that the winter calibration testing of Hengchi vehicles was officially initiated at the Yakeshi test base of China Automotive Technology & Research Center.

The revenue of Evergrande New EV increased significantly by 174.8% from RMB5,636 million for the year ended 31 December 2019 to RMB15,487 million for the year ended 31 December 2020. The gross profit of Evergrande New EV also increased by 42.8% from RMB1,887 million for the year ended 31 December 2019 to RMB2,695 million for the year ended 31 December 2020.

Evergrande New EV's extension into the industry of new energy vehicles is an innovative and enlightened approach in response to China's strategic goal of reinvigoration through science and technology and to protect the environment. The investment in Evergrande New EV will bring a heathy return in the medium to long run.

MANAGEMENT DISCUSSION AND ANALYSIS

2. **Shengjing Bank Co., Ltd. ("Shengjing") (Stock Code: 2066)**

Shengjing and its subsidiaries principally engage in the provision of corporate and personal deposits, loans, and advances, settlement, treasury business and other banking services as approved by the China Banking Regulatory Commission.

As at 31 December 2020, the total asset of Shengjing Bank amounted to RMB1,037,958 million, the total amount of loans and advances to customers amounted to RMB547,063 million, the total amount of deposits from customers amounted to RMB681,405 million. The operating income amounted to RMB16,267 million and the net profit amounted to RMB1,232 million for the year ended 31 December 2020.

In recent years, Shengjing creatively completed domestic and overseas capital increase and share expansion, deepened the reform of the management system and gradually rationalised the operating mechanism of corporate governance. Shengjing also optimised the organisational and personnel structure, and constantly improved the performance remuneration system, cultivated multi-dimensional marketing management system and increased marketing efforts, and strengthened the construction of a comprehensive risk management system, and strictly observed a sound business bottom line.

Shengjing will actively change the development concept by focusing on the strategic vision of "being a sound bank", returning to its roots and adhering to its principal business with aim to comprehensively improve the level of refined management as well as enhancing endogenous growth drivers. Firstly, adhering to the basic policy of "taking deposits as the key foundation of the Bank"(存款立行), focusing on customers of "high quality customers in high quality industries and mainstream customers in mainstream industries", enhance customers loyalty through product and service innovation, increase deposit marketing efforts, and consolidate and expand core deposit growth capabilities. Secondly, strengthen asset and liability management, strengthen interest rate pricing, reasonably control capital costs, further optimize the ratio of interbank liabilities, and create "fortress-style" asset and liability structure. Thirdly, continue to improve the construction of the risk management system, strengthen the effectiveness of the operation of the matrix risk management system, improve the operation efficiency of the resident system of risk supervisors, strengthen unified credit management, and comprehensively enhance the ability to prevent new risks. Fourthly, closely follow the national policy guidance, practice the concept of inclusive finance, help the development of small, medium and micro enterprises, provide precise financial services for the real economy, and achieve integrated and resonant development with the real economy.

From a long-term perspective, Shengjing appears to have good prospects and the Company believes its investment in Shengjing has strategic investment value.

Going forward, the Group will continue to implement corporate strategies by building a successful portfolio of investments that is resilient, sound and of value to our shareholders. The Group expects that the stock market in Hong Kong and the PRC will remain challenging in 2021, as the COVID-19 pandemic continues while economies across the world are still showing signs of uncertainty. The Group will continue to adopt prudent capital management and liquidity risk management policies and practices to preserve adequate capital to meet the challenges ahead.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

The Group's cash and cash equivalents was HK$683.3 million as at 31 December 2020 (2019: HK$695.9 million). The cash and cash equivalents and the financial assets at fair value through profit or loss in aggregate were HK$5,367.3 million as at 31 December 2020 (2019: HK$2,827.9 million). The liquidity of the Group was very strong with a current ratio of 12.8 as at 31 December 2020 (2019: 5.3). The Group had loan payables of HK$235.1 million as at 31 December 2020 (2019: HK$150.9 million) and the gearing ratio (expressed as a percentage of loan payables over total equity) maintained at a low level of 2.4% as at 31 December 2020 (2019: 2.4%).

CAPITAL STRUCTURE

During the Year, the Company has not conducted any equity fund raising activities. For the Year, the Company issued shares pursuant to two share swap agreements entered into by the Company, details of which are disclosed under the section headed "Material Transactions" in this "Management Discussion and Analysis". Save for the foregoing, there was no other movement in the number of issued shares of the Company for the Year. As at 31 December 2020, the total number of issued shares of the Company was 6,113,609,139 shares with a par value of HK$0.05 each. Based on the closing price of HK$0.61 per share as at 31 December 2020, the market value of the Company as at 31 December 2020 was approximately HK$3,729 million (2019: approximately HK$5,637 million).

The consolidated net asset value per share of the Company as at 31 December 2020 was approximately HK$1.625 (2019: approximately HK$1.062).

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES

Save for certain bank balances that are denominated in Renminbi ("**RMB**") and United States dollar ("**USD**"), most of the Group's business transactions, assets and liabilities are denominated in Hong Kong dollar. As at 31 December 2020, the bank balances denominated in RMB and USD amounted to HK$138.6 million and HK$11.8 million respectively. Therefore, the Group's exposure to the risk of foreign exchange rate fluctuations is not material. For the Year, the Group did not have any derivatives for hedging against the foreign exchange rate risk. The Directors will continue to monitor the foreign exchange exposure and will consider appropriate action to mitigate such risk, when necessary.

CAPITAL COMMITMENTS

The Group did not have any capital commitments in respect of the acquisition of property and equipment as at 31 December 2020 (2019: Nil).

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2020 (2019: Nil).

CHARGES ON GROUP ASSETS

As at 31 December 2020, debt and equity securities with total market value of HK$4,789.9 million (2019: HK$2,318.3 million) were pledged to securities brokers to secure margin financing facilities provided to the Group. As at 31 December 2020, margin loans of HK$273.3 million (2019: HK$415.5 million) has been drawn from the margin financing facilities.

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL TRANSACTIONS

(a) Grant of Share Options and Awarded Shares in relation to Proposed Issuance of New Shares

On 22 January 2020, the Board resolved to grant an aggregate of 120,000,000 share options with no vesting conditions to 10 option grantees under the share option scheme, of which, (i) 100,000,000 share options were granted to 9 independent option grantees; and (ii) 20,000,000 share options were granted to Ms. Wong Wan Men Margaret ("**Ms. Wong**"), an executive director of the Company, at an exercise price of HK$0.865 per share.

On 22 January 2020, the Board also resolved to award an aggregate of 95,000,000 awarded shares to the corresponding 10 persons under the share award scheme, of which, (i) 85,000,000 awarded shares were awarded to 9 independent grantees by way of issue and allotment of new shares pursuant to the specific mandate; and (ii) 10,000,000 connected awarded shares were awarded to Ms. Wong by way of issue and allotment of new shares pursuant to the specific mandate. All the awarded shares shall be vested on the fourth anniversary of the date of grant (i.e. 22 January 2024), subject to the grantees remaining as eligible persons on 22 January 2024 and all of the other conditions being satisfied.

Since Ms. Wong is a connected person of the Company, the issue and allotment of the connected awarded shares (the "**Award**") to her constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and shall be subject to the approval by the independent shareholders. The special general meeting was convened and held on 25 March 2020 and the Award to Ms. Wong was approved.

On 9 June 2020, the Board further resolved to grant 60,000,000 share options with no vesting conditions to Mr. Alejandro Yemenidjian, a non-executive director of the Company, under the share option scheme at an exercise price of HK$0.840 per share.

Further details were disclosed in the announcements of the Company dated 22 January 2020 and 9 June 2020, as well as the circular of the Company dated 5 March 2020.

(b) Share Swap Agreement with Hao Tian International Construction Investment Group Limited ("Hao Tian")

On 2 April 2020, the Company entered into a share swap agreement with Hao Tian under which the Company would issue shares representing 3.13% of the enlarged issued share capital of the Company and Hao Tian would issue shares representing 12.37% of the enlarged issued share capital of Hao Tian, ("**Hao Tian Share Swap Transaction**"). Hao Tian Share Swap Transaction was completed on 28 April 2020. 187,500,000 shares of the Company were issued at a price of HK$0.70 per share ("**Oshidori Subscription Shares**") to a nominee of Hao Tian in exchange for 625,000,000 shares of Hao Tian as consideration shares at a price of HK$0.21 per share ("**Hao Tian Subscription Shares**") for a total consideration of HK$131,250,000. Details of Hao Tian Share Swap Transaction are set out in the Company's announcements dated 2 April 2020 and 28 April 2020. Hao Tian and its subsidiaries principally engage in the business of (a) provision of financial services and related financial advisory services through subsidiaries licensed to conduct (i) Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO; (ii) money lending activities; and (iii) brokerage of general insurance and long term (including linked long term) insurance; and (b) rental and trading of construction machinery.

On 13 January 2021, the Company and Hao Tian entered into an addendum to the Share Swap Agreement, mutually agreeing to release each other from the restrictions during the lock-up period of 2 years from the date of completion (beginning 28 April 2020) (the "**Lock-Up Period**") such that the Company shall be free to sell, offer to sell, transfer or otherwise dispose of any of the Hao Tian Subscription Shares and, similarly, Hao Tian shall also be free to sell, offer to sell, transfer or otherwise dispose of any Oshidori Subscription Shares. The Company believes the agreement to remove restrictions of the Lock-Up Period will provide the Group with more financial flexibility. For details, please refer to the Company's announcement dated 13 January 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

(c) Share Swap Agreement with Imagi International Holdings Limited ("Imagi")

On 6 April 2020, the Company entered into a share swap agreement with Imagi under which the Company would issue shares representing 1.93% of the enlarged issued share capital of the Company and Imagi would issue shares representing 16.63% of the enlarged issued share capital of Imagi, ("**Imagi Share Swap Transaction**"). Imagi Share Swap Transaction was completed on 22 May 2020. 114,342,857 shares of the Company were issued at a price of HK$0.70 per share to a nominee of Imagi in exchange for 138,000,000 shares of Imagi as consideration shares at a price of HK$0.58 per share for a total consideration of HK$80,040,000. Details of Imagi Share Swap Transaction are set out in the Company's announcements dated 6 April 2020, 4 May 2020, 18 May 2020 and 22 May 2020. Imagi and its subsidiaries principally engage in integrated financial services, investment holdings, computer graphic imaging and entertainment business. Imagi Brokerage Limited, a wholly-owned subsidiary of Imagi, is the major financial service arm of Imagi. Imagi Brokerage Limited holds licenses in 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) regulated activities under the SFO.

While working on the IR project bid, the Directors have also remained vigilant in identifying opportunities for its financial services businesses. Following negotiations to acquire a strategic stake in Hao Tian and Imagi, with intention to strengthen cooperation between the companies' financial services subsidiaries, a working group was formed between the companies' senior management and securities professionals to explore opportunities including (i) the cooperation and implementation of projects that are of mutual interest and benefit; (ii) exchanging and referring business opportunities where the parties think appropriate; and (iii) sharing market knowledge for the benefit and risk management of respective parties' businesses.

(d) Disposal of the Group's entire equity interest in Seekers Partners

On 12 August 2020, Uptown WW Value Investments Limited ("**Uptown**"), a wholly owned subsidiary of the Company, and High Rhine Limited ("**High Rhine**"), an independent third party, entered into a sale and purchase agreement (the "**First Sale and Purchase Agreement**") pursuant to which High Rhine conditionally agreed to acquire and Uptown conditionally agreed to sell 100,000,000 shares of Seekers Partners, representing 8.06% of Seekers Partners' issued share capital at a cash consideration of HK$650 million (the "**First Disposal**"). On 16 September 2020, the conditions precedent under the First Sale and Purchase Agreement were fulfilled and thus the First Disposal was completed. After the completion of the First Disposal, Uptown was interested in 3.62% of the issued share capital of Seekers Partners. For details, please refer to the Company's announcement dated 12 August 2020, 28 August 2020 and 16 September 2020.

On 14 December 2020, Uptown entered into a sale and purchase agreement (the "**Second Sale and Purchase Agreement**") with the High Rhine, pursuant to which High Rhine has conditionally agreed to acquire and Uptown has conditionally agreed to sell its remaining interest in Seekers Partners, i.e. 3.62% of the issued share capital of Seekers Partners at a consideration of HK$275 million (the "**Second Disposal**") which is payable by a combination of cash and promissory note. On the same day, the conditions precedent under the Second Sale and Purchase Agreement were fulfilled and thus the Second Disposal was completed. After the completion of the Second Disposal, Uptown had no beneficial interest in Seekers Partners. For details, please refer to the Company's announcement dated 14 December 2020.

The First Disposal and the Second Disposal represent a disposal of an aggregate 11.68% equity interest in Seekers Partners at an aggregated consideration of HK$925 million. The Board intends to apply the sale proceeds as the general working capital of the Group to finance the Group's financial service segment as well as the Group's IR Project.

MANAGEMENT DISCUSSION AND ANALYSIS

EVENTS AFTER THE REPORTING PERIOD

There were no significant events affecting the Group since the end of the reporting period.

LITIGATION

(a) Updates on the previous disposal of shares in Shenzhen Fuhuade Electric Power Co., Ltd. ("Fuhuade")

During the year ended 31 December 2011, the Group disposed of its 100% equity interest in Fuhuade to CNOOC Gas & Power Group (the "**Buyer**"). The total consideration of the disposal of RMB1,037,642,000 (equivalent to approximately HK$1,247,166,000) was payable in instalments, the payment of which was subject to finalisation and confirmation of the results of supplemental audit. As at 31 December 2012, the supplemental audit was not yet finalised and the outstanding instalments were not received from the Buyer. In view of this, the Group made a provision for doubtful consideration receivable of HK$93,132,000 for the year ended 31 December 2012.

As at 31 December 2013, the Group was still not able to secure a satisfactory conclusion on the supplemental audit. Under the circumstances, the Board is of the opinion that the timing and eventual outcome of the finalisation of the supplemental audit and hence the settlement of the outstanding instalments cannot be estimated with reasonable certainty. It is determined that the receivable amount should be fully provided for until such time as the eventual outcome can be reliably estimated. Accordingly, the Group fully wrote down the receivable amount of HK$255,185,000, being the amount of consideration receivable amounting to HK$358,921,000 as originally stated after deducting estimated other taxes payable arising from the disposal of the subsidiary of HK$103,736,000, in the profit and loss account for the year ended 31 December 2013.

On 20 December 2017, the Group received a civil judgement (廣東省深圳市中級人民法院民事判決書2014深中法涉外初字第59號) in favour of the Group in relation to the litigation on the previous disposal of shares in Fuhuade, pursuant to which the Group is judged to receive approximately RMB85,545,000 (equivalent to approximately HK$102,327,000) together with related interest of approximately RMB28,326,000 (equivalent to approximately HK$33,883,000) (before tax).

On 16 April 2019, the Group further received a civil judgment (廣東省深圳市中級人民法院民事判決書2016粵03民初第662號) in favour of the Group in relation to the litigation on the previous disposal of shares in Fuhuade, pursuant to which the Group is judged to receive approximately RMB113,486,000 (equivalent to approximately HK$129,102,000) (before tax) together with related tax subsidies of approximately RMB29,066,000 (equivalent to approximately HK$33,030,000) (before tax).

Up to 31 December 2020, approximately RMB127,624,000 (equivalent to approximately HK$145,566,000) has been received from CNOOC Gas for settlement of judged consideration receivables of the third instalment of approximately RMB113,486,000 (equivalent to approximately HK$129,102,000) and fuel subsidy of approximately RMB21,025,000 (equivalent to approximately HK$24,335,000) after deducting withholding tax of approximately RMB6,887,000 (equivalent to approximately HK$7,871,000).

Apart from the above, the Group is still awaiting a second instance decision from the Guangdong Provincial People's High Court regarding the amount of fuel subsidy (廣東省深圳市中級人民法院2016粵03民初661號).

MANAGEMENT DISCUSSION AND ANALYSIS

(b) Legal Proceeding against Mr. Qin Jun ("Mr. Qin")

On 6 May 2016, Oshidori WW Resources Limited ("**OWRL**", formerly known as Win Wind Resources Limited), a wholly owned subsidiary of the Company, commenced legal proceedings as creditor by filing a bankruptcy petition with the Court of First Instance of Hong Kong, against Mr. Qin as debtor regarding an outstanding loan (and accrued interest) in the approximate sum of HK$54.99 million pursuant to a loan agreement dated 29 September 2014 made between OWRL as lender and Mr. Qin as borrower (as supplemented by a supplementary agreement made between the parties dated 29 March 2015). Mr. Qin was declared bankrupt by the Court of First Instance on 27 July 2016. Mr. Qin subsequently filed an application to annul the bankruptcy order, however such application was dismissed by the Court of First Instance at a hearing on 10 April 2017 and costs relating to the application were ordered to be paid by Mr. Qin to OWRL. On 5 May 2017, Mr. Qin filed a Notice of Appeal with the Court of Appeal to appeal against the judgment made on 10 April 2017 by the Court of First Instance. The appeal was heard before the Court of Appeal on 15 August 2018 and it was dismissed with costs ordered to be paid by Mr. Qin on an indemnity basis. On 12 September 2018, Mr. Qin filed a Notice of Motion in the Court of Appeal for leave to appeal the judgement dated 15 August 2018 in the Court of Final Appeal. The application for leave was heard before the Court of Appeal on 16 November 2018 and it was dismissed with costs on an indemnity basis. On 14 December 2018, Mr. Qin filed a Notice of Motion in the Court of Final Appeal for leave to appeal the judgment of the Court of Appeal. The Appeal Committee of the Court of Final Appeal by order dated 31 October 2019 dismissed Mr. Qin's application for leave to appeal on the ground that it discloses no reasonable grounds for leave to appeal.

By an order made by the High Court on 15 January 2021, the bankruptcy period of Mr. Qin was extended for three years from 26 July 2020 (the "**Extension Order**"). Mr. Qin has filed a Notice of Appeal against the Extension Order and the appeal hearing has not yet been heard up to the date of this annual report.

(c) Writs of Summons issued by Allied Weli Development Limited and John Howard Bachelor and Kenneth Fung as Joint and Several Liquidators (the "Liquidators of Allied Weli Development Limited")

OCFL, Win Wind Capital Limited, Win Wind Investment (Holdings) Limited, Enerchine Nominee Limited and OSL (the "**Defendant Parties**"), which as of the date hereof are wholly owned subsidiaries of the Company, have been named, inter alia, as defendants in two separate writ of summons in the High Court of Hong Kong (the "**Writs**") by the plaintiffs, Allied Weli Development Limited (in Liquidation) and John Howard Bachelor and Kenneth Fung as Joint and Several Liquidators (the "**Liquidators**") of Allied Weli Development Limited. The Liquidators have not served the Writs on the Defendant Parties. On 2 February 2018, the Group, through its legal advisors, requested the Liquidators to (i) serve the Writs of Summons on the Defendant Parties by 20 February 2018 as required under the Rules of the High Court (Order 12, rule 8A) or (ii) to discontinue the Writs against the Defendant Parties. On 15 February 2018, the Group received a letter from the Liquidator's lawyers stating, inter alia, that the Liquidators may ultimately decide not to pursue a claim against the Defendant Parties at all. As the Writs have not been served on the Defendant Parties, accordingly no provision has been made in the consolidated financial statements for the ended 31 December 2020. However, the management of the Company considers the Writs are not only groundless but the Liquidator's actions are a flagrant and calculated abuse of the law, designed solely to drag the Group's good name and good will through the Hong Kong Courts in the hopes of profit that they will clearly not be entitled to.

MANAGEMENT DISCUSSION AND ANALYSIS

FINAL DIVIDEND

The Board does not recommend payments of any final dividend for the Year (2019: Nil).

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The 2021 annual general meeting ("**AGM**") of the Company is scheduled to be held on Thursday, 10 June 2021. The notice of AGM will be published on the Company's website at www.oshidoriinternational.com and the designated website of the Stock Exchange at www.hkexnews.hk in due course.

For determining the qualification as members of the Company to attend and vote at the 2021 AGM, the Company's register of members will be closed from Monday, 7 June 2021 to Thursday, 10 June 2021, both days inclusive, during which period no transfers of shares will be registered. In order to qualify as members to attend and vote at the AGM, investors are required to lodge all transfer documents accompanied by the relevant share certificates with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 4 June 2021.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2020, the Group employed 37 (2019: 39) full time employees for its principal activities. The total staff cost amounted to approximately HK$57.7 million (2019: HK$51.5 million). The Group recognises the importance of high calibre and competent staff and continues to provide remuneration packages to employees with reference to prevailing market practices and individual performance. Other various benefits, such as medical and retirement benefits, are also provided. Share options and awarded shares may be granted to eligible employees of the Group in accordance with the terms of the approved share option scheme and share award scheme.

PROFILES OF DIRECTORS AND COMPANY SECRETARY

EXECUTIVE DIRECTORS

Ms. Wong Wan Men, Margaret ("Ms. Wong"), aged 36, was appointed as an executive director of the Company with effect from 28 January 2019. She is also a member of each of the nomination committee and remuneration committee of the Board. She holds a Bachelor of Social Science in Economics with Honours from The Chinese University of Hong Kong. She has over 10 years extensive experience in corporate finance advisory. Prior to joining the Group, she held senior positions in the corporate finance advisory division of several financial services groups in Hong Kong. Currently, she serves as a managing director of Win Wind Capital Limited which is the holding company of the Company's financial services group and a director of various subsidiaries within the Group. She is also a responsible officer for type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) ("SFO"). She is familiar with the operation and management of the Company and provides corporate finance advice to the Group. Her contributions to financial services business of the Group have been greatly valued by the Board. Ms. Wong has not held any directorships in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

Mr. Wong Yat Fai ("Mr. Wong"), aged 61, has been appointed as an executive director of the Company since 19 April 2017. He holds a professional diploma in banking from The Hong Kong Polytechnic University. Mr. Wong has over 13 years of working experience in an international banking group. Mr. Wong has not held any directorships in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

NON-EXECUTIVE DIRECTORS

Mr. Alejandro Yemenidjian ("Mr. Yemenidjian"), also known as Alex Yemenidjian aged 65, has been appointed as a non-executive director of the Company and the non-executive chairman of the Board on 9 June 2020. Mr. Yemenidjian has also been serving as Chief Executive Officer of Oshidori International Development Limited, an indirect wholly-owned special purpose vehicle, to lead and supervise the Company's bid to own and operate a full-service, world class integrated resort project that includes luxury hotels, a casino, convention facilities, entertainment venues, shopping and restaurants in Nagasaki, Japan.

Mr. Yemenidjian, has over thirty years of experience as the top executive of the world's leading movie studios, hotels and casinos. Mr. Yemenidjian was a co-owner and served as Chairman of the Board and Chief Executive Officer of Tropicana Las Vegas Hotel & Casino, Inc. from July 2009 to September 2015, when he successfully sold the iconic resort to Penn National Gaming, Inc. Mr. Yemenidjian served on the Board of Metro-Goldwyn-Mayer Inc. ("**MGM Studios**") from 1997 to 2005, and acted as Chairman of the Board and Chief Executive Officer from 1999 to 2005. Mr. Yemenidjian also served for 16 years on the Board of Directors of MGM Resorts International, Inc. ("**MGM**") (formerly MGM Grand, Inc. and MGM Mirage Resorts, Inc.) from 1989 to 2005 and was its President from 1995 to 1999. He also served MGM in other capacities, including as Chief Operating Officer from 1995 until 1999 and as Chief Financial Officer from 1994 to 1998. During Mr. Yemenidjian's tenure, MGM's portfolio included some of the most renowned integrated destination resorts in the world, including MGM Grand Las Vegas, MGM Grand Macau, Bellagio, Mirage and New York-New York. Mr. Yemenidjian also served as an executive of Tracinda Corporation from 1990 to 1997 and again during 1999. Tracinda Corporation was owned by the late Kirk Kerkorian ("**Mr. Kerkorian**"), was the majority shareholder of both MGM Studios and MGM, and at one point was one of the largest shareholders of Chrysler and General Motors. Mr. Yemenidjian served as Mr. Kerkorian's right-hand man for 16 years. Prior to 1990, Mr. Yemenidjian was the managing partner of Parks, Palmer, Turner & Yemenidjian, Certified Public Accountants.

Mr. Yemenidjian currently serves as Chairman and Chief Executive Officer of GAST Enterprises, Ltd. (formerly Armenco Holdings LLC), a private investment company. He is also the lead director and chairman of the compensation committee of Guess?, Inc. (stock code: GES), a company listed on the New York Stock Exchange; and a trustee of Baron Investment Funds Trust and Baron Select Funds, both mutual funds. Mr. Yemenidjian was a director of Green Thumb Industries Inc. (stock code: GTII) from June 2019 to December 2020, a company listed on the Canadian Securities Exchange. Mr. Yemenidjian has a Master's degree in Business Taxation from the University of Southern California and a Bachelor's degree in Business Administration and Accounting from California State University, Northridge. He served as an Adjunct Professor of Taxation at the University of Southern California Graduate School of Business. Save as disclosed above, Mr. Yemenidjian has not held any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

PROFILES OF DIRECTORS AND COMPANY SECRETARY

Mr. Sam Nickolas David Hing Cheong ("Mr. Sam"), aged 39, has been re-designated from executive director and chairman to non-executive director on 5 June 2020. He has been also appointed as an executive director and the vice chairman of PYI Corporation Limited (Stock code: 498), the securities of which are listed on the main board of the Stock Exchange, from 1 April 2021. He holds a Bachelor of Laws with Honours and a Bachelor of Arts from the University of Waikato, New Zealand. Mr. Sam is admitted as a solicitor in the jurisdictions of England and Wales, the British Virgin Islands, New Zealand, and as an attorney in the Republic of the Marshall Islands. Save as disclosed above, Mr. Sam has not held any directorships in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

Hon. Joseph Edward Schmitz ("Hon. Schmitz"), aged 64, has been appointed as an non-executive director of the Company since 17 January 2020. He is currently the Chief Legal Officer for PACEM Solutions International LLC. He served as a foreign policy/national security advisor to Donald J. Trump from March 2016 through the November 2016 election. His prior government service in the United States ("**U.S.**") includes service as the 5th Senate-confirmed Inspector General of the Department of Defense from April 2002 to September 2005. For his service as Inspector General, Hon. Schmitz was awarded the Department of Defense Medal for Distinguished Public Service, the highest honorary award presented by the Secretary of Defense to non-career federal employees.

Prior to his service as Inspector General of the Department of Defense, Hon. Schmitz was a Partner in the international law firm of PATTON BOGGS LLP, serving as head of the Aviation Practice Group, and at the same time a Captain in the U.S. Naval Reserves, serving as Inspector General of the Naval Reserve Intelligence Command. After his Inspector General service, Hon. Schmitz served as Chief Operating Officer and General Counsel of THE PRINCE GROUP in McLean, Virginia, after which he served as Managing Director in the Washington D.C. Office of FREEH GROUP INTERNATIONAL. In October 2014, Hon. Schmitz co-founded the McLean, Virginia, law firm of SCHMITZ & SOCARRAS LLP. His pre-Inspector General public service included: 27 years of naval service, first on active duty and then as a reserve officer; law clerk to the Honorable James L. Buckley, Circuit Judge, U.S. Court of Appeals for the D.C. Circuit; and Special Assistant to the Attorney General of the United States, the Honorable Edwin Meese III.

Hon. Schmitz graduated with distinction from the U.S. Naval Academy in 1978 and received his Doctor of Jurisprudence from Stanford University in 1986. He is a Senior Fellow for the Center for Security Policy. Hon. Schmitz has not held any directorships in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Hak Kan ("Mr. Chan"), aged 44, has been appointed as an independent non-executive director of the Company, a member of each of the audit committee, nomination committee and remuneration committee of the Company since 6 April 2017. Mr. Chan has been a member of Hong Kong Legislative Council and Hong Kong Marine Fish Scholarship Fund Advisory Committee since October 2008 and April 2011, respectively. Mr. Chan graduated from The Chinese University of Hong Kong with a Bachelor of Social Science (Hons) (Government and Public Administration) degree in 1997 and a Master of Social Science (Law and Public Affairs) degree in 2003. From 2000 to 2003, Mr. Chan served as an elected member of the Sha Tin District Council. Mr. Chan was appointed as a member of Hong Kong Community Involvement Committee on Greening from 2011 to 2017. From 2011 to 2016, Mr. Chan served as a member of Hong Kong Fish Marketing Advisory Board. In 2012, Mr. Chan was appointed as a Justice of the Peace by the Chief Executive of Hong Kong. Mr. Chan is currently an independent non-executive director of Xinyi Electric Storage Holdings Limited (formerly known as Xinyi Automobile Glass Hong Kong Enterprises Limited) (stock code: 8328), the securities of which are listed on the GEM of the Stock Exchange, and an independent non-executive director of Imagi International Holdings Limited (stock code: 585), the securities of which are listed on the main board of the Stock Exchange. Save as disclosed above, Mr. Chan has not held any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

PROFILES OF DIRECTORS AND COMPANY SECRETARY

Mr. Cheung Wing Ping ("Mr. Cheung"), aged 54, has been appointed as an independent non-executive director of the Company since 21 May 2015. He is also a chairman of each of the nomination committee, audit committee and remuneration committee of the Board. He has over 20 years of experience in auditing and accounting fields. He holds a bachelor's degree in Accountancy with honours from City University of Hong Kong and is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Cheung is currently an independent non-executive director of China Touyun Tech Group Limited (Stock Code: 1332), the securities of which are listed on the main board of the Stock Exchange. Mr. Cheung was an independent non-executive director of Freeman FinTech Corporation Limited (formerly known as Freeman Financial Corporation Limited, Stock Code: 279) from 7 August 2013 to 8 September 2019 and an independent non-executive director of China Shandong Hi-Speed Financial Group Limited (Stock Code: 412) from 17 April 2015 to 14 May 2020, the respective securities of which are listed on the main board of the Stock Exchange. Save as disclosed above, Mr. Cheung has not held any other directorships in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

Mr. Hung Cho Sing ("Mr. Hung"), aged 80, has been appointed as an independent non-executive director of the Company and a member of each of the audit committee, remuneration committee and nomination committee of the Board since 6 April 2017. He has over 30 years of experience in the film distribution industry. Mr. Hung was the founder and general manager of Delon International Film Corporation since June 2004. Mr. Hung is currently the Chairman of Hong Kong, Kowloon and New Territories Motion Picture Industry Association. In recognition of his contribution to the Hong Kong film industry, Mr. Hung was awarded the Bronze Bauhinia Star (BBS) by the Government of Hong Kong in 2005. Mr. Hung was a non-executive director of Universe Entertainment and Culture Group Company Limited (stock code: 1046) from 1 February 2019 to 31 July 2019, the securities of which are listed on the main board of the Stock Exchange. Currently, Mr. Hung is an independent non-executive director of China Star Entertainment Limited (stock code: 326), an independent non-executive director of Unity Investments Holdings Limited (stock code: 913) and an independent non-executive director of Miko International Holdings Limited (stock code: 1247), the respective securities of which are listed on the main board of the Stock Exchange. He is also an independent non-executive director of KOALA Financial Group Limited (stock code: 8226) and an executive director of EJE (Hong Kong) Holdings Limited (stock code: 8101), the respective securities of which are listed on the GEM of the Stock Exchange. Save as disclosed above, Mr. Hung has not held any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

COMPANY SECRETARY

Ms. Liu Tsui Fong ("Ms. Liu") was appointed as company secretary of the Company (the "**Company Secretary**") on 29 October 2019. The Company Secretary supports the Board by ensuring an unimpeded flow of information within the Board and that policies and procedures formulated by the Board are followed. Ms. Liu is responsible for advising the Board through the chairman on governance matters and facilitates induction and professional development of the Directors.

The appointment and dismissal of the Company Secretary are subject to the Board's approval in accordance with the Bye-laws. All members of the Board have access to the advice and services of the Company Secretary.

The Company Secretary has duly complied with the relevant training requirement under Rule 3.29 of the Listing Rules.

REPORT OF THE DIRECTORS

The directors of the Company (the "**Directors**") are pleased to present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 38 to the consolidated financial statements.

BUSINESS REVIEW

A fair review of the business of the Company and a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position as well as the outlook of the Company's business are provided in the "Chairman's Statement" and "Management Discussion and Analysis" from pages 3 to 5 and pages 6 to 17 of this Annual Report respectively. An analysis of the Group's performance during the year using financial key performance indicators is provided in the Financial Summary on page 150 of this Annual Report. Description of the principal risks and uncertainties facing the Group can be found throughout this Annual Report particularly in note 34 to the consolidated financial statements and the "Management Discussion and Analysis" on pages 6 to 17 of this Annual Report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's businesses are mainly carried out by the Company's subsidiaries established in Hong Kong, the PRC, Japan, the British Virgin Islands and the Marshall Islands while the Company itself is incorporated in Bermuda with its shares listed on the Main Board of the Stock Exchange. Our establishment and operations accordingly shall comply with relevant laws and regulations in Bermuda, Hong Kong, the PRC, Japan, the British Virgin Islands and the Marshall Islands.

During the year ended 31 December 2020 and up to the date of this Annual Report, we have complied with all the relevant rules, laws and regulations in Bermuda, Hong Kong, the PRC, Japan, the British Virgin Islands and the Marshall Islands that have a significant impact on the Group.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

As the Group principally engages in financial services sector, the Group has always paid great attention to and maintained a good relationship with, and has been providing quality professional and customer-oriented services for customers. Since the nature of business of the Group, no specific suppliers will be involved in the operation of business. The aforementioned customers are good working partners creating value for the Group. The Group also values the knowledge and skills of its employees, and continues to provide favourable career development opportunities for its employees.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on page 66.

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

PROPERTY AND EQUIPMENT

Details of the movements in the property and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

REPORT OF THE DIRECTORS

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 29 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Details of movements in reserves of the Group and the Company during the year ended 31 December 2020 are set out in the consolidated statement of changes in equity on page 70 and note 39 to the consolidated financial statements respectively. During the year ended 31 December 2020, no reserves had been utilised for distribution. As at 31 December 2020, the Company's reserves that were available for distribution to the Shareholders amounted to approximately HK$6,599,950,000 (2019: HK$6,107,174,000).

DIRECTORS

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

Executive Directors:
Ms. Wong Wan Men Margaret
Mr. Wong Yat Fai

Non-executive Directors:
Mr. Alejandro Yemenidjian *(Appointed as Non-executive Director and Non-executive Chairman on 9 June 2020)*
Hon. Joseph Edward Schmitz *(Appointed on 17 January 2020)*
Mr. Sam Nickolas David Hing Cheong *(Re-designated from Executive Director and Chairman to Non-executive Director on 5 June 2020)*

Independent Non-executive Directors:
Mr. Chan Hak Kan
Mr. Cheung Wing Ping
Mr. Hung Cho Sing

In accordance with Bye-law 84(1) of the Bye-laws, at each annual general meeting of the Company, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation.

Pursuant to Bye-law 83(2) of the Bye-laws, any Director appointed by the Board shall hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the Board), and shall then be eligible for re-election at that meeting. Accordingly, Mr. Alejandro Yemenidjian, being such a newly appointed Director shall hold office until the next following AGM of the Company and shall then be eligible for re-election at that meeting.

REPORT OF THE DIRECTORS

Pursuant to Bye-law 84(2), retiring Directors shall be eligible for re-election and the Directors to retire by rotation shall include (so far as necessary to ascertain the number of directors to retire by rotation) any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall include those other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree amongst themselves) be determined by lot. Accordingly, Messrs. Mr. Wong Yat Fai, Mr. Chan Hak Kan and Mr. Hung Cho Sing, being the Directors longest in office since their last re-election or appointment, shall retire by rotation at the AGM and, being eligible, would offer themselves for re-election at the AGM.

The Company has received an annual confirmation of independence from each of the Independent Non-executive Directors pursuant to Rule 3.13 of the Listing Rules on the Stock Exchange. The Company considers all of Independent Non-executive Directors to be independent.

No Directors proposed for re-election at the forthcoming AGM have a service contract, which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

SHARE OPTION SCHEMES

(A) 2002 Share Option Scheme

The Company operated a share option scheme adopted by shareholders of the Company (the "**Shareholders**") on 24 May 2002 (the "**2002 Share Option Scheme**"), under which the Board may, at its discretion, offer any employees of the Group or any Directors of the Company or any of its subsidiaries options to subscribe for shares of the Company subject to the terms and conditions stipulated in the said scheme. The 2002 Share Option Scheme had a life of 10 years and was terminated at the annual general meeting of the Company held on 17 May 2012.

No further options shall thereafter be offered under the 2002 Share Option Scheme but the options, which had been granted during its life, shall continue to be valid and exercisable in accordance with their terms of issue and in all other respects the provisions of the 2002 Share Option Scheme shall remain in full force and effect.

Following to the lapse of all 28,079,700 outstanding options in 2017, the Company had no underlying shares comprised in options outstanding under the 2002 Share Option Scheme. Details of the 2002 Share Option Scheme were set out in the Company's 2017 annual report.

REPORT OF THE DIRECTORS

(B) 2012 Share Option Scheme

A new share option scheme was adopted by Shareholders on 17 May 2012 (the "**2012 Share Option Scheme**"), under which the Board may, of its discretion, offer any employees of the Group or any Directors of the Company or any of its subsidiaries options to subscribe for shares of the Company subject to the terms and conditions stipulated therein. The 2012 Share Options Scheme has a remaining life of approximately 1 year as at the date of this annual report. The general terms and conditions of the 2012 Share Option Scheme are listed as follows:

(A) Purpose

The 2012 Share Option Scheme is a share incentive scheme and is established to enable the Group to (i) recognise and acknowledge the contributions that eligible persons have (or may have) made or may make to the Group (whether directly or indirectly); (ii) attract and retain and appropriately remunerate the best possible quality of employees and other eligible persons; (iii) motivate the eligible persons to optimise their performance and efficiency for the benefit of the Group; (iv) enhance its business, employee and other relations; and/or (v) retain maximum flexibility as to the range and nature of rewards and incentives which the Company can offer to eligible persons. The eligible persons include (a) any full time or part time employees of the Group or any directors of the Company or any of its subsidiaries; (b) any customer, supplier or provider of services, landlord or tenant, agent, partner, consultant, or adviser of or a contractor to or person doing business with any member of the Group; (c) trustee of any trust the principal beneficiary of which is, or discretionary trust the discretionary objects of which include, any person referred to (a) or (b) above; (d) a company wholly beneficially owned by any person referred to in (a) or (b) above, and (e) such other persons (or classes of persons) as the Board may in its absolute discretion determine.

(B) Maximum Number of Shares Available for Subscription

(i) Subject to (iv) below, the total number of shares which may be issued upon exercise of all the options to be granted under 2012 Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the shares in issue as at the date of approval of the 2012 Share Option Scheme.

(ii) Subject to (iv) below, the Company may seek approval of the Shareholders in general meeting for refreshing the 10% limit set out in (i) above such that the total number of shares which may be issued upon exercise of all options to be granted under the 2012 Share Option Scheme and any other share option schemes of the Company under the limit as refreshed shall not exceed 10% of the total number of the shares in issue as at the date of approval to refresh such limit.

(iii) Subject to (iv) below, the Company may seek separate approval from the Shareholders in general meeting for granting options beyond the 10% limit provided the options granted in excess of such limit are granted only to eligible persons specifically identified by the Company before such approval is sought. In such case, the Company shall send a circular to its Shareholders containing the information required under the Listing Rules.

(iv) in respect of which options may be granted under the 2012 Share Option Scheme together with any options outstanding and yet to be exercised under the 2012 Share Option Scheme and any other share option schemes of the Company must not exceed 30% (or such higher percentage as may be allowed under the Listing Rules) of the total number of shares in issue from time to time. No option may be granted under the 2012 Share Option Scheme or any other share option schemes of the Company if this will result in such limit being exceeded.

REPORT OF THE DIRECTORS

(C) Total Number of Securities Available for Issue

The scheme mandate limit was refreshed on 5 June 2020, pursuant to which the Company was authorised to grant options to subscribe for up to a maximum of 611,360,913 shares, being 10% of the total issued shares of the Company as at 5 June 2020. There were 252,000,000 options outstanding as of 31 December 2020. The total number of shares which may be issued upon exercise of all options granted and to be granted under the 2012 Share Option Scheme was 803,360,913 shares, representing 14.12% of the shares of the Company in issue as at the date of this annual report.

(D) Maximum Entitlement to Shares of Each Eligible Person

(i) The total number of shares issued and to be issued upon exercise of the options granted to each eligible person (including both exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue.

(ii) Notwithstanding (i) above, any further grant of options to an eligible person in excess of the 1% limit shall be subject to approval by the Shareholders in general meeting with such eligible person and his or her associates abstaining from voting. The number and the terms of the options to be granted to such eligible person shall be fixed before the Shareholders' approval and the date of the Board meeting for proposing such further grant should be taken as the date for grant for the purpose of calculating the subscription price.

(iii) Where the Board proposes to grant any option to an eligible person who is a substantial Shareholder or an independent non-executive Director, or any of their respective associates and such option which if exercised in full, would result in such eligible person becomes entitled to subscribe for such number of shares, when aggregated with the total number of shares already issued and issuable to him or her pursuant to all options granted and to be granted (including options exercised, cancelled and outstanding) to him or her in the 12-month period up to and including the date of such grant: (1) representing in aggregate more than 0.1% of the relevant class of securities of the Company in issue on the date of such grant; and (2) having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK$5,000,000, such proposed grant of options must be approved by the Shareholders in general meeting.

(E) Acceptance of Offer

Offer of an option shall be deemed to have been accepted by the grantee when the duplicate of the relevant offer letter comprising acceptance of the option duly signed by the grantee together with a remittance in favour of the Company of HK$1.00 (or such other nominal sum in any currency as the Board may determine) by way of consideration for the grant thereof.

(F) Exercise of Options

An option may be exercised in accordance with the terms of the 2012 Share Option Scheme and such other terms and conditions upon which an option was granted, at any time during the option period after the option has been granted by the Board but in any event, not longer than 10 years from the date of grant. An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the expiry of the option period. Subject to the discretion of the Board in accordance with the terms of the 2012 Share Option Scheme, there is no minimum period for which an option must be held before it can be exercised and no performance targets need to be achieved by the grantee before the option can be exercised.

REPORT OF THE DIRECTORS

(G) Exercise Price

The exercise price shall be determined by the Board at its sole discretion and notified to the eligible persons and shall be no less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date on which an option is granted, (ii) the average closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date on which an option is granted; and (iii) the nominal value of a share on the date on which an option is granted.

On 22 January 2020, the Board resolved to grant an aggregate of 120,000,000 share options with no vesting conditions to 10 option grantees under the 2012 Share Option Scheme, of which, (i) 100,000,000 share options were granted to 9 independent option grantees; and (ii) 20,000,000 share options were granted to Ms. Wong Wan Men Margaret, at an exercise price of HK$0.865 per share. The validity period of the share options is 10 years from the date of grant (i.e. 22 January 2020 to 21 January 2030).

On 9 June 2020, the Board further resolved to grant 60,000,000 share options with no vesting conditions to a non-executive director, Mr. Alejandro Yemenidjian under the 2012 Share Option Scheme, at an exercise price of HK$0.840 per share. The validity period of the share options is 10 years from the date of grant (i.e. 9 June 2020 to 8 June 2030).

As at 31 December 2020, there were share options relating to 252,000,000 shares granted by the Company representing 4.12% of the issued shares of the Company as at the date of this annual report pursuant to the 2012 Share Option Scheme which were valid and outstanding.

Details of the share options granted under the 2012 Share Option Scheme that remain outstanding as at 31 December 2020 are as follows:

			Number of share options				
Grant Date	**Exercise Price** *HK$*	**Grantees**	**As at 1/1/2020**	**Granted**	**Forfeited/ Lapsed**	**As at 31/12/2020**	**Exercisable period**
29/3/2019 *(note 1)*	0.82	Employees	72,000,000		–	72,000,000	29/3/2019 – 28/3/2029
22/1/2020 *(note 2)*	0.865	Wong Wan Men Margaret	–	20,000,000	–	20,000,000	22/1/2020 – 21/1/2030
22/1/2020 *(note 2)*	0.865	Other participants	–	100,000,000	–	100,000,000	22/1/2020 – 21/1/2030
9/6/2020 *(note 3)*	0.840	Alejandro Yemenidjian	–	60,000,000	–	60,000,000	9/6/2020 – 8/6/2030
		Total	72,000,000	180,000,000	–	252,000,000	

REPORT OF THE DIRECTORS

Notes:

1. The closing market price per share of the Company as at the date preceding the date on which the share options were granted and stated in the Stock Exchange's daily quotation sheet on 28 March 2019 was HK$0.80.

2. The closing market price per share of the Company as at the date preceding the date on which the share options were granted and stated in the Stock Exchange's daily quotation sheet on 21 January 2020 was HK$0.86.

3. The closing market price per share of the Company as at the date preceding the date on which the share options were granted and stated in the Stock Exchange's daily quotation sheet on 8 June 2020 was HK$0.83.

Additional information in relation to the Company's Share Option Schemes are set out in note 30 to the consolidated financial statements.

SHARE AWARD SCHEME

The share award scheme was adopted by the shareholders at the special general meeting of the Company held on 19 December 2019 ("**2019 Share Award Scheme**").

The Board shall not make any further grant of awarded shares which will result in the total number of shares awarded by the Board under the 2019 Share Award Scheme exceeding 10% of the issued share capital of the Company as at the adoption date of 2019 Share Award Scheme (i.e. 19 December 2019).

Subject to the 2019 Share Award Scheme limit, the maximum number of awarded shares which may be awarded by the Board in any financial year shall not be more than 3% of the issued share capital of the Company ("**Annual Limit**") provided that if the Annual Limit is not fully utilised in any financial year, further awarded shares may be awarded by the Board in subsequent financial year(s) up to such Annual Limit. The Annual Limit may be refreshed by Shareholders who are permitted under the Rules Governing the Listing of Securities (the "**Listing Rules**") to vote at a general meeting of the Company so that the Annual Limit refreshed shall not exceed 3% of the issued share capital of the Company as at the date of the general meeting approving such refreshment. The maximum aggregate number of the shares which may be awarded to a selected grantee under the 2019 Share Award Scheme shall not exceed 1% of the issued share capital of the Company from time to time.

The objectives of the 2019 Share Award Scheme are: (i) to recognise the contributions by certain eligible participants and to provide them with incentives in order to retain them for the continual operation and development of the Group's existing and other new potential business including integrated resort development; and (ii) to attract suitable personnel with relevant experience in the Group's existing and other new potential business including integrated resort development.

On 22 January 2020, the Board resolved to award an aggregate of 95,000,000 awarded shares to the same 10 persons under the 2019 Share Award Scheme, of which, (i) 85,000,000 awarded shares were awarded to 9 independent grantees by way of issue and allotment of new shares pursuant to the specific mandate; and (ii) 10,000,000 connected awarded shares were proposed to Ms. Wong by way of issue and allotment of new shares pursuant to the specific mandate. All the awarded shares shall be vested on the fourth anniversary of the date of grant (i.e. 22 January 2024), subject to the grantees remaining as eligible persons on 22 January 2024 and all of the other conditions being satisfied. The share price of the Company at the date of grant was HK$0.85 per share.

REPORT OF THE DIRECTORS

The movements of share awards under the 2019 Share Award Scheme during the period are as follows:

		Number of awarded shares				
Grant Date	**Grantees**	**As at 1/1/2020**	**Granted**	**Forfeited**	**Unvested as at 30/6/2020**	**Vesting Date**
22/1/2020	Wong Wan Men Margaret	–	10,000,000	–	10,000,000	To be vested on 22/1/2024
22/1/2020	Other participants	–	85,000,000	–	85,000,000	To be vested on 22/1/2024
	Total	–	95,000,000	–	95,000,000	

DIRECTORS' INTERESTS OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2020, the Directors and chief executives of the Company and their associates had the following interests in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

(A) Long Positions in Shares, Underlying Shares and Debentures of the Company

Name of directors	**Nature of interest**	**Number of underlying shares held**	**Approximate% of shareholding**
Wong Wan Men Margaret	Personal*	30,000,000 [(1)]	0.49
Alejandro Yemenidjian	Personal*	60,000,000 [(2)]	0.98

Notes:

(1) Out of 30,000,000 shares, 10,000,000 shares represented the interest in Award Shares granted by the Company and remained unvested, and the balance of 20,000,000 shares represented the interests in share options granted by the Company as beneficial owner. Details of the Awarded Shares and share options granted to this director are set out in "Share Award Scheme" and "Share Option Scheme" sections stated below.

(2) 60,000,000 shares represented the interests in share options granted by the Company as beneficial owner. The details of the share options granted to this director are set out in "Share Option Scheme" section.

* Interests of beneficial owner

(B) Short Positions in Shares, Underlying Shares and Debentures of the Company

As at 31 December 2020, none of the Directors and chief executives of the Company or their associates had any short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (as defined under Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

REPORT OF THE DIRECTORS

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATION

At no time during the year ended 31 December 2020 were rights to acquire benefits by means of the acquisition of shares in or warrants or debentures of the Company granted to any Director or chief executives of the Company or their respective spouse or minor children, or were any such rights exercised by them, or was the Company or any of its subsidiaries or holding company or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' SERVICE CONTRACT

There is no unexpired directors' service contract which is not terminable by the Company within one year of any Director proposed for re-election at the forthcoming annual general meeting.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed, no transactions, or arrangements or contracts of significance to which the Company, its subsidiaries or holding company or fellow subsidiaries was a party and in which a Director of the Company or his connected entities had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

EQUITY-LINKED AGREEMENTS

Save as disclosed in this Annual Report relating to "Share Option Schemes of the Company" and "Share Award Scheme of the Company", no equity-linked agreements were entered into during the year or subsisted at the end of the year.

PERMITTED INDEMNITY PROVISION

The Bye-Laws of the Company provides that for the time being acting in relation to any of the affairs of the Company, every director shall be indemnified and secured harmless out of the assets and profits of the Company from and against all losses, damages and expenses which he shall or may incur or sustain by or by reason of any act done about the execution of duties of his office or otherwise in relation thereto.

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

CONNECTED TRANSACTIONS

Save as disclosed in "MATERIAL TRANSACTIONS" as set out in the section headed "MANAGEMENT DISCUSSION AND ANALYSIS" of this Annual Report regarding grant of awarded shares to Ms. Wong, during the Year, there were no transactions which need to be disclosed as connected transaction pursuant to Chapter 14A of the Listing Rules.

RELATED PARTY TRANSACTIONS

Details of the related party transactions are set out in note 32 to the consolidated financial statements. Those related party transactions did not constitute connected transactions under the Listing Rules.

REPORT OF THE DIRECTORS

MANAGEMENT CONTRACT

No contract concerning the management and administration of the whole or any substantial part of any business of the Company were entered into during the year or subsisted at the end of the year.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

The register of the interests and short positions maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of the Directors, the following shareholders had notified the Company of relevant interests and short positions in the issued shares of the Company as at 31 December 2020:

Name of substantial shareholder	Capacity	Number of Issued ordinary shares held	Approximate percentage of the issued share capital of the Company
Oshidori Kyushu Children's Trust	Beneficial owner *(Note 1)*	1,151,976,600	18.84%
VMS Investment Group Limited	Beneficial owner *(Note 2)*	575,003,000	9.41%

Note 1: Peak Trust Company – NV is the trustee of Oshidori Kyushu Children's Trust, which was set up for the benefits of the Kyushu Oshidori Children's Foundation.

Note 2: Ms. Mak Siu Hang, Viola holds 100% of the equity interest in VMS Investment Group Limited ("**VMS**"). Therefore, Ms. Mak Siu Hang, Viola is deemed to be interested in the Shares of the Company which are owned by VMS.

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

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers of the Group in aggregate accounted for about 39% of the Group's revenue from continuing operations, excluding revenue from securities trading and investments. Sales to the largest customer accounted for 12% of the Group's revenue from continuing operations, excluding revenue from securities trading and investments.

As the Group had no significant purchases from continuing operations during the year, the information on major suppliers is not present.

At no time during the year, did a Director, a close associate of a Director or a shareholder of the Company (which to the knowledge of the Directors own more than 5% of the Company's shares) have an interest in the largest customer or any of the five largest suppliers of the Group for the year ended 31 December 2020.

DONATIONS

During the year, the Group made charitable and other donations amounting to HK$1.6 million.

REPORT OF THE DIRECTORS

EMOLUMENT POLICY

The emolument policy regarding the employees of the Group is set up by the Remuneration Committee and is based on their merit, qualifications and competence.

The emoluments of the Directors of the Company are reviewed by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics. The Remuneration Committee will make recommendation to the Board on the emoluments of the Directors.

The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of the scheme are set out in note 30 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws although there is no restriction against such rights under the laws in Bermuda.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this Annual Report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

CORPORATE GOVERNANCE

The Company adopted all the code provisions in the Corporate Governance Code (the "**Code**") contained in Appendix 14 to the Listing Rules as its own code on corporate governance practices.

During the year, the Company has complied with the code provisions as set out in the Code. Further information on the Company's corporate governance practices is set out in the Corporate Governance Report on pages 33 to 44 of this Annual Report.

REPORT OF THE DIRECTORS

AUDIT COMMITTEE

The Company has an audit committee ("**Audit Committee**") which was established in accordance with the requirements of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises three Independent Non-executive Directors. The Audit Committee meets regularly with the Company's senior management and the Company's auditor to consider the Company's financial reporting process, the effectiveness of internal controls, the audit process and risk management.

The annual results of the Group for the Year had been audited by the Company's auditor, Mazars CPA Limited, and had been reviewed by the Audit Committee.

Details of the Company's Audit Committee are set out in Corporate Governance Report on pages 33 to 44 of this Annual Report.

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

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries during the year ended 31 December 2020.

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2020 have been audited by Mazars CPA Limited. A resolution will be submitted to the forthcoming annual general meeting to re-appoint Mazars CPA Limited.

On behalf of the Board
Oshidori International Holdings Limited

Alejandro Yemenidjian
Non-Executive Chairman
Hong Kong, 30 March 2021

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

Oshidori International Holdings Limited is dedicated to maintaining good and credible corporate governance practices with a view to being transparent, open and accountable to our shareholders, as well as to the stakeholders of the Company.

STATEMENT OF COMPLIANCE

During the year, all the code provisions set out in the Code on Corporate Governance Practices ("**Code**") contained in Appendix 14 of the Listing Rules were complied by the Company.

BOARD OF DIRECTORS

Composition

As at the date of this Annual Report, the Board comprises 8 members (each member of the Board, a "**Director**"), including two Executive Directors, namely Ms. Wong Wan Men Margaret and Mr. Wong Yat Fai, three Non-executive Directors namely, Mr. Alejandro Yemenidjian, Hon. Joseph Edward Schmitz and Mr. Sam Nickolas David Hing Cheong and three Independent Non-executive Directors, namely Mr. Cheung Wing Ping, Mr. Hung Cho Sing and Mr. Chan Hak Kan representing at least one-third of the Board. One of the Independent Non-executive Directors has appropriate professional accounting experience and related financial management expertise. There is no financial, business, family or other material relationship between any members of the Board.

All Directors have distinguished themselves in their field of expertise, and have exhibited high standards of personal and professional ethics and integrity. The biographical details of each Director are disclosed in pages 18 to 20 of this Annual Report.

Each Independent Non-executive Director has confirmed that he is independent of the Company pursuant to Rule 3.13 of the Listing Rules and the Company also considers that they are independent.

Pursuant to the Bye-laws, the Directors retire on a rotational basis at least once every three years at the annual general meeting of the Company and are eligible for re-election. In addition, any Director appointed by the Board during a year, whether to fill a casual vacancy or as additional member to the Board, shall hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the Board) and shall then be eligible for re-election at that meeting.

The term of office of each Non-executive Director or Independent Non-executive Director is for a period of 1 year, from 1 January 2020 to 31 December 2020, subject to retirement by rotation and re-election in accordance with the Bye-laws.

In accordance with Bye-laws 83(2), 84(1) and 84(2) of the Bye-laws of the Company, Mr. Alejandro Yemenidjian, Mr. Wong Yat Fai, Mr. Chan Hak Kan and Mr. Hung Cho Sing will retire by rotation at the forthcoming annual general meeting. All the retiring directors, being eligible, will offer themselves for re-election thereat.

Changes in information in respect of Directors

In accordance with Rule 13.51B(1) of the Listing Rules, the changes in information required to be disclosed by directors pursuant to paragraph (a) to (e) and (g) of Rule 13.51(2) since 28 August 2020 (being the date of approval of the Company's 2020 Interim Report) are set out below:

Mr. Sam Nickolas David Hing Cheong has been appointed as an executive director and the vice chairman of PYI Corporation Limited (Stock code: 498), the securities of which are listed on the main board of the Stock Exchange, from 1 April 2021.

CORPORATE GOVERNANCE REPORT

Responsibilities of the Board and Management

The Board, headed by the Chairman, is responsible for providing high-level guidance and effective oversight of the management of the Company, and formulation and approval of the Group's development, business strategies, policies, annual budgets and business plans, recommendation of any dividend, and supervision of management in accordance with the regulations governing the meetings of the Board and the Bye-laws.

Executive Directors are responsible for day-to-day management of the Company's operations. They conduct meetings with the management of the Group, at which operational issues and financial performance are evaluated.

The Company considers the essential of internal control system and risk management function and the Board plays an important role in the implementation and monitoring of internal control and risk management.

Matters specifically decided by the Board and those reserved for the management, such as daily management administration and operation of the Company, etc., are reviewed by the Board. The management shall report back to the Board. The procedure to enable Directors to seek independent professional advice in appropriate circumstances, at the Company's expenses, was established.

The Bye-laws contain provisions regarding responsibilities and operational procedures of the Board. The Board meets regularly at least four times a year considers operational reports of the Company and policies and financial results of the Company. Significant operational policies have to be discussed and passed by the Board.

During the Year, the Board held 2 regular Board meetings (within the meaning of the Code) at approximately semi-annual intervals, 20 Board meetings which were convened as necessary. Due notice and the Board papers were given to all Directors prior to each regular meeting in accordance with the Code and the Bye-laws. An annual general meeting and a special general meeting were also held during the year. Details of individual attendance of Directors are set out below:

	Number of meetings attended/ eligible to attend for the Year		
	Regular Board meeting	**Other Board meeting**	**General meeting**
Executive Directors			
Wong Wan Men Margaret	2/2	20/20	2/2
Wong Yat Fai	2/2	19/20	2/2
Non-executive Directors			
Alejandro Yemenidjian *(appointed on 9 June 2020)*	1/1	4/4	N/A
Joseph Edward Schmitz *(appointed on 17 January 2020)*	1/1	9/19	2/2
Sam Nickolas David Hing Cheong *(Re-designated from Executive Director and Chairman to Non-executive Director on 5 June 2020)*	2/2	19/20	2/2
Independent Non-executive Directors			
Chan Hak Kan	2/2	16/20	2/2
Cheung Wing Ping	2/2	17/20	2/2
Hung Cho Sing	2/2	18/20	2/2

CORPORATE GOVERNANCE REPORT

Directors' Induction and Continuous Professional Development

On appointment to the Board, each newly appointed Director receives a comprehensive induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant regulatory requirements.

The Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, the Company has been encouraging the Directors and management to enrol in a wide range of professional development courses and seminars relating to the Listing Rules, companies ordinance/act and corporate governance practices organised by professional bodies, independent auditors and/or chambers in Hong Kong so that they can continuously update and further improve their relevant knowledge and skills.

From time to time, Directors are provided with written materials to develop and refresh their professional skills; the Company also organises and arranges seminars on the latest development of applicable laws, rules and regulations for the Directors to assist them in discharging their duties. During the Year, the Company organised for the Directors and management an in-house workshop on the Listing Rules, the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, Share Buy-Back Rules and the Code on Takeovers and Mergers.

According to the records maintained by the Company, the Directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the Code on continuous professional development during the Year:

	Corporate Governance/ Updates on laws, rules and regulations	
	Read materials	**Attend briefings/ in-house workshop**
Executive Directors		
Wong Wan Men Margaret	✓	✓
Wong Yat Fai	✓	✓
Non-executive Directors		
Alejandro Yemenidjian *(appointed on 9 June 2020)*	✓	✓
Joseph Edward Schmitz *(appointed on 17 January 2020)*	✓	✓
Sam Nickolas David Hing Cheong *(Re-designated from Executive Director and Chairman to Non-executive Director on 5 June 2020)*	✓	✓
Independent Non-executive Directors		
Chan Hak Kan	✓	✓
Cheung Wing Ping	✓	✓
Hung Cho Sing	✓	✓

CORPORATE GOVERNANCE REPORT

ROLES AND RESPONSIBILITIES OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the Year, the roles of the Chairman and Chief Executive Officer are performed by different individuals. Mr. Alejandro Yemenidjian, a Non-executive Director, is the Chairman. The role of the Chief Executive Officer has been performed collectively by all Executive Directors.

The Chairman provides leadership for the Board and oversees the Board so that it acts in the best interests of the Group. The Chairman is responsible for deciding the agenda of each Board meeting, taking into account matters proposed by other Directors. The Chairman has overall responsibility for providing leadership, vision and direction regarding business development. During the Year, the Chairman had met the Independent Non-executive Directors without the presence of Executive Directors.

Executive Directors are responsible for the day-to-day business management and operations of the Group for formulating and successfully implementing policies and for maintaining an effective executive support team. They are accountable to the Board for keeping the Chairman and all Directors fully informed of all major business developments and issues.

Responsibilities of Directors

In the course of discharging their duties, the Directors act in good faith, with due diligence and care, and in the best interests of the Group. Their responsibilities include:

- attending regular board meetings and focusing on business strategy, operational issues and financial performance;

- active participation on the respective boards of directors of the subsidiaries and associated companies of the Company;

- approval of annual budgets for each operating company covering strategy, financial and business performance, key risks and opportunities;

- monitoring the quality, timeliness, relevance and reliability of internal and external reporting;

- monitoring and managing potential conflicts of interest of senior management, Board and shareholders of the Company;

- consideration of misuse of corporate assets and abuse in related party transaction; and

- ensuring processes are in place to maintain the overall integrity of the Company, including financial statements, relationships with suppliers, customers and other stakeholders, and compliance with all laws and ethics.

To enable the Directors to fulfill their obligations, an appropriate organizational structure is in place with clearly defined responsibilities and limits of authority.

CORPORATE GOVERNANCE REPORT

Corporate Governance Functions

The Board is responsible for performing the following corporate governance duties as required under the Code:

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

– to review and monitor the training and continuous professional development of Directors and senior management;

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

– to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors; and

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

During the Year, the Board considered the following corporate governance matters:

– review of the policies and practices adopted by the Company, trainings for directors and senior management, and code of conduct and compliance manual, etc;

– review of the compliance with the Code and the disclosure of this report;

– review of the effectiveness of the internal controls and risk management systems of the Company through the Audit Committee; and

Board Committees

A number of committees, including the Audit Committee, Nomination Committee and Remuneration Committee, have been set up by the Company, with specific terms of reference relating to authority and duties, to strengthen the Board's functions and enhance its expertise.

Remuneration Committee

As at the date of this Annual Report, the Remuneration Committee comprises one Executive Director, Ms. Wong Wan Men Margaret, and three Independent Non-executive Directors, Mr. Cheung Wing Ping, Mr. Hung Cho Sing and Mr. Chan Hak Kan and is chaired by Mr. Cheung Wing Ping.

The terms of reference of the Remuneration Committee comply with the Code which are posted on the website of the Company at www.oshidoriinternational.com.

The Remuneration Committee's responsibilities mainly include the reviewing, considering and making recommendation to the Board on (i) the Company's remuneration policy for Directors and senior management, (ii) remuneration packages for individual Executive Directors and senior management including benefits in kind, pension rights and compensation payments, and (iii) remuneration of Non-executive Directors etc.

CORPORATE GOVERNANCE REPORT

During the Year, the Remuneration Committee:

– reviewed the remuneration policy for 2020/2021;

– reviewed the remuneration of executive directors, non-executive directors and management year-end bonus; and

– made recommendation to the Board on the above matters.

The Remuneration Committee held 2 meetings during 2020 with individual attendance as follows:

Members of Remuneration Committee	**No. of meeting(s) attended**
Cheung Wing Ping *(Chairman)*	2
Chan Hak Kan	2
Hung Cho Sing	2
Wong Wan Men Margaret *(appointed on 5 June 2020)*	1
Sam Nickolas David Hing Cheong *(ceased to be member of remuneration committee on 5 June 2020)*	1

The remuneration of the members of the senior management by band for the Year is set out below:

Remuneration bands (HK$)	**Number of person(s)**
1,000,001 to 2,000,000	2
2,000,001 to 2,500,000	1

Further 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 note 12 to the consolidated financial statements.

Audit Committee

As at the date of this Annual Report, the Audit Committee comprises three Independent Non-executive Directors, namely Mr. Cheung Wing Ping, Mr. Hung Cho Sing and Mr. Chan Hak Kan and is chaired by Mr. Cheung Wing Ping.

The Audit Committee reports directly to the Board and reviews matters within the scope of audit, such as financial statements and internal control, to protect the interests of the Company's shareholders.

The Audit Committee meets regularly with the Company's external auditor twice a year to discuss audit process and accounting issues, and reviews effectiveness of internal control and risk evaluation. Written terms of reference, which describe the authority and duties of the Audit Committee are regularly reviewed and updated by the Board.

CORPORATE GOVERNANCE REPORT

During 2020, the Audit Committee:

– reviewed financial statements for the Previous Year and for the six months ended 30 June 2020;

– reviewed the effectiveness of the internal control system and risk management;

– reviewed the external auditor's audit findings;

– reviewed and approved remuneration of auditor for 2019 and recommended the reappointment of auditor; and

– reviewed the implementation of policy for employees of the Group to raise concerns about possible improprieties in financial reporting, internal control or other matters and the whistleblowing policy.

As at 31 December 2020, the arrangement for employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters was in place. No reporting has been received by Audit Committee during the Year.

The Audit Committee held 2 meetings during the Year. Details of individual attendance of its members are as follows:

Members of Audit Committee	**No. of meeting(s) attended**
Cheung Wing Ping *(Chairman)*	2
Chan Hak Kan	2
Hung Cho Sing	2

Nomination Committee

As at the date of this Annual Report, a Nomination Committee comprises one Executive Director, Ms. Wong Wan Men, Margaret and three Independent Non-executive Directors, namely Mr. Cheung Wing Ping, Mr. Hung Cho Sing and Mr. Chan Hak Kan and is chaired by Mr. Cheung Wing Ping.

The terms of reference of the Nomination Committee have complied with the Code which are posted on the website of the Company at www.oshidoriinternational.com.

The Nomination Committee's responsibilities mainly include the reviewing and recommending the structure, size and composition of the Board and recommending any change thereon; assessing the independence of Independent Non-executive Directors and recommending the re-election of Directors, etc.

During the Year, the Nomination Committee:

– reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board;

– reviewed the board diversity policy;

– assessed the independence of Independent Non-executive Directors; and

– reviewed and made recommendations to the Board on re-election of retiring Directors at the 2020 annual general meeting.

CORPORATE GOVERNANCE REPORT

The Nomination Committee held 2 meetings during the Year with individual attendance as follows:

Members of Nomination Committee	**No. of meeting(s) attended**
Cheung Wing Ping *(Chairman)*	2
Chan Hak Kan	2
Hung Cho Sing	2
Wong Wan Men Margaret *(appointed on 5 June 2020)*	1
Sam Nickolas David Hing Cheong *(ceased to be member of nomination committee on 5 June 2020)*	1

The Nomination Committee assessed the candidates on criteria such as integrity, independent mindedness, experience, skill and ability to commit time and effort to carry out their duties and responsibilities effectively as well as the independent factors set out in the Listing Rules, etc., and made recommendation to the Board for approval.

BOARD DIVERSITY POLICY

The Company formulated the board diversity policy in August 2013 aiming at setting out the approach on diversity of the Board of the Company.

The Board recognizes the importance of having a diverse Board in enhancing the board effectiveness and corporate governance. A diverse Board will include and make good use of differences in the skills, industry knowledge and experience, education, background and other qualities, etc of Directors and does not discriminate on the ground of race, age, gender or religious belief. These differences will be taken into account in determining the optimum composition of the Board and when possible should be balanced appropriately.

The Nomination Committee has responsibility for identifying and nominating for approval by the Board, candidates for appointment to the Board. It takes responsibility in assessing the appropriate mix of experience, expertise, skills and diversity required on the Board and assessing the extent to which the required skills are represented on the Board and reviewing effectiveness of the Board.

The Nomination Committee is also responsible for reviewing and reporting to the Board in relation to Board diversity.

Board appointments will be based on merit and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates to join the Board will be, in part, dependent on the pool of candidates with the necessary knowledge, experience, skills, educational background and other qualities. The final decision will be based on merit and contribution the chosen candidate will bring to the Board.

The Board considers that Board diversity, including gender diversity, is a vital asset to the business.

At present, the Nomination Committee has not set any measurable objectives to implement the Board diversity policy. However, it will consider and review the Board diversity policy and setting of any measurable objectives from time to time.

CORPORATE GOVERNANCE REPORT

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

The Company has also established written guidelines regarding securities transaction on no less exacting than the terms of the Model Code for senior management and specific individual who may have access to inside information in relation to the securities of the Company.

EXTERNAL AUDITOR

Mazars CPA Limited ("**Mazars**") provided professional services in respect of the audit of the Company's consolidated financial statements prepared under HKFRSs for the Year.

Fee charged by Mazars in respect of audit service for the Year amounted to HK$2,333,000. Non-audit services fees charged by Mazars were as follows:

Description of service performed	**Fee**
	HK$'000
Professional services in connection with the environmental, social and governance review	58
Professional services in connection with the interim review	300
Professional services in connection with the internal control review	212
Professional services in connection with handling tax enquiry	27
Professional services in connection with the tax compliance	169

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is committed to establish good corporate governance that ensures legal and regulatory compliance of the Company. The Board acknowledges that it has the overall responsibility for establishing and maintaining sound and effective risk management and internal control systems, and evaluating and determining the nature and extent of the risks that the Company shall take in achieving its strategic objectives.

For the Year, the Company has engaged an external independent professional consultant to carry out the internal audit function. The consultant has conducted an annual review of and made recommendations to improve the effectiveness of the Group's risk management and internal control systems. During the Year, the Board, through its review and the review made by the consultant, was of the view that the risk management and internal control systems of the Group were effective and adequate.

GOING CONCERN

The Directors, having made appropriate enquiries, consider that the Company has adequate resources to continue its operational existence for a foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the financial statements.

CORPORATE GOVERNANCE REPORT

SHAREHOLDER RIGHTS AND INVESTOR RELATIONS

(a) Procedures for requisitioning a special general meeting

Shareholder(s) 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 carrying the right to vote at general meetings of the Company may, by written requisition to the Board or the company secretary of the Company signed and deposited in accordance with the Bye-laws and Bermuda Companies Act 1981, require the Directors to call a special general meeting for the transaction of business specified in the requisition.

(b) Procedures for putting forward proposals at general meetings

Shareholder(s) holding not less than one-twentieth of the paid-up capital of the Company carrying the right to vote at general meetings of the Company or not less than 100 Shareholders may, at their expense, provide a written request to the attention of the company secretary of the Company signed and deposited in accordance with the Bermuda Companies Act 1981.

CORPORATE GOVERNANCE REPORT

(c) Communication with shareholders and investors

Shareholders are provided with detailed information about the Company in the announcement, annual/interim report and/or circular so that they can exercise their rights in an informed manner.

The Company uses a range of communication tools, such as the annual general meeting, the annual report, various notices, announcements and circulars, to ensure the Shareholders are kept well informed of key business imperatives. Procedures for conducting a poll are explained by the chairman of the meeting at the general meetings of the Company held during the Year.

General meetings of the Company provide a direct forum of communication between Shareholders and the Board. Shareholders are welcome to put forward enquiries to the Board or the management thereat and the Chairman of the Board, or in his absence, an Executive Director of the Company, as well as chairmen of the Nomination Committee, Remuneration Committee and Audit Committee, or in their absence, other members of the respective committees, and where applicable, the Independent Board Committee, will commonly be present and available to answer questions and Shareholders may also contact the Company Secretary of the Company to direct their written enquiries.

The Company is committed to enhancing communications and relationships with its investors. Designated management maintains an open dialogue with institutional investors and analysts to keep them abreast of the Company's developments.

At the 2020 Annual General Meeting, a resolution was proposed by the chairman of the meeting in respect of each separate issue itemised in the notice, including re-election of retiring Directors. The Chairman of the Board and certain members of all committees or their duly appointed delegates and representatives of Mazars attended the 2020 Annual General Meeting and answered questions from the Shareholders.

The Company also maintains a website at www.oshidoriinternational.com, where updates on the Company's business developments and operations, financial information and news can always be found.

Shareholders may at any time send their enquiries and concerns to the Board in writing through the company secretary of the Company whose contact details are as follows:

Address: 25th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong
Fax: (852) 2704 2181
Email: info@oshidoriinternational.com

In addition, procedure for Shareholders to propose a person for election as a Director of the Company is available on the Company's website at www.oshidoriinternational.com. The above procedures are subject to the Bye-laws and applicable laws and regulations.

CORPORATE GOVERNANCE REPORT

DIVIDEND POLICY

The Company intends to strike a balance between maintaining sufficient capital to develop and operate the business of the Group and rewarding the Shareholders. A dividend policy of the Company (the "**Dividend Policy**") had been adopted in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, among other things, the following factors:

- the Company's operating results;
- the liquidity position, the level of liquid ratio, return on equity and the relevant financial covenants;
- the expected financial performance;
- the cash flow forecast based on expected working capital requirements, expected capital expenditure requirements and any future expansion plans;
- any restrictions on payment of dividend with reference to any applicable laws, rules and regulations and the Bye-laws; and
- any other factors that the Board may deem appropriate and relevant.

Any declaration and payment of dividend under the Dividend Policy are subject to Board's determination that the same would be in best interest of the Company and the Shareholders as a whole.

The Dividend Policy shall in no way constitute a legally binding commitment by the Company that dividends will be paid in any particulars amount and/or in no way obligate the Company to declare a dividend at any time or from time to time. The Board will review the Dividend Policy from time to time and may exercise at its sole discretion to amend and/or modify the Dividend Policy at any time as appropriate.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES IN PREPARING AND REPORTING THE FINANCIAL STATEMENTS

The Directors acknowledge that it is their responsibility to prepare the financial statements which give a true and fair view of the state of affairs of the Group and of the loss and cash flows of the Group for the Year. The statement of the auditor regarding reporting responsibility for the financial statements is set out in the Independent Auditor's Report on pages 60 to 65.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

Overview

This Environmental, Social and Governance (ESG) Report (the "**Report**") of Oshidori International Holdings Limited and its subsidiaries ("**the Group**") for the year ended 31 December 2020 covers environmental and social subject areas in accordance with the requirements of Environmental, Social and Governance Reporting Guide stated in Appendix 27 of Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Corporate governance is addressed separately in the Corporate Governance Report.

Scope of the Report

The Report endeavours to present a balanced representation of the Group's environmental and social performance and covers the entire operations of all subsidiaries in the Group.

The content of the Report is defined through a process to determine ESG management approach, strategy, priorities and objectives relating to the Group's operations, to describe our management, measurement and monitoring system employed to implement ESG strategy, and to disclose our key policies, compliance with relevant laws and regulations, our performance, and key performance indicators ("**KPIs**").

Approved by the board of directors

The board has overall responsibility for the Group's ESG strategy and reporting. The board is responsible for evaluating and determining the Group's ESG-related risks, and ensuring that appropriate and effective ESG risk management and internal control systems are in place. The Report was approved by the board on 30 March 2021.

ENVIRONMENTAL AND SOCIAL SUBJECT AREAS OF THE GROUP

About the Group

The Group principally engages in investment holdings, tactical and/or strategical investments, and provisions of financial services including the Securities and Futures Commission regulated activities namely Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance), Type 9 (asset management); and the provision of credit and lending services regulated under the Money Lenders Ordinance. The Group is still pursuing the development of an integrated resort in Nagasaki, Japan and is collaborating with Mohegan Gaming & Entertainment, a master developer and operator of premier global integrated entertainment resorts, on a unique proposal to win the bid from the Government of Japan. Particulars of the Group's principal entities are set out in note 38 to the consolidated financial statements for the year ended 31 December 2020.

Strategies

Environmental and social responsibilities are viewed as the Group's core commitment to environment, internal workplace, and external community, and an integral part of the Group's practice to create value for stakeholders. Our strategy is to fulfil the Group's environmental and social responsibilities through achieving environmental and social objectives during daily operations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Objectives

We integrate environmental and social considerations into the Group's business objectives to achieve:

Environmental objectives:

- Add environmentally friendly elements to our daily service and operation activities;
- Reduce greenhouse gas emissions;
- Use energy and resources efficiently; and
- Continuously improve waste management

Social objectives:

- Respect employees' rights and promote an equal opportunity workplace;
- Commit to occupational safety and health, and provide a safe and healthy workplace;
- Commit to ethical business practices, and build integrity within the workplace; and
- Promote community participation

Approach

Monitored by the board of directors, the Group is executing its environmental and social strategy and achieving its related objectives through a series of actions and commitments:

- Embed environmental and social objectives into business processes including decision making process;
- Establish and document environmental and social policies for management and staff members to follow;
- Comply with environmental and social laws and regulations;
- Report our performance on a balanced picture;
- Disclose KPIs as measurement of actual results;
- Ensure appropriate and effective ESG risk management and internal control systems are in place; and
- Practise corporate citizenship in things we do

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental and social management system comprises:

- The direction from the board to fulfil the ESG responsibilities;
- Daily execution of environmental and social strategy and achieving its objectives by senior management;
- Performance and achievements done by employees in accordance with the Group's environmental and social policies;
- Compliance with environmental and social laws and regulations;
- Review and monitoring of ESG risks management and internal control systems by the board; and
- Reporting and disclosure of our performance and KPIs

Measures for the achievement of environmental and social objectives are:

- Environmental policies;
- Social policies;
- Checklists for the compliance with applicable environmental and social laws and regulations;
- Requiring documentation for the performance and accomplishment of environmental and social related activities or matters; and
- Data collection, calculation, and disclosure of KPIs

The implementation of environmental and social strategies, management of environmental activities, and measurement of achieving environmental and social objectives are monitored by dedicated managerial staff members and finally by the board for its overall ESG responsibility.

Stakeholder Engagement and Materiality

Stakeholder engagement is a key success factor in formulating our environmental and social strategy, defining our objectives, assessing materiality, and establishing policies. Our key stakeholders include customers, suppliers or service providers, employees, management, and shareholders. We have communicated with stakeholders to understand their views and respond to their needs and expectations, evaluated and prioritised their inputs to improve our performance, and finally strived to provide value to our stakeholders, community and the public as a whole.

Based on the stakeholder engagement, we have identified issues with significant environmental and social impact and issues concerning stakeholders. The results of materiality assessment prioritised stakeholder inputs and made us focused on the material aspects for actions, achievements and reporting. We present below the relevant and required disclosure.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

GENERAL DISCLOSURE AND KPIs

A. Environmental

The Group recognises the value of a practice to protect the natural environment for the benefit of humans. We are committed to doing everything we can to reduce the degrading of the biophysical environment.

Aspect A1: Emissions

Emissions refer to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

Emissions disclosed as KPIs are calculated based on the consumption data collected and applicable emission factors.

- **Air and Greenhouse Gas Emissions**

  Air emissions include NOx, SOx, and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.

  – ***Air and Greenhouse Gas Emissions from Production***

  In view of the Group's business nature, there were no air and greenhouse gas emissions from production.

  – ***Air and Greenhouse Gas Emissions from Vehicles and Yachts***

  The Group believes that green transportation brings benefits, which include reduction of transportation costs and reduction of energy consumption and pollution. As such, the Group encourages optimising transportation routes, high filling rate or carpooling and proper tire pressure to achieve efficiency.

  The Group reminds employees to consider environmental impact in their commuting decisions to reduce air and greenhouse emissions. Employees are encouraged to take public transportation as often as possible and avoid excessive idling of automobile.

  KPI A1.1 Emissions from vehicles

	2020	**2019**
	(g)	(g)
Types of emissions		
NO_x	1,354	1,235
SO_x	59	47
Particulate Matter ("**PM**")	100	91

  *KPI A1.2 Greenhouse gas ("**GHG**") emissions in total*

  GHG emissions in total are 274 tonnes for the year ended 31 December 2020 (2019: 282 tonnes), which includes scope 1, scope 2, and scope 3 emissions as disclosed below. GHG intensity is 7.4 tonnes/per employee (2019: 7.23 tonnes/per employee).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

KPI A1.2 Scope 1 – Direct emissions from operations that are owned or controlled by the Group

Main categories of Scope 1 emissions: GHG emissions from mobile combustion sources

	2020 (kg)	2019 (kg)
Types of emissions		
Carbon Dioxide ("CO_2")	183,967	182,159
Methane ("CH_4")	223	220
Nitrous Oxide ("N_2O")	23,768	23,505
Total GHG emissions	207,958	205,884

– ***Indirect Greenhouse Gas Emissions from Electricity Consumption***

Electricity consumption of the Group is a major part of its greenhouse gas emissions. Various electricity-saving policies have been established to reduce the electricity consumption by the Group. Air conditioning is required to be set no lower than 25°C. It is also required to ensure the windows and doors are closed while air-conditioning is on, and turn off the air-conditioning after office hours or after the usage of a meeting room. The Group has also installed energy-efficient lighting.

KPI A1.2 Scope 2 – Energy indirect emissions resulting from the generation of purchased or acquired electricity, heating, cooling and steam consumed within the Group

Main sources of Scope 2 emissions: Electricity purchased from power companies

	2020 (kg)	2019 (kg)
Types of emissions		
CO_2 equivalent emission	61,770	59,304
Total GHG emissions	61,770	59,304

– ***Indirect Greenhouse Gas Emissions from Paper Waste Disposed at Landfills***

In order to address indirect emissions relating to paper waste disposed at landfills, the Group encourages employees to apply computer technology such as emails and storage devices to reduce paper consumption, print on both sides of a sheet of paper, avoid unnecessary printing or copying on paper, and adjust documents and use space efficiency formats to optimise use of paper, and put recycling boxes near the photocopiers to collect single-sided paper for reuse and used double-sided paper for recycling.

To reduce paper usage, we have incorporated the principles of the "3Rs" (Reduce, Reuse, and (Recycle) into our business activities. We target to establish a paperless office by using electronic administrative platforms and communication channels to our staff as well as customers whenever possible.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

– ***Indirect Greenhouse Gas Emissions from Business Travel by Employees***

The Group constantly reminds employees to consider environmental impact in their commuting decisions to reduce air and greenhouse gas emissions. Employees are encouraged to take public transportation as often as possible.

The Group recognises the severity of indirect greenhouse gas emissions from business travel by employees, and requires employees to utilise teleconference and zoom meetings instead of overseas meetings to reduce the carbon footprint of business travel.

KPI A1.2 Scope 3 – All other indirect emissions that occur outside the Group, including both upstream and downstream emissions

Activities from which indirect GHG emissions arise:

	2020 (kg)	**2019** (kg)
• Paper waste disposed at landfills		
Types of emissions		
CO_2 equivalent emission	3,180	2,940
• Business air travel by employees		
Types of emissions		
CO_2 equivalent emission	961	13,766
Total GHG emissions	4,141	16,706

- **Discharges into Water and Land**
The Group requires that discharges, if any, into waterways and land must comply with relevant laws and regulations.

- **Generation of Hazardous Waste and Non-hazardous Waste**
Our internal guidance encourages employees to handle office waste generated in a proper and environmentally friendly manner.

– ***Hazardous Waste***

Hazardous wastes are those defined by national regulations. There was no significant hazardous waste generated in view of the Group's business nature.

KPI A1.3 Total hazardous waste produced and intensity

There was no significant hazardous waste generated in view of the Group's business nature.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

– ***Non-hazardous Waste***

We promote waste reduction practices including waste reduction at source, reuse, clean recycling, recover and reduction of disposal at landfills. Employees are encouraged to purchase supplies or equipment with longer life-span, to install recycling bins to collect recyclables, such as waste paper, glass or aluminium bottles, metal, and plastics, and to have recyclers to collect recyclables.

KPI A1.4 Total non-hazardous waste produced and the intensity

	2020 (Tonnes)	**2019** (Tonnes)
Non-hazardous waste produced – Landfill	0.96	0.96
	(Tonnes/per employee)	(Tonnes/per employee)
Non-hazardous waste intensity	0.026	0.025

KPI A1.5 Description of measures to mitigate emissions and results achieved

In accordance with policies stated above for the reduction of air and greenhouse gas emissions from vehicles, the Group adopts the following measures: control the numbers of vehicles owned by the Group; control the frequency of employees not to take public transportation for local business commuting; and control the volume of business travel by employees. We consider such measures had been achieved for the year ended 31 December 2020.

KPI A1.6 Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved

Non-hazardous wastes are preferred to be recycled, otherwise, they are sent for landfill. In accordance with policies stated above for the reduction of non-hazardous wastes, the Group adopts the following measures: control the commercial wastes generated by employees; control the waste of papers; control the volume of non-hazardous waste going direct to landfill without recycling. We consider such measures had been achieved for the year ended 31 December 2020.

- **Compliance with Relevant Laws and Regulations that Have a Significant Impact on the Group**
  For the year ended 31 December 2020, there were no confirmed non-compliance incidents or grievances in relation to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspect A2: Use of Resources

The Group recognises that efficient use of resources, including energy, water and other raw materials, in production, storage, transportation, buildings, electronic equipment, etc., is one of the significant aspects to protect environment.

- **Efficient Use of Energy**

  The Group established policies and procedures to reduce energy consumption in the facility, to assess the energy efficiency, to increase the use of clean energy, if possible, to set applicable targets to monitor energy consumption, and to ensure power is turned off when electrical appliances are not in use.

  Electricity is the primary resource we consumed in our daily operations. In order to reduce such consumption, we have established a policy to monitor the use of energy, promote the procurement of energy efficient equipment (such as appliances with Grade 1 Energy Label), and require our colleagues to adopt green office practices.

  KPI A2.1 Direct and/or indirect energy consumption by type in total and intensity

	2020 (kWh in'000s)	**2019** (kWh in'000s)
Direct energy consumption by type		
Non-renewable fuel consumed	678	671
Electricity purchased for consumption	76	74
Total energy consumed	754	745
	(kWh in'000s/ per employee)	(kWh in'000s/ per employee)
Total energy consumption intensity	20	19

- **Water Consumption**

  The Group requires employees to reduce water consumption in the offices. For example, employees are encouraged to fully empty any containers before washing, to turn off water taps promptly, to check faucets and pipes for leaks, and to adopt water saving appliances.

  We operate in leased office premises for which both the water supply and discharge are solely controlled by the building management, therefore, the provision of water withdrawal and discharge data or sub-meter for individual occupants are not feasible.

  KPI A2.2 Water consumption in total and intensity

  As mentioned before, data for water usage is not available for the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

KPI A2.3 Description of energy use efficiency initiatives and results achieved

The Group's ability to use energy efficiently can be revealed by its intention and measures for the reductions in energy consumption. Energy consumption has a direct effect on the environmental footprint of the Group, its operational costs, and exposure to certain risks (e.g. fluctuations in energy supply and prices). The Group's policies and measures specific to managing energy use have been stated above. We consider such policies had been adopted and measures had been achieved for the year ended 31 December 2020.

KPI A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved

The Group's ability to use water efficiently can be revealed by its intention and measures for the reductions in water consumption. Water consumption has a direct effect on the environmental footprint of the Group, its operational costs, and exposure to certain risks (e.g. reliance on sources of water that may be considered sensitive due to their relative size or function; or status as a possibly rare, threatened, or endangered system; or to their possible support of a particular endangered species of plant or animal). The Group's policies and measures specific to water use have been stated above. We consider such policies had been adopted and measures had been achieved for the year ended 31 December 2020.

- **Efficient Use of Raw Material and Packaging Material**
  No significant raw material or packaging material waste was generated in view of the Group's business nature.

  KPI A2.5 Total packaging material used for finished products and, if applicable, with reference to per unit produced

  The disposal of products and packing materials at the end of a use phase is a steadily growing environmental challenge, tracking the use of packaging materials is to reduce, reuse and/or recycle the packaging materials. As mentioned above, no significant raw material or packaging material waste was generated in view of the Group's business nature.

Aspect A3: The Environment and Natural Resources
The Group is committed to reducing the operation impacts on environment and natural resources. Policies are established to consider the actual impacts on environment and natural resources and to reduce such impacts. We encourage environmental education and advocacy among employees to motivate environmentally responsible behaviour which helps fulfil the Group's commitment to minimising its adverse impacts on the environment.

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

We understand that our performance in respect of emissions, waste production and disposal, and use of resources impacts the environment, we endeavour to minimise such impacts, and communicate our environmental policies, measures, performance, and achievements to our stakeholders. No significant impacts on the environment and natural resources was caused in view of the Group's business nature. Policies and/or measures adopted in the year ended 31 December 2020 specific to managing potential impacts of activities on the environment and natural resources are mentioned above.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspect A4: Climate Change

Climate Change

The Group recognizes climate change as one of the greatest issues confronting humanity today. It is vital for us to understand our corporate role in addressing climate change threats, which could impact us both in terms of our business profitability and our long-term resilience. As such, we adopt a proactive and forward-thinking approach in the assessment of our vulnerability to climate risks, and integrate such considerations into our strategic business planning. The Group shares the responsibilities to reduce emissions and relieve the impact from climate change.

To cope with the intensified threat of climate change, the Group has assessed the potential risks that may arise from our business operations. These risks mainly stem from the following dimensions:

- **Physical risks:** Although the Group has minimal direct impact from the environment due to our primary business in financial services, it is essential for us to assess our vulnerability to extreme weather conditions faced by our city, no matter whether it is rainstorm, thunder, typhoon fire or flood. The Group has provided trainings and drills for employees to enhance their awareness and ability to cope with potential disaster when faced with extreme weather conditions. This ensures safety for our employees, and prevention for potential loss of assets.

- **Transition risks:** As policy changes are expected to be moving towards a low-carbon economy, new regulations are expected soon in many countries and jurisdictions. Climate-related issues such as risks in regulatory change may lead to the devaluation of the assets held by the Group. These potential stranded assets may be energy related, which could lead to unpredicted fluctuation in the Group's value. As such, the Group is more vigilant in considering investment choices to the Group's portfolio, and will take into more careful considerations for climate risks. Our climate change policy also contains guidance to climate risks identification, mitigation and adaptation to help build resilience to potential climate events.

- **Reputational risks:** Extreme weather events may disrupt operations or affect the value of our investments, and involvement in certain industries associated with climate change may pose reputational risk. Given the broad-based impacts of climate change, our strategy leverages on the depth of our expertise and insights to climate-related opportunities and to manage climate risk. In addition to managing risk across our client activities, we continue to adopt best practices to reduce our own carbon footprint and integrate resiliency into our business operations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. Social

The Group strives to fulfil its social responsibilities as a corporate citizen of communities. We endeavour to establish harmonious relationship with our employees, customers, suppliers, and the communities. We care about the well-being and development of employees, ensure high standard of service responsibility, enhance transparent relationship with external parties, including customers, and contribute to our community development.

Employment and Labour Practices

Aspect B1: Employment

The Group established employment policies, including compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

- **Compensation and Dismissal**

  The Group offers competitive remuneration to attract and retain talented staff members. Remuneration packages are reviewed periodically to ensure consistency with employment market. Laws and regulations on minimum wage and statutory social benefits are required to be followed. Dismissal is required to comply with employment laws and regulations, and to follow the internal policies and procedures, including policy on prevention of dismissal purely on employees' gender, marital status, disability, age or family status.

  A share option scheme was adopted in 2012, and a share award scheme was adopted in 2019 for a purpose of providing incentives to directors and eligible employees to attract, retain and motivate eligible employees whose present and potential contributions are important to the success of the Group by offering them an opportunity to participate in the Group's future performance through the grant of share options.

- **Recruitment and Promotion**

  The Group attracts talent through fair, flexible and transparent recruitment strategy. Recruitment process includes application for recruitment, description of position, collection of job applications, interview, selection, approval, and job offering. Year-end bonuses and promotion opportunities are also provided to staff according to their individual and the Group's performance.

- **Working Hours, Rest Periods, Benefits and Welfare**

  Employees' working hours, rest periods, benefits and welfare, including mandatory provident fund, are required to be in compliance with employment or labour laws and regulations. Medical insurance is offered to our employees with reference to prevailing market practices.

- **Equal Opportunities, Diversity and Anti-discrimination**

  The Group is an equal opportunity employer. We endeavour to provide a fair workplace for employees and follow the principles of equality and non-discrimination. Recruitment, remuneration, promotion, and benefits are handled based on objective assessment, equal opportunity and non-discrimination regardless of gender, race, or other measures of diversity.

  We respect every employee and embrace diversity of our workforce. We ensure equality during our recruitment, performance evaluation and promotion processes. Any kinds of discrimination, regardless of age, disability, sex, religion, race, pregnancy, and family status, are strictly prohibited in the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- **Compliance with Relevant Laws and Regulations that Have a Significant Impact on the Group**
  For the year ended 31 December 2020, there were no confirmed non-compliance incidents or grievances in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

Aspect B2: Health and Safety

The Group is committed to maintaining a healthy and safe workplace for employees, and to preventing workplace injuries and illnesses.

- **Providing a Safe Working Environment**
  The Group requires entities to establish and document policies and procedures on safety for employees to follow, set targets for the safety of employees, monitor the safety performance against the targets periodically, and report any safety incidents to management.

  We are committed to maintaining a safe and hygienic workplace by regularly monitoring the physical conditions of our office and branches including with regards to cleanliness, indoor air quality, pest controls, security, fire precautions etc.

  Since the outbreak of the COVID-19 pandemic, the Group has strengthened safety inspection, disinfection and cleaning of our office. Mandatory body temperature check before entering office is required. We also request staff to wear surgical masks at the workplace and maintain personal hygiene. For those who have respiratory symptoms shall be refrained from working and be asked to seek medical advice promptly. Staff is also requested to have COVID-19 test on a weekly basis.

- **Protecting Employees from Occupational Hazards**
  One of the key factors for successfully protecting employees from occupational hazards is to train employees to protect themselves from psychological and physical hazards. The Group encourages such training to be delivered to employees. In addition, the Group has a comprehensive insurance plan in place providing medical benefits for all staff and covering accidents occurring in our premises. Health and safety incidents are reported to management and are promptly dealt with.

- **Work-life Balance**
  The Group supports employees to enjoy leisure and sports activities outside of workplace. We provide a family-friendly working environment and work-life balance to our employees.

- **Compliance with Relevant Laws and Regulations that Have a Significant Impact on the Group**
  For the year ended 31 December 2020, there were no confirmed non-compliance incidents or grievances in relation to providing a safe working environment and protecting employees from occupational hazards.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspect B3: Development and Training

The Group is committed to providing adequate training to our employees to improve their knowledge and skills for discharging duties at work. Training includes vocational training courses provided internally or externally.

- **Employee Development**

  The Group requires employees to attend internal and external training courses including employee continuing education to improve employees' knowledge and skills for their job positions.

- **Training Activities**

  Training and development courses are offered throughout the Group to upgrade employee skills and knowledge. Our training programs are tailored to the needs of different job functions to strengthen the skills and abilities of our employees. Training topics vary from updates on rules and regulations, technical knowledge, management skills to customer services standards. Furthermore, on-job training including coaching by supervisors, job rotation and shadowing, are offered to our staff in order to maintain and enhance our work quality. We also encourage our staff to discuss their learning plans with their supervisors during their performance evaluation process and we provide financial subsidies for employees to attend external training courses, where appropriate. During the year, all directors received the training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the code on continuous professional development.

Aspect B4: Labour Standards

The Group is committed to avoiding child and forced labour in the workplace.

- **Preventing Child and Forced Labour**

  The Group prohibits child labour. It requires human resource department and user departments to work together to prevent or identify child labour, and to ensure child labour is not in the workforce.

  We are committed to protecting human rights, to prohibiting forced labours, and to creating a workplace with respect, fairness, and free will for our employees.

- **Compliance with Relevant Laws and Regulations that Have a Significant Impact on the Group**

  For the year ended 31 December 2020, there were no confirmed non-compliance incidents or grievances in relation to child and forced labour.

Operating Practices

Aspect B5: Supply Chain Management

Supply chain management is a key area of our business, which includes managing environmental and social risks of the supply chain. The Group requires suppliers to provide products and services for us with up-to-standard quality, health and safety to ensure compliance with environmental laws and regulations, and labour standards. The contracting for procurement of products and services is required to be based solely upon specification, quality, service, price, tendering, and applicable environmental and social considerations.

The Group requires impartial selection of suppliers and service providers, maximisation of competition in tendering process, approval of contract terms, compliance with laws and regulations, prevention and detection of bribery or fraud in the tendering and procurement process, and accomplishment of efficiency and cost saving in procurement.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group established supply chain management policies and procedures, including assessment, selection, approval, procurement, and monitoring. We also consider suppliers' ESG performance as well as related qualifications including ISO 14001 and OHSAS 18001. In addition, we regularly evaluate suppliers' performance and require suppliers to take remedial measures where this performance is sub-standard. We even terminate our business relationships if suppliers fail to meet our quality standards. Our suppliers are also required to strictly comply with all applicable laws and regulations.

Aspect B6: Product Responsibility

Product responsibility refers to health and safety, advertising, labelling and privacy matters relating to services provided.

- **Health and Safety**

  The Group is fully responsible for our services. We ensure health and safety relating to our services provided. We strictly follow the internal policies and regulatory requirements when delivering our services and regularly review our services quality and seek customer feedback to identify areas of improvement. Apart from complying with regulations relating to custody of customer assets, we protect our clients' assets by adopting adequate controls such as maintaining designated trust accounts to manage customers' funds, which are audited regularly by independent accountants.

- **Advertising**

  The Group respects our customers' rights and is committed to providing accurate service information for customers in connection with their purchase decision. The Group requires careful review of advertising material to protect customers' interest.

- **Labelling**

  The Group requires that labelling is accurate, legitimate, clear, and not misleading, and intellectual property rights are protected. In our daily operations, we explain to our customers the underlying risks derived from our financial products and facilitate their financial decision-making process. We ensure that the information and marketing materials we provided do not contain any misleading content, and perform preventive measures, including implementation of "Know-Your-Customers" procedures, to protect customers' interests more effectively.

- **Privacy Matters**

  The Group is committed to protecting customer data and privacy information, and keeping business information confidential. Training to employees in this regard and proper information system security are required.

  We acknowledge the importance of protecting the privacy and confidentiality of our customers' information. An internal policy which governs the collection, handling, and disclosure of clients' data has been developed and communicated to our staff. Pursuant to Personal Data (Privacy) Ordinance, the Group has prohibited the use of any personal information of clients by other parties for direct marketing purposes if unlawful or without explicit and implicit consent of clients.

- **Methods of Redress**

  Although we ensure the quality of our services, at the same time, the Group requires that services with quality, safety, or health issues should be compensated in accordance with terms of service agreements. Compensation is required to be offered to all customers who are affected with consistent treatment and procedures.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- **Compliance with Relevant Laws and Regulations that Have a Significant Impact on the Group**
  For the year ended 31 December 2020, there were no confirmed non-compliance incidents or grievances in relation to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.

Aspect B7: Anti-corruption
The Group established anti-corruption policies to prohibit employees from receiving any advantages offered by customers, suppliers, colleagues, or other parties, while they are performing employee duties, and prohibit any activities involving conflicts of interest, bribery, extortion, fraud, and money laundering. The Group encourages employees, customers, suppliers, or other parties to report incidents relating to any conflicts of interest, bribery, extortion, fraud and money laundering.

Our expectations on employees' ethical requirements and conduct are stipulated in our Employee Handbook, which is distributed and communicated to all employees. The Group has established a whistle-blowing channel to enable staff to report on suspicious misconducts. Reports made are followed up and investigated by independent personnel on a timely basis. In addition, trainings are regularly provided to management and employees in order to equip them with an understanding of the latest regulations and best practices relating to anti-bribery, extortion, fraud, and money-laundering matters.

- **Compliance with Relevant Laws and Regulations that Have a Significant Impact on the Group**
  For the year ended 31 December 2020, there were no confirmed non-compliance incidents or grievances in relation to bribery, extortion, fraud and money laundering.

Community
Aspect B8: Community Investment
The Group endeavours to support the communities in which we operate including community engagement to understand the needs of communities, and to ensure the Group's activities take into consideration of the communities' interest.

- **Labour Needs**
  The Group strives to enlarge the business operation so that we can hire more workers to utilize communities' available labour resources.

- **Community Activities**
  We encourage our employees to participate in community activities, such as community health initiatives, sports, cultural activities, volunteer work, and charitable events.

- **Environmental Protection**
  All employees of the Group are encouraged to participate in environmental protection activities and raise the environmental awareness of people in the communities.

INDEPENDENT AUDITOR'S REPORT

Mazars CPA Limited
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To the members of Oshidori International Holdings Limited
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Oshidori International Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 66 to 149, 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, the consolidated statement of changes in equity and the 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 financial position of the Group as at 31 December 2020, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional 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.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Continued)

Key Audit Matters

Valuation of unlisted financial assets designated at fair value through other comprehensive income ("Designated FVOCI")

As at 31 December 2020, the Group has unlisted Designated FVOCI of approximately HK$94,941,000 which is stated at fair value based on valuations carried out by independent qualified professional valuer (the "Valuer").

We identified the valuation of unlisted Designated FVOCI as a key audit matter due to the significance of carrying amounts to the consolidated financial statements and the significant judgement associated with determining the fair value.

Details of the related disclosures of unlisted Designated FVOCI are set out in notes 4, 17 and 35 to the consolidated financial statements.

How our audit addressed the key audit matters

Our key procedures in relation to management's assessment on the valuation of unlisted Designated FVOCI included:

- Evaluating the competence, capabilities and objectivity of the Valuer;
- Obtaining an understanding of the valuation process and techniques adopted by the Valuer;
- Evaluating the appropriateness of the model used by the Valuer to calculate the fair value;
- Checking the accuracy of the key input data, on a sample basis, used by the Valuer;
- Assessing the reasonableness of key assumptions and variables by comparing with historical results and published market and industry data; and
- Obtaining the valuation reports to assess the reasonableness of any significant unobservable input and the accuracy of the source data adopted by the management and the Valuer.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Continued)

Key Audit Matters	How our audit addressed the key audit matters
Loss allowance for expected credit loss ("ECL") on loan and interest receivables from money lending business	
We identified the loss allowance for ECL on loan and interest receivables from money lending business as a key audit matter due to the application of significant judgement by the management in evaluating the recoverability and credit worthiness of the borrowers. Management assessed the provision for ECL of loan and interest receivables based on probability-weighted estimate of credit losses over the expected life of these receivables and where there are any events or changes in circumstances indicate a detrimental impact on the estimated future cash flows of these balances. In particular, as detailed in note 34 to the consolidated financial statements, the Group has concentration of credit risk as the exposure of the largest client and the five largest clients represents 18% and 73% of the total loans to money lending clients as at 31 December 2020 respectively. As any impairment of such receivables will have a significant impact on the Group's financial position and financial performance, we consider impairment assessment of such receivables as a key audit matter. The carrying value of the loan and interest receivables from money lending business was approximately HK$1,254,521,000 as at 31 December 2020, in respect of which loss allowance of approximately HK$43,423,000 on ECL has been made as of 31 December 2020. Further details are set out in notes 4, 21 and 34 to the consolidated financial statements.	Our key audit procedures in relation to management's recoverability assessment of loan and interest receivables from money lending business included: • Understanding, through enquiry with the management, the established policies and procedures on credit risk management of receivables from money lending business; • Evaluating the design of risk assessment with respect to the identification of receivables with overdue or default payments or insufficient collateral; and • Assessing management's judgement over the ECL and creditworthiness of the borrowers by assessing the available information, such as background information of the borrowers, recoverable amount of securities collateral, past collection history of borrowers, concentration risk of borrowers, the Group's actual loss experience and subsequent settlement of the loan and interest receivables.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the Company's 2020 annual 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 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.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

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. This report is made solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda (as amended), 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.

- 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.

INDEPENDENT AUDITOR'S REPORT

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

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

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

From the matters communicated with those charged with governance, 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 and 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.

Mazars CPA Limited
Certified Public Accountants
Hong Kong, 30 March 2021

The engagement director on the audit resulting in this independent auditor's report is:
Chan Wai Man
Practising Certificate Number: P02487

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2020

	Note	2020 HK$'000	2019 HK$'000
Revenue			
Advisory, commission income and other fee income		**3,344**	2,118
Net gain on sales of financial assets at fair value through profit or loss ("FVPL")		**105,704**	99,420
Interest income		**150,953**	93,562
Dividend income		**20,458**	87,233
Total revenue	5	**280,459**	282,333
Other income	6	**12,880**	26,428
Other net gains	8	**495,820**	26,617
Net unrealised fair value gain (loss) on financial assets at FVPL	10	**2,649,597**	(419,809)
Gain on disposal of loan receivables	21(d), 34	**134,537**	–
Impairment loss in respect of loan receivables, net	21(d)	**(76,907)**	(92,431)
Depreciation and amortisation expenses	15, 16, 19	**(38,882)**	(30,295)
Employee benefits expenses	10	**(57,673)**	(51,486)
Other expenses	10	**(167,428)**	(96,178)
Share of results of associates	18	**(2,245)**	(2,856)
Finance costs	9	**(21,069)**	(38,424)
Profit (Loss) before taxation	10	**3,209,089**	(396,101)
Income tax (expense) credit	11	**(389,631)**	36,087
Profit (Loss) for the year		**2,819,458**	(360,014)
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Fair value change on equity investments measured at fair value through other comprehensive income ("Designated FVOCI")	17(a)	**615,646**	211,392
Items that are reclassified or may be reclassified subsequently to profit or loss			
Fair value change on debt investments measured at fair value through other comprehensive income ("Mandatory FVOCI")		**(180)**	(560)
Fair value change on Mandatory FVOCI reclassified to profit or loss upon disposal		**740**	–
Exchange differences arising on translation to presentation currency		**13,034**	(9,231)
		13,594	(9,791)
Total other comprehensive income for the year		**629,240**	201,601
Total comprehensive income (loss) for the year		**3,448,698**	(158,413)
Profit (Loss) for the year attributable to:			
Owners of the Company		**2,819,555**	(360,031)
Non-controlling interests		**(97)**	17
		2,819,458	(360,014)
Total comprehensive income (loss) attributable to:			
Owners of the Company		**3,451,264**	(152,357)
Non-controlling interests		**(2,566)**	(6,056)
		3,448,698	(158,413)
		HK cents	*HK cents*
Earnings (Losses) per share	14		
Basic		**46.92**	(6.19)
Diluted		**46.80**	(6.19)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2020

	Note	2020 HK$'000	2019 HK$'000
Non-current assets			
Property and equipment	15	**184,499**	260,214
Right-of-use assets	16	**9,900**	16,715
Financial assets at fair value through other comprehensive income ("FVOCI")	17	**3,271,186**	3,007,433
Financial assets at FVPL	23	**270,827**	–
Interests in associates	18	**–**	2,324
Intangible assets	19	**8,866**	3,908
Other deposits	20	**442**	503
Loan receivables	21	**55,926**	210,653
		3,801,646	3,501,750
Current assets			
Trade, loan and other receivables	21	**1,802,685**	473,543
Income tax recoverable		**1,953**	17,050
Promissory note receivable	22	**192,146**	–
Financial assets at FVPL	23	**4,413,163**	2,132,047
Bank balances – trust and segregated accounts	24	**7,655**	19,928
Cash and cash equivalents	24	**683,299**	695,894
		7,100,901	3,338,462
Current liabilities			
Trade and other payables	25	**305,481**	470,806
Lease liabilities	26	**7,997**	10,521
Income tax payable		**6,065**	1,674
Loan payable	27	**235,068**	150,855
		554,611	633,856
Net current assets		**6,546,290**	2,704,606
Total assets less current liabilities		**10,347,936**	6,206,356
Non-current liabilities			
Deferred taxation	28	**408,705**	25,532
Lease liabilities	26	**2,062**	6,335
		410,767	31,867
NET ASSETS		**9,937,169**	6,174,489

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2020

	Note	**2020**	2019
		HK$'000	*HK$'000*
Capital and reserves			
Share capital	29	**305,680**	290,588
Reserves		**9,629,684**	5,879,530
Equity attributable to owners of the Company		**9,935,364**	6,170,118
Non-controlling interests		**1,805**	4,371
TOTAL EQUITY		**9,937,169**	6,174,489

The consolidated financial statements on pages 66 to 149 were approved and authorised for issue by the Board of Directors on 30 March 2021 and are signed on its behalf by:

Wong Wan Men Margaret
Director

Wong Yat Fai
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2020

		Attributable to equity holders of the Company									Non-controlling interests			
	Note	Share capital HK$'000	Share premium HK$'000 (Note i)	Translation reserve HK$'000 (Note ii)	Contribution surplus HK$'000 (Note iii)	Investment revaluation reserve (recycling) HK$'000 (Note iv)	Investment revaluation reserve (non-recycling) HK$'000 (Note v)	Share option reserve HK$'000 (Note 30)	Retained earnings HK$'000	Total HK$'000	Share of other equity components HK$'000	Investment revaluation reserve (non-recycling) HK$'000 (Note v)	Total HK$'000	Total HK$'000
At 1 January 2019		290,588	5,739,250	(78,522)	544	–	(856,748)	–	1,318,903	6,414,015	80,707	4,696	85,403	6,499,418
(Loss) Profit for the year		–	–	–	–	–	–	–	(360,031)	(360,031)	17	–	17	(360,014)
Other comprehensive income (loss)														
Items that will not be reclassified to profit or loss														
Fair value change on Designated FVOCI reclassified to retained earnings upon disposal	17(a)	–	–	–	–	–	(18,858)	–	18,858	–	–	–	–	–
Fair value change on Designated FVOCI	17(a)	–	–	–	–	–	217,465	–	–	217,465	–	(6,073)	(6,073)	211,392
		–	–	–	–	–	198,607	–	18,858	217,465	–	(6,073)	(6,073)	211,392
Items that are reclassified or may be reclassified subsequently to profit or loss														
Fair value change on Mandatory FVOCI	17(b)	–	–	–	–	(560)	–	–	–	(560)	–	–	–	(560)
Exchange differences arising on translation to presentation currency		–	–	(9,231)	–	–	–	–	–	(9,231)	–	–	–	(9,231)
		–	–	(9,231)	–	(560)	–	–	–	(9,791)	–	–	–	(9,791)
Total other comprehensive income (loss) for the year		–	–	(9,231)	–	(560)	198,607	–	18,858	207,674	–	(6,073)	(6,073)	201,601
Total comprehensive loss for the year		–	–	(9,231)	–	(560)	198,607	–	(341,173)	(152,357)	17	(6,073)	(6,056)	(158,413)
Transactions with owners:														
Contribution and distribution														
Recognition of equity-settled share-based payments	30	–	–	–	–	–	–	24,720	–	24,720	–	–	–	24,720
Dividend paid	13	–	–	–	–	–	–	–	(116,236)	(116,236)	–	–	–	(116,236)
Transfer		–	(5,739,250)	–	5,681,836	–	–	–	57,414	–	–	–	–	–
		–	(5,739,250)	–	5,681,836	–	–	24,720	(58,822)	(91,516)	–	–	–	(91,516)
Changes in ownership interests														
Acquisition of non-controlling interests in a subsidiary		–	–	–	–	–	–	–	(24)	(24)	(74,976)	–	(74,976)	(75,000)
		–	(5,739,250)	–	5,681,836	–	–	24,720	(58,846)	(91,540)	(74,976)	–	(74,976)	(166,516)
At 31 December 2019		290,588	–	(87,753)	5,682,380	(560)	(658,141)	24,720	918,884	6,170,118	5,748	(1,377)	4,371	6,174,489

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2020

		Attributable to equity holders of the Company										Non-controlling interests			
	Note	Share capital HK$'000	Share premium HK$'000 (Note i)	Translation reserve HK$'000 (Note ii)	Contribution surplus HK$'000 (Note iii)	Investment revaluation reserve (recycling) HK$'000 (Note iv)	Investment revaluation reserve (non-recycling) HK$'000 (Note v)	Share option reserve HK$'000 (Note 30)	Share award reserve HK$'000 (Note 30)	Retained earnings HK$'000	Total HK$'000	Share of other equity components HK$'000	Investment revaluation reserve (non-recycling) HK$'000 (Note v)	Total HK$'000	Total HK$'000
At 1 January 2020		290,588	-	(87,753)	5,682,380	(560)	(658,141)	24,720	-	918,884	6,170,118	5,748	(1,377)	4,371	6,174,489
Profit (Loss) for the year		-	-	-	-	-	-	-	-	2,819,555	2,819,555	(97)	-	(97)	2,819,458
Other comprehensive income (loss)															
Items that will not be reclassified to profit or loss															
Fair value change on Designated FVOCI	17(a)	-	-	-	-	-	618,115	-	-	-	618,115	-	(2,469)	(2,469)	615,646
Fair value change on Designated FVOCI reclassified to retained earnings upon disposal	17(a)	-	-	-	-	-	358,532	-	-	(358,532)	-	594	(594)	-	-
		-	-	-	-	-	976,647	-	-	(358,532)	618,115	594	(3,063)	(2,469)	615,646
Items that are reclassified or may be reclassified subsequently to profit or loss															
Fair value change on Mandatory FVOCI	17(b)	-	-	-	-	(180)	-	-	-	-	(180)	-	-	-	(180)
Fair value change on Mandatory FVOCI reclassified to profit or loss upon disposal	17(b)	-	-	-	-	740	-	-	-	-	740	-	-	-	740
Exchange differences arising on translation to presentation currency		-	-	13,034	-	-	-	-	-	-	13,034	-	-	-	13,034
		-	-	13,034	-	560	-	-	-	-	13,594	-	-	-	13,594
Total other comprehensive income (loss) for the year		-	-	13,034	-	560	976,647	-	-	(358,532)	631,709	594	(3,063)	(2,469)	629,240
Total comprehensive income (loss) for the year		-	-	13,034	-	560	976,647	-	-	2,461,023	3,451,264	497	(3,063)	(2,566)	3,448,698
Transactions with owners:															
Contribution and distribution															
Issue of new shares upon share swap	29	15,092	196,198	-	-	-	-	-	-	-	211,290	-	-	-	211,290
Recognition of equity-settled share-based payments	30	-	-	-	-	-	-	82,505	20,187	-	102,692	-	-	-	102,692
Total transactions with owners		15,092	196,198	-	-	-	-	82,505	20,187	-	313,982	-	-	-	313,982
At 31 December 2020		305,680	196,198	(74,719)	5,682,380	-	318,506	107,225	20,187	3,379,907	9,935,364	6,245	(4,440)	1,805	9,937,169

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2020

Notes:

(i) Share premium represents the excess of the net proceeds or consideration from issuance of the Company's shares over their par value. The application of the share premium account is governed by Section 46(2) of the Companies Act 1981 of Bermuda (as amended).

(ii) Translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(iii) Contribution surplus represents residual arising from the reduction of share premium of the Company pursuant to special resolutions passed by the Company on 2 June 2005 and 23 May 2007.

(iv) Investment revaluation reserve (recycling) comprises the accumulated net change in the fair value of Mandatory FVOCI, if any, at the end of the reporting period and is dealt with in accordance with the accounting policies adopted.

(v) Investment revaluation reserve (non-recycling) comprises the accumulated net change in the fair value of Designated FVOCI that have been recognised in other comprehensive income, net of the amounts reclassified to retained earnings when those investments are disposed of.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2020

	Note	2020 *HK$'000*	2019 *HK$'000*
OPERATING ACTIVITIES			
Profit (Loss) before taxation		**3,209,089**	(396,101)
Depreciation of property and equipment and right-of-use assets	15, 16	**38,840**	30,295
Amortisation of intangible assets	19	**42**	–
Interest expenses	9	**21,069**	38,424
Interest income	5, 6	**(12,614)**	(30,310)
Bad debt written off		**–**	10,671
Write-off of non-refundable deposit paid for purchase of a debt investment		**–**	30,000
Impairment loss in respect of loan receivables, net	34	**76,907**	92,431
Gain on disposal of loan receivables	21(d)	**(134,537)**	–
Gain on disposal of a subsidiary	8	**(1)**	–
Gain on disposal of an associate	18	**(8,433)**	–
Profit from disposal of a Designated FVOCI	17(a)	**(489,785)**	–
Loss on deemed disposal of an associate		**–**	3,310
Loss on disposal of Mandatory FVOCI	17(b)	**740**	–
Loss on disposal of property and equipment	8	**5,610**	–
Recovery of doubtful consideration receivables		**–**	(145,566)
Impairment loss on goodwill	18	**79**	–
Share of results of associates	18	**2,245**	2,856
Dividend income	5	**(20,458)**	(87,233)
Share-based payment expenses	30	**102,692**	24,720
Amortisation of deferred day-one gain	23(b)	**(5,611)**	(10,692)
Gain on conversion of unlisted convertible bonds at FVPL		**–**	(6,385)
Net unrealised fair value (gain) loss on financial assets at FVPL		**(2,649,597)**	419,809
Loss on settlement of loan receivables		**–**	109,550
Changes in working capital			
Other deposits		**61**	3,813
Financial assets at FVPL		**354,170**	6,291
Trade, loan and other receivables		**(1,107,765)**	(389,992)
Bank balances — trust and segregated accounts		**12,273**	(9,631)
Trade and other payables		**(165,921)**	(39,239)
Cash used in operations		**(770,905)**	(342,979)
Interest paid		**(16,351)**	(31,339)
Income tax refunded (paid)		**13,030**	(16,280)
NET CASH USED IN OPERATING ACTIVITIES		**(774,226)**	(390,598)

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2020

	Note	**2020**	2019
		HK$'000	*HK$'000*
INVESTING ACTIVITIES			
Purchase of intangible assets		**(5,000)**	–
Deposits paid for acquisition of property and equipment		**–**	(1,290)
Dividend received		**20,458**	87,233
Interest received		**9,132**	21,342
Purchase of property and equipment		**(15)**	(382)
Purchase of Designated FVOCI		**(230,449)**	(797,558)
Proceeds from disposal of Designated FVOCI		**1,068,617**	208,179
Proceeds from disposal of Mandatory FVOCI		**18,419**	–
Proceeds from disposal of property and equipment		**42,557**	–
Purchase of financial assets at FVPL		**(250,905)**	–
Purchase of Mandatory FVOCI		**–**	(19,159)
Redemption of other investments		**–**	170,455
Net cash inflow arising from disposal of a subsidiary		**423**	–
Receipts of consideration receivables, net of withholding tax	8	**–**	145,566
Acquisition of associates		**–**	(59,840)
Proceeds from disposal of an associate	18	**8,433**	–
Settlement of promissory note receivable in relation to disposal of an associate		**–**	200,000
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**681,670**	(45,454)
FINANCING ACTIVITIES			
Drawdown of loan payables	31	**385,600**	150,000
Repayment of loan payables	31	**(305,600)**	–
Lease payment	31	**(11,764)**	(10,055)
Dividends paid	13	**–**	(116,236)
Settlement of promissory note payable in relation to acquisition of non-controlling interests in a subsidiary		**–**	(200,000)
Cash outflow arising from acquisition of non-controlling interests in a subsidiary		**–**	(75,000)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**68,236**	(251,291)
Net decrease in cash and cash equivalents		**(24,320)**	(687,343)
Cash and cash equivalents at beginning of the reporting period		**695,894**	1,390,337
Effect on exchange rate changes on cash and cash equivalents		**11,725**	(7,100)
Cash and cash equivalents at end of the reporting period, represented by cash and bank balances		**683,299**	695,894

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

1. GENERAL

Oshidori International Holdings Limited (the "Company") is a public limited company incorporated in Bermuda as an exempted company and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business of the Company are disclosed in the corporate information section to the 2020 annual report of the Company.

The Company and its subsidiaries (together the "Group") principally engages in investment holdings, tactical and/or strategical investments, and the provisions of (i) securities brokerage services, (ii) margin financing services, (iii) placing and underwriting services, (iv) corporate finance advisory services, (v) investment advisory and asset management services, and (vi) credit and lending services.

Certain group entities are licensed under the Hong Kong Securities and Futures Ordinance with the following regulated activities:

Type 1: Dealing in securities
Type 2: Dealing in futures contracts
Type 4: Advising on securities
Type 6: Advising on corporate finance
Type 9: Asset management

A group entity obtained the licence in dealing in futures contracts during the year ended 31 December 2019 but the application of such trading rights is still in progress during year ended 31 December 2020. The business of dealing in futures contracts has not yet been commenced during the year ended 31 December 2020.

On 6 October 2020, another group entity applied the licence for Type 8 (securities margin financing) regulated activity and the application of such licence and trading rights is still in progress during the year ended 31 December 2020.

The consolidated financial statements are presented in Hong Kong dollars, which is the functional currency of the Company. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

2. PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

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

The consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2019 consolidated financial statements except for the adoption of the following new/revised HKFRSs that are relevant to the Group and effective from the current year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Adoption of new/revised HKFRSs

Amendments to HKASs 1 and 8: Definition of Material

The amendments clarify the definition of material and align the definition used across HKFRSs.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Basis of measurement

The measurement basis used in the preparation of these consolidated financial statements is historical cost, except for debt investment measured at fair value through other comprehensive income ("Mandatory FVOCI"), equity investment measured at fair value through other comprehensive income ("Designated FVOCI"), and financial assets measured at fair value through profit or loss ("FVPL"), which are measured at fair values as explained in the accounting policies set out below.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting year as that of the Company using consistent accounting policies.

All intra-group balance, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. 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.

Non-controlling interests are presented, separately from owners of the Company, in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position. The non-controlling interests in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in event of liquidation, are measured initially either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This choice of measurement basis is made on an acquisition-by-acquisition basis. Other types of non-controlling interests are initially measured at fair value unless another measurement basis is required by HKFRSs.

Allocation of total comprehensive income

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

Changes in ownership interest

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

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 retained interest determined at the date when control is lost and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when control is lost. The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary are accounted for on the same basis as would be required if the parent had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary are accounted for as a financial asset, associate, joint venture or others as appropriate from the date when control is lost.

Subsidiaries

A subsidiary is an entity that is controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

In the Company's statement of financial position which is presented in note 39 to the consolidated financial statements, investments in subsidiaries are stated at cost less accumulated impairment losses. The carrying amount of the investments is reduced to its recoverable amount on an individual basis, if it is higher than the recoverable amount. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Associates

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

The Group's investment in associate is accounted for under the equity method of accounting, except when the investment or a portion thereof is classified as held for sale. Under the equity method, the investment is initially recorded at cost and adjusted thereafter for the post-acquisition changes in the Group's share of the investee's net assets and any impairment loss relating to the investment. Except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee, the Group discontinues recognising its share of further losses when the Group's share of losses of the investee equals or exceeds the carrying amount of its interest in the investee, which includes any long term interests that, in substance, form part of the Group's net investment in the investee.

Goodwill arising on an acquisition of an associate is measured as the excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the acquired associate. Such goodwill is included in interests in associates. On the other hand, any excess of the Group's share of its net fair value of identifiable assets and liabilities over the cost of investment is recognised immediately in profit or loss as an income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Associates (Continued)

On the loss of significant influence, the Group remeasures any retained interest in the former investee at fair value. The difference between the fair value of any retained investment and proceeds from disposing of the partial interest in the investee and the carrying amount of the investment at the date when significant influence is lost is recognised in profit or loss. In addition, all amounts previously recognised in other comprehensive income in respect of the former investee are accounted for on the same basis as would be required if the former investee had directly disposed of the related assets or liabilities. The fair value of the retained interest on the date of ceasing to be an associate is regarded as the fair value on initial recognition as a financial asset.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property 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. Repairs and maintenance are charged to profit or loss during the year in which they are incurred.

Depreciation is provided to write off the cost less accumulated impairment losses of property and equipment over their estimated useful lives from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method, at the following rates per annum:

Leasehold improvements	15 to 20%
Yacht	10%
Furniture, fixtures and equipment	18% to 25%
Motor vehicles	20%

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year in which the item is derecognised.

Intangible assets

Trading rights

Trading rights that confer eligibility on the Group to trade on the Stock Exchange. The initial cost of acquiring trading rights is capitalised. Trading rights with indefinite useful lives are carried at cost less accumulated impairment losses. Trading rights are tested for impairment annually.

Club membership

The initial cost of acquiring club membership is capitalised. Club membership with finite useful life is carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is provided on the straight-line basis over its estimated useful life of 10 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets

Recognition and derecognition

Financial assets are recognised when and only when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when (i) the Group's contractual rights to future cash flows from the financial asset expire or (ii) the Group transfers the financial asset and either (a) it transfers substantially all the risks and rewards of ownership of the financial asset, or (b) it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

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.

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 the financial asset to the extent of its continuing involvement and an associated liability for amounts it may have to pay.

When the fair value of financial assets differs from the transaction price on initial recognition, the Group recognises the difference as follows:

(i) When the fair value is evidenced by a quoted price in an active market for an identical asset (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.

(ii) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

Classification and measurement

Financial assets (except for trade receivables without a significant financing component) are initially recognised at their fair value plus, in the case of financial assets not carried at FVPL, transaction costs that are directly attributable to the acquisition of the financial assets. Such trade receivables are initially measured at their transaction price.

On initial recognition, a financial asset is classified as (i) measured at amortised cost; (ii) Mandatory FVOCI; (iii) Designated FVOCI; or (iv) measured at FVPL.

The classification of financial assets at initial recognition depends on the Group's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing them, in which case all affected financial assets are reclassified on the first day of the first annual reporting period following the change in the business model.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and measurement (Continued)

Derivatives embedded in a hybrid contract in which a host is an asset within the scope of HKFRS 9 are not separated from the host. Instead, the entire hybrid contract is assessed for classification.

1) Financial assets measured at amortised cost

An equity investment is measured at amortised cost if it meets both of the following conditions and is not designated as at FVPL:

(i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

(ii) its 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 at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses arising from impairment, derecognition or through the amortisation process are recognised in profit or loss.

The Group's financial assets at amortised cost include trade, loan and other receivables, promissory notes receivable and bank balances-trust and segregated accounts and cash and cash equivalents.

2) Mandatory FVOCI

A debt investment measured at Mandatory FVOCI if both of the following conditions are met and is not designated as at FVPL:

(i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and for sale; and

(ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The financial asset is subsequently measured at fair value. Interest calculated using the effective interest method, impairment gains or losses and foreign exchange gains and losses are recognised in profit or loss. Other net gains are recognised in other comprehensive income until the financial asset is derecognised. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified to profit or loss as a reclassification adjustment.

The Group's financial assets at Mandatory FVOCI include listed debt securities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and measurement (Continued)

3) *Designated FVOCI*

Upon initial recognition, the Group may make an irrevocable election to present subsequent changes in the fair value of an investment in an equity instrument that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 applies in other comprehensive income. The classification is determined on an instrument-by-instrument basis.

These equity investments are subsequently measured at fair value and are not subject to impairment. Dividends are recognised in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains are recognised in other comprehensive income and shall not be subsequently reclassified to profit or loss. Upon derecognition, the cumulative gain or loss is transferred directly to accumulated profits or losses.

The Group's Designated FVOCI include listed and unlisted equity securities not held for trading.

4) *Financial assets at FVPL*

These investments include financial assets that are not measured at amortised cost or FVOCI, including financial assets held for trading, financial assets designated upon initial recognition as at FVPL, financial assets resulting from a contingent consideration arrangement in a business combination to which HKFRS 3 applies and financial assets that are otherwise required to be measured at FVPL. They are carried at fair value, with any resultant gain and loss recognised in profit or loss, which does not include any dividend or interest earned on the financial assets. Dividend or interest income is presented separately from fair value gain or loss.

A financial asset is classified as held for trading if it is:

(i) acquired principally for the purpose of selling it in the near term;

(ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking on initial recognition; or

(iii) a derivative that is not a financial guarantee contract or not a designated and effective hedging instrument.

Financial assets are designated at initial recognition as at FVPL only if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains or losses on them on different bases.

The Group's financial assets mandatorily measured at FVPL include listed equity securities and unlisted investment funds held for trading and unlisted convertible notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities

Recognition and derecognition

Financial liabilities are recognised when and only when the Group becomes a party to the contractual provisions of the instruments.

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

Classification and measurement

Financial liabilities are initially recognised at their fair value plus, in the case of financial liabilities not carried at FVPL, transaction costs that are directly attributable to the issue of the financial liabilities.

The Group's financial liabilities include trade and other payables and loan payable. All financial liabilities, except for financial liabilities at FVPL, are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Impairment of financial assets and other items under HKFRS 9

The Group recognises loss allowances for expected credit loss ("ECL") on financial assets that are measured at amortised cost and Mandatory FVOCI to which the impairment requirements apply in accordance with HKFRS 9. Except for the specific treatments as detailed below, at each reporting date, the Group measures a loss allowance for a financial asset at an amount equal to the lifetime ECL if the credit risk on that financial asset has increased significantly since initial recognition. If the credit risk on a financial asset has not increased significantly since initial recognition, the Group measures the loss allowance for that financial asset at an amount equal to 12-month ECL.

Measurement of ECL

ECL is a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument.

For financial assets, a credit loss is the present value of the difference between the contractual cash flows that are due to an entity under the contract and the cash flows that the entity expects to receive.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument while 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets and other items under HKFRS 9 (Continued)

Measurement of ECL (Continued)

Where ECL is measured on a collective basis, the financial instruments are grouped based on the following one or more shared credit risk characteristics:

(i) past due information

(ii) nature of instrument

(iii) nature of collateral

(iv) industry of debtors

(v) geographical location of debtors

Loss allowance is remeasured at each reporting date to reflect changes in the financial instrument's credit risk and loss since initial recognition. The resulting changes in the loss allowance are recognised as an impairment gain or loss in profit or loss with a corresponding adjustment to the carrying amount of the financial instrument, except in the case of Mandatory FVOCI, the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that the Group may not receive the outstanding contractual amounts in full if the financial instrument that meets any of the following criteria.

(i) 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); or

(ii) there is a breach of financial covenants by the counterparty.

Irrespective of the above analysis, 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.

Assessment of significant increase in credit risk

In assessing whether the credit risk on a financial instrument 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 in the assessment:

- the debtor's failure to make payments of principal or interest on the due dates;
- an actual or expected significant deterioration in the financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- actual or expected changes in the technological, market, economic or legal environment that have or may have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets and other items under HKFRS 9 (Continued)

Assessment of significant increase in credit risk (Continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial instrument has increased significantly since initial recognition when contractual payments are more than 30 days past due.

Notwithstanding the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

Low credit risk

A financial 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.

As detailed in note 34 to the consolidated financial statements, other receivables and bank balances are determined to have low credit risk.

Simplified approach of ECL

For trade receivables other than margin clients, without a significant financing components, the Group applies a simplified approach in calculating ECL. The Group recognises a loss allowance based on lifetime ECL at each reporting date and has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Credit-impaired financial asset

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 include 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.

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets and other items under HKFRS 9 (Continued)

Write-off

The Group writes off a financial asset when the Group has no reasonable expectations of recovering the contractual cash flows on a financial asset in its entirety or a portion thereof. The Group has a policy of writing off the gross carrying amount based on historical experience of recoveries of similar assets. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities under the Group's procedures for recovery of amounts due, taking into account legal advice if appropriate. Any subsequent recovery is recognised in profit or loss.

Equity instruments

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

Cash equivalents

For the purpose of the consolidated statement of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For classification in the statement of financial position, cash equivalents represent assets similar in nature to cash and which are not restricted as to use.

Revenue recognition

Revenue from contracts with customers within HKFRS 15

Nature of goods or services

The nature of the goods or services provided by the Group is as follows:

Business A: Securities brokerage, margin financing, placing and underwriting and other corporate finance advisory services

Business B: Tactical and/or strategical investments

Identification of performance obligations

At contract inception, the Group assesses the goods or services promised in a contract with a customer and identifies as a performance obligation each promise to transfer to the customer either:

(a) a good or service (or a bundle of goods or services) that is distinct; or

(b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

A good or service that is promised to a customer is distinct if both of the following criteria are met:

(a) the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (i.e. the good or service is capable of being distinct); and

(b) the Group's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (i.e. the promise to transfer the good or service is distinct within the context of the contract).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Revenue from contracts with customers within HKFRS 15 (Continued)

Timing of revenue recognition

Revenue is recognised when (or as) the Group satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Group transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, 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 (for example, work in progress) that the customer controls as the asset is created or enhanced; 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.

If a performance obligation is not satisfied over time, the Group satisfies the performance obligation at a point in time when the customer obtains control of the promised asset. In determining when the transfer of control occurs, the Group considers the concept of control and such indicators as legal title, physical possession, right to payment, significant risks and rewards of ownership of the asset, and customer acceptance.

Revenue or income arising from financial services is recognised on the following basis:

- Commission income for broking business is recorded as income at point in time on a trade date basis;

- Underwriting commission income, sub-underwriting income, placing commission income and referral fee income are recognised as income at point in time in accordance with the terms of the underlying agreement or deal mandate when relevant significant act has been completed; and

- Advisory and other fee income is recognised over time when the relevant transactions have been arranged or the relevant services have been rendered.

For revenue recognised over time under HKFRS 15, provided the outcome of the performance obligation can be reasonably measured, the Group applies the output method (i.e. based on the direct measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract) to measure the progress towards complete satisfaction of the performance obligation because the method provides a faithful depiction of the Group's performance and reliable information is available to the Group to apply the method. Otherwise, revenue is recognised only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Dividend

Dividend income from financial assets is recognised when the Group's rights to receive dividend is established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably. Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Interest income

- Interest income from margin clients is recognised on a time proportion basis, taking into account the principal amounts outstanding and the effective interest rate applicable.

- Other interest income from financial assets is recognised using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the assets while it is applied to the amortised cost (i.e. the gross carrying amount net of loss allowance) in case of credit-impaired financial assets.

Foreign currency translation

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

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Foreign exchange gains and losses resulting from the retranslation of non-monetary items carried at fair value are recognised in profit or loss except for those arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the gains or losses are also recognised directly in equity.

The results and financial position of all the group entities that have a functional currency different from the presentation currency ("foreign operations") are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period.

- Income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rate.

- All resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised as a separate component of equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets

At the end of each reporting period, the Group reviews internal and external sources of information to assess whether there is any indication that its property and equipment, right-of-use assets, intangible assets and investments in subsidiaries may be impaired or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs of disposal and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment loss is recognised as income in profit or loss immediately.

Borrowing costs

Borrowing costs incurred, net of any investment income on the temporary investment of the specific borrowings, that are 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. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as an expense in the period in which they are incurred.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the years necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account/recognised as a deduction from the carrying amount of the relevant asset and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

The benefit of a government loan received at a below-market rate of interest is treated as a government grant. The benefit of the below-market rate of interest shall be measured as the difference between the initial fair value of the loan and the proceeds received.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Leases

The Group assesses whether a contract is, or contains, a lease at inception of the contract. 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.

As lessee

The Group applies the recognition exemption to short-term leases and low-value asset leases. Lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

Amounts payable by the Group that do not give rise to a separate component are considered to be part of the total consideration that is allocated to the separately identified components of the contract.

The Group recognises a right-of-use asset and a lease liability at the commencement date of the lease.

The right-of-use asset is initially measured at cost, which comprises:

(a) the amount of the initial measurement of the lease liability;

(b) any lease payments made at or before the commencement date, less any lease incentives received;

(c) any initial direct costs incurred by the Group; and

(d) an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, 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, unless those costs are incurred to produce inventories.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. Depreciation is provided on a straight-line basis over the shorter of the lease term and the estimated useful lives of the right-of-use asset (unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option – in which case depreciation is provided over the estimated useful life of the underlying asset) as follows:

Office premises	2 years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Leases (Continued)

As lessee (Continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date of the contract.

The lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset, if any, during the lease term that are not paid at the commencement date:

(a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;

(b) variable lease payments that depend on an index or a rate;

(c) amounts expected to be payable under residual value guarantees;

(d) exercise price of a purchase option if the Group is reasonably certain to exercise that option; and

(e) payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease payments are discounted using the interest rate implicit in the lease, or where it is not readily determinable, the incremental borrowing rate of the lessee.

Subsequently, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The lease liability is remeasured using a revised discount rate when there are changes to the lease payments arising from a change in the lease term or the reassessment of whether the Group will be reasonably certain to exercise a purchase option.

The lease liability is remeasured by using the original discount rate when there is a change in the residual value guarantee, the in-substance fixed lease payments or the future lease payments resulting from a change in an index or a rate (other than floating interest rate). In case of a change in future lease payments resulting from a change in floating interest rates, the Group remeasures the lease liability using a revised discount rate.

The Group recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognises any remaining amount of the remeasurement in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Employee benefits

Short term employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees.

Retirement benefit costs

Payment to defined contribution retirement benefit scheme and the Mandatory Provident Fund Scheme are recognised as expenses when employees have rendered service entitling them to the contributions.

Long service payments

The Group's net obligation in respect of long service payments under the Employment Ordinance is the amounts of future benefit that employees have earned in return for their services in the current and prior periods. The obligation is calculated using the projected unit credit method and discounted to its present value and after deducting the fair value of any related assets, including those retirement scheme benefits.

Share-based payment transactions

Equity-settled share-based transactions

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

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in the consolidated statement of profit or loss and other comprehensive income such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve.

When the share awards are vested, the amount previously recognised in share award reserve will be transferred to retained earnings.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share capital. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained earnings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Taxation

The charge for current income tax is based on the results for the year as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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 in the consolidated financial statements. However, any deferred tax arising from initial recognition of goodwill; or other asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss is not recognised.

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

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Deferred tax is provided on temporary differences arising on investment in subsidiaries and associates, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Related parties

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

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

(b) An entity is related to the Group if any of the following conditions applies:

- (i) the entity and the Group are members of the same group (which means that each holding company, subsidiary and fellow subsidiary is related to the others).
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) both entities are joint ventures of the same third party.
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to 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 holding company of the entity).
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Related parties (Continued)

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.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's chief operating decision maker for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individual material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3. FUTURE CHANGES IN HKFRSs

At the date of authorisation of the consolidated financial statements, the HKICPA has issued the following new/revised HKFRSs that are relevant to the Group and are not yet effective for the current year, which the Group has not early adopted.

Amendments to HKFRS 16	Covid-19-Related Rent Concessions [1]
Amendments to HKAS 39, HKFRSs 4, 7, 9 and 16	Interest Rate Benchmark Reform – Phase 2 [2]
Amendments to HKAS 16	Proceeds before Intended Use [3]
Amendments to HKAS 37	Cost of Fulfilling a Contract [3]
Amendments to HKFRS 3	Reference to the Conceptual Framework [3]
Annual Improvements to HKFRSs	2018–2020 Cycle [3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current [4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [5]

1 Effective for annual periods beginning on or after 1 June 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective for annual periods beginning on or after 1 January 2022
4 Effective for annual periods beginning on or after 1 January 2023
5 The effective date to be determined

The directors do not anticipate that the adoption of these new/revised HKFRSs in future periods will have any material impact on the result of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and assumptions concerning the future and judgements are made by the management in the preparation of the consolidated financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

Key sources of estimation uncertainty

Fair value estimation

The Group's unlisted Designated FVOCI have been valued based on the valuation from an independent professional valuer. The valuation requires the Group to make some estimation on a number of significant unobservable inputs associated with the investment. As at 31 December 2020, the Group has unlisted Designated FVOCI of approximately HK$94,941,000 (2019: HK$749,471,000). Details of the key assumption and inputs used in the valuation are set out in note 35 to the consolidated financial statements.

Loss allowance for ECL

The Group's management estimates the loss allowance for financial assets at amortised cost including trade, loan and other receivables, promissory note receivables and cash and cash equivalents by using various inputs and assumptions including risk of a default and expected loss rate. The estimation involves high degree of uncertainty which is based on the Group's historical information, recoverable amount of securities collateral, past collection history of borrowers, concentration risk of borrowers, the Group's actual loss experience, existing market conditions as well as forward-looking estimates at the end of each reporting period. Where the expectation is different from the original estimate, such difference will impact the carrying amount of the financial assets at amortised cost. Details of the key assumption and inputs used in estimating ECL are set out in note 34 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

5. REVENUE

	Note	2020 HK$'000	2019 HK$'000
Advisory, commission income and other fee income		**3,344**	2,118
Net gain on sales of financial assets at FVPL	(a)	**105,704**	99,420
Interest income from:			
– margin clients		**37,068**	29,863
– loan receivables		**105,028**	49,382
– listed bonds at FVPL		**–**	8,222
– unlisted callable fixed coupon notes at FVPL		**4,859**	–
– unlisted convertible notes at FVPL		**2,761**	5,505
– listed bonds at Mandatory FVOCI		**1,237**	590
		150,953	93,562
Dividend income from:			
– financial assets at FVPL		**4,799**	28,841
– Designated FVOCI held at the reporting date		**15,659**	58,327
– Designated FVOCI derecognised during the reporting period		**–**	65
		20,458	87,233
	(b)	**280,459**	282,333

Notes:

(a) The amount represented the proceeds from the sale of financial assets at FVPL of approximately HK$667,851,000 (2019: approximately HK$1,213,980,000) less relevant costs and carrying value of the investments sold of approximately HK$562,147,000 (2019: approximately HK$1,114,560,000).

(b) In addition to the information shown in segment disclosures, the revenue from contracts with customers within HKFRS 15 is disaggregated as follows:

	Financial services *(as defined in note 7)* 2020 *HK$'000*	2019 *HK$'000*
Timing of revenue recognition:		
Fee and commission income – at a point in time	**3,066**	1,588
Advisory and other fee income – over time	**278**	530
Total revenue from contracts with customers within HKFRS 15	**3,344**	2,118

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

6. OTHER INCOME

	Note	2020 HK$'000	2019 HK$'000
Interest income on:			
– bank deposits		**2,961**	3,331
– promissory note receivable	22	**721**	7,771
– other investment		**–**	4,832
– others		**75**	59
		3,757	15,993
Government subsidies	(a)	**1,992**	–
Referral fee		**–**	5,501
Others		**7,131**	4,934
		12,880	26,428

Note:

(a) During the year, the Group recognised government subsidies of approximately HK$1,992,000 in respect of the Employment Support Scheme under Anti-epidemic Fund of the Hong Kong SAR Government due to the COVID-19 pandemic.

7. SEGMENT INFORMATION

The Group determines its operating segment and measurement of segment profit based on the internal reports to executive directors, the Group's chief operating decision makers, for the purposes of resource allocation and performance assessment.

The Group's reportable and operating segments are as follows:

Financial services	Provision of securities brokerage, margin financing, placing and underwriting, investment advisory, assets management and corporate finance advisory services
Tactical and/or strategical investments	Investment in financial instruments
Credit and lending services	Provision of credit and money lending services

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

7. SEGMENT INFORMATION (Continued)

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segments.

For the year ended 31 December 2020

	Financial services	Tactical and/ or strategical investments	Credit and lending services	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue				
Advisory, commission income and other fee income	3,344	–	–	3,344
Net gain on sales of financial assets at FVPL	–	105,704	–	105,704
Interest income	37,068	8,857	105,028	150,953
Dividend income	–	20,458	–	20,458
Total revenue	40,412	135,019	105,028	280,459
Net unrealised fair value gain on financial assets at FVPL	–	2,649,597	–	2,649,597
Segment revenue	40,412	2,784,616	105,028	2,930,056
Segment profit	29,748	3,191,791	127,672	3,349,211
Unallocated other income				5,550
Unallocated exchange gain				337
Unallocated other net gains				2,745
Share of results of associates				(2,245)
Unallocated finance costs				(2,878)
Central corporate expenses				(143,631)
Profit before taxation				3,209,089

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

7. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

For the year ended 31 December 2019

	Financial services *HK$'000*	Tactical and/ or strategical investments *HK$'000*	Credit and lending services *HK$'000*	Consolidated *HK$'000*
Revenue				
Advisory, commission income and other fee income	2,118	–	–	2,118
Net gain on sales of financial assets at FVPL	–	99,420	–	99,420
Interest income	29,863	14,317	49,382	93,562
Dividend income	–	87,233	–	87,233
Total revenue	31,981	200,970	49,382	282,333
Net unrealised fair value loss on financial assets at FVPL	–	(419,809)	–	(419,809)
Segment revenue	31,981	(218,839)	49,382	(137,476)
Segment profit (loss)	10,978	(311,826)	(192,576)	(493,424)
Unallocated other income				16,124
Net exchange gain				17,505
Unallocated other net gains				142,256
Share of results of associates				(2,856)
Unallocated finance costs				(12,412)
Central corporate expenses				(63,294)
Loss before taxation				(396,101)

Segment revenue includes revenue from financial services, tactical and/or strategical investments and credit and lending services. In addition, the chief operating decision makers also consider net unrealised fair value gain (loss) on financial assets at FVPL as segment revenue.

The accounting policies of the segment reporting are set out as the Group's accounting policies in note 2. Segment result represents the profit earned or loss incurred by each segment without allocation of certain other income, certain other net gains, share of results of associates, certain finance costs and the central corporate expenses. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

7. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments.

At 31 December 2020

	Financial services *HK$'000*	Tactical and/ or strategical investments *HK$'000*	Credit and lending services *HK$'000*	Consolidated *HK$'000*
Segment assets	652,943	8,183,716	1,577,484	10,414,143
Unallocated property and equipment				178,690
Unallocated intangible assets				4,958
Unallocated right-of-use assets				9,900
Unallocated other receivables				16,027
Income tax recoverable				1,953
Unallocated cash and cash equivalents				276,876
Consolidated assets				10,902,547
Segment liabilities	13,122	511,348	101	524,571
Unallocated other payables				15,978
Unallocated lease liabilities				10,059
Income tax payable				6,065
Deferred taxation				408,705
Consolidated liabilities				965,378

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

7. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

At 31 December 2019

	Financial services	Tactical and/ or strategical investments	Credit and lending services	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	232,148	5,303,204	640,232	6,175,584
Unallocated property and equipment				252,133
Unallocated right-of-use assets				13,798
Interests in associates				2,324
Unallocated other receivables				16,022
Income tax recoverable				17,050
Unallocated cash and cash equivalents				363,301
Consolidated assets				6,840,212
Segment liabilities	22,899	427,066	7,694	457,659
Unallocated other payables				16,103
Unallocated lease liabilities				13,900
Income tax payable				1,674
Loan payable				150,855
Deferred taxation				25,532
Consolidated liabilities				665,723

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

- all assets are allocated to operating and reportable segments other than certain property and equipment, certain right-of-use assets, interests in associates, certain other receivables, income tax recoverable and certain cash and cash equivalents.

- all liabilities are allocated to operating and reportable segments other than certain other payables, certain lease liabilities, income tax payable and deferred taxation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

7. SEGMENT INFORMATION (Continued)

Other segment information

For the year ended 31 December 2020

	Financial services *HK$'000*	Tactical and/ or strategical investments *HK$'000*	Credit and lending services *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Amounts included in the measure of segment profit or segment assets:					
Interest income included in revenue and other income	(37,143)	(9,599)	(105,030)	(2,938)	(154,710)
Interest expenses	–	17,462	729	2,878	21,069
Amortisation of deferred day-one gain	–	(5,611)	–	–	(5,611)
Amortisation of intangible assets	–	–	–	42	42
Impairment loss in respect of loan receivables, net	–	–	76,907	–	76,907
Gain on disposal of loan receivables	–	–	(134,537)	–	(134,537)
Profit from disposal a Designated FVOCI	–	(489,785)	–	–	(489,785)
Loss on disposal of Mandatory FVOCI	–	740	–	–	740
Impairment loss on goodwill	–	–	–	79	79
Depreciation of property and equipment	25	–	2,247	25,291	27,563
Depreciation of right-of-use assets	–	1,856	–	9,421	11,277
Loss on disposal of property and equipment	–	–	–	5,610	5,610
Gain on disposal of a subsidiary	–	–	–	(1)	(1)
Gain on disposal of an associate	–	–	–	(8,433)	(8,433)
Share-based payment expenses	–	–	–	102,692	102,692

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

7. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

For the year ended 31 December 2019

	Financial services *HK$'000*	Tactical and/ or strategical investments *HK$'000*	Credit and lending services *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Amounts included in the measure of segment profit or segment assets:					
Interest income included in revenue and other income	(29,884)	(14,433)	(49,389)	(15,849)	(109,555)
Interest expenses	–	26,012	–	12,412	38,424
Amortisation of deferred day-one gain	–	(10,692)	–	–	(10,692)
Bad debt written off	–	–	10,671	–	10,671
Net impairment loss in respect of loan receivables	–	–	92,431	–	92,431
Recovery of doubtful consideration receivables	–	–	–	(145,566)	(145,566)
Depreciation of property and equipment	41	–	2,247	17,811	20,099
Depreciation of right-of-use assets	–	1,201	–	8,995	10,196
Loss on deemed disposal of an associate	–	–	–	3,310	3,310
Gain on conversion of unlisted convertible notes at FVPL	–	(6,385)	–	–	(6,385)
Write-off of non-refundable deposit paid for purchase of a debt investment	–	30,000	–	–	30,000
Loss on settlement of loan receivables	–	–	109,550	–	109,550

Geographical information

The Group's operations are located in Hong Kong. Accordingly, the Group's revenue from external customers and all non-current assets (excluding financial assets) are located in Hong Kong.

Information about major customers

Revenue from the customers individually accounted for 10% or more of the Group's revenue for the years ended 31 December 2020 and 2019 is as follows:

	2020 ***HK$'000***	2019 *HK$'000*
Customer A*	**17,377**	–
Customer B*	**N/A**	19,069
Customer C^	**N/A**	16,617
Customer D^	**N/A**	8,881

* Attributable to financial services segment and credit and lending services segment.

^ Attributable to credit and lending services segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

8. OTHER NET GAINS

	Note	**2020**	2019
		HK$'000	*HK$'000*
Bad debt written off		**–**	(10,671)
Net exchange (loss) gain		**(1,581)**	17,505
Amortisation of deferred day-one gain	23(b)	**5,611**	10,692
Loss on disposal of property and equipment		**(5,610)**	–
Gain on disposal of a subsidiary		**1**	–
Gain on disposal of an associate	18	**8,433**	–
Impairment loss on goodwill	18	**(79)**	–
Profit from disposal of a Designated FVOCI under the tactical and/or strategical investment segment	17(a)	**489,785**	–
Loss on disposal of Mandatory FVOCI	17(b)	**(740)**	–
Loss on deemed disposal of an associate		**–**	(3,310)
Gain on conversion of unlisted convertible notes at FVPL		**–**	6,385
Recovery of doubtful consideration receivables		**–**	145,566
Write-off of non-refundable deposit paid for purchase of a debt investment		**–**	(30,000)
Loss on settlement of loan receivables		**–**	(109,550)
		495,820	26,617

9. FINANCE COSTS

	2020	2019
	HK$'000	*HK$'000*
Interest on loan payable	**8,255**	5,770
Interest on margin financing	**12,309**	25,914
Interest on the promissory note payable	**–**	6,230
Imputed interest on lease liabilities	**505**	510
	21,069	38,424

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

10. PROFIT (LOSS) BEFORE TAXATION

This is stated after charging (crediting):

	Note	2020 HK$'000	2019 HK$'000
Employee benefits expenses (including directors' emoluments)			
Salaries and other benefits		**26,907**	26,113
Retirement benefit scheme contributions		**595**	653
Share-based payment expenses	30	**30,171**	24,720
		57,673	51,486
Net unrealised fair value (gain) loss on financial assets at FVPL		**(2,649,597)**	419,809
Other expenses			
Auditor's remuneration		**2,333**	2,080
Business development expenses		**40,114**	39,939
Business registration fee, statutory fees and listing fees		**680**	1,372
Financial information charge		**2,216**	2,394
Handling and settlement expenses		**367**	234
Investment transaction cost		**1,790**	4,668
Legal and professional fees		**8,883**	11,409
Marketing expenses		**9,351**	20,138
Other operating expenses		**26,897**	11,664
Share-based payment expenses to service providers	30	**72,521**	–
Short-term leases		**2,276**	2,280
		167,428	96,178

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

11. INCOME TAX EXPENSE (CREDIT)

The profits tax rate for the first HK$2,000,000 assessable profits arising from Hong Kong of qualifying entities will be taxed at 8.25%, and assessable profits arising from Hong Kong above HK$2,000,000 will continue be taxed at the rate of 16.5%. As only one of the subsidiaries in the Group is eligible to elect the two-tiered profits tax rates, profits of the remaining subsidiaries of the Group will continue to be taxed at a flat rate of 16.5%.

For the years ended 31 December 2020 and 2019, Hong Kong Profits Tax is calculated in accordance with the two-tiered profits tax rates regime.

	2020	2019
	HK$'000	*HK$'000*
Current tax		
Hong Kong Profits Tax		
– Current year	**5,204**	811
– Under provision in prior year	**1,254**	1,827
	6,458	2,638
Deferred taxation		
Origination and reversal of temporary difference (Note 28)	**383,173**	(38,725)
Income tax expense (credit)	**389,631**	(36,087)

Reconciliation of income tax credit

	2020	2019
	HK$'000	*HK$'000*
Profit (Loss) before taxation	**3,209,089**	(396,101)
Income tax at applicable tax rate 16.5% (2019: 16.5%)	**529,500**	(65,357)
Tax effect of expenses not deductible for tax purpose	**49,889**	39,350
Tax effect of income not taxable for tax purpose	**(122,944)**	(57,435)
Tax effect of tax losses not recognised	**2,805**	18,087
Utilisation of tax losses previously not recognised	**(13,870)**	(3,315)
Unrecognised temporary differences	**(56,828)**	30,541
Under provision in prior year	**1,254**	1,827
Others	**(175)**	215
Income tax expense (credit) for the year	**389,631**	(36,087)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

12. EXECUTIVE AND NON-EXECUTIVE DIRECTORS' AND EMPLOYEES' REMUNERATION

(i) Executive and non-executive directors' remuneration:

The emoluments paid or payable to each of the 8 (2019: 7) directors were as follows:

	Year ended 31 December 2020								
	Executive Directors		Non-executive Directors			Independent Non-executive Directors			
	Mr. Wong Yat Fai HK$'000	Ms. Wong Wan Men Margaret HK$'000	Mr. Alejandro Yemenidjian HK$'000 (note c)	Hon. Joseph Edward Schmitz HK$'000 (note c)	Mr. Sam Nickolas David Hing Cheong HK$'000 (note c)	Mr. Cheung Wing Ping HK$'000	Mr. Hung Cho Sing HK$'000	Mr. Chan Hak Kan HK$'000	Total HK$'000
Fees (Note a)	–	–	4,364	1,117	–	250	250	250	6,231
Other emoluments									
– salaries and other benefits (Note b)	600	1,481	–	–	1,333	–	–	–	3,414
– contributions to retirement benefit schemes	18	18	–	–	18	–	–	–	54
– share-based compensation benefits	–	9,180	20,991	–	–	–	–	–	30,171
Total emoluments	618	10,679	25,355	1,117	1,351	250	250	250	39,870

	Year ended 31 December 2019							
	Executive Directors				Independent Non-executive Directors			
	Mr. Chow Chi Wah Vincent HK$'000 (Note d)	Mr. Sam Nickolas David Hing Cheong HK$'000 (Note d)	Mr. Wong Yat Fai HK$'000	Ms. Wong Wan Men Margaret HK$'000 (Note d)	Mr. Cheung Wing Ping HK$'000	Mr. Hung Cho Sing HK$'000	Mr. Chan Hak Kan HK$'000	Total HK$'000
Fees (Note a)	–	–	–	–	250	250	250	750
Other emoluments								
– salaries and other benefits (Note b)	1,113	2,191	650	1,950	–	–	–	5,904
– contributions to retirement benefit schemes	15	18	18	18	–	–	–	69
Total emoluments	1,128	2,209	668	1,968	250	250	250	6,723

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

12. EXECUTIVE AND NON-EXECUTIVE DIRECTORS' AND EMPLOYEES' REMUNERATION (Continued)

(i) Executive and non-executive directors' remuneration: (Continued)

Notes:

a. The directors' fee of independent non-executive directors/non-executive directors are determined by the Board of Directors with recommendation from the remuneration committee of the Company with reference to their duties and responsibilities with the Company, the Company's performance and the prevailing market situation and to be authorised by the shareholders of the Company at the annual general meeting.

b. The emoluments of the directors are covered by their respective service contracts and/or supplemental agreements or letters of appointment entered into with the Company.

c. Hon. Joseph Edward Schmitz and Mr. Alejandro Yemenidjian were appointed as a non-executive director on 17 January 2020 and on 9 June 2020 respectively. Mr. Sam Nickolas David Hing Cheong resigned as an executive director and was designated as non-executive director on 9 June 2020. Mr. Alejandro Yemenidjian was re-designated as non-executive Chairman of the Board of Directors on 9 June 2020. All salaries and other benefits received by Mr. Sam Nickolas David Hing Cheong was during his post as an executive director up to 9 June 2020.

d. Ms. Wong Wan Men Margaret was appointed as an executive director on 28 January 2019 and Mr. Chow Chi Wah Vincent resigned as an executive director on 29 October 2019. Mr. Sam Nickolas David Hing Cheong was re-designated as Chairman of the Board of Directors on 28 January 2019.

There was no arrangement under which an executive or non-executive director waived or agreed to waive any remuneration during both years. In addition, no emoluments were paid by the Group to any of the directors as an inducement to join, or upon joining the Group or as a compensation for loss of office for the years ended 31 December 2020 and 2019.

(ii) Employees' remuneration:

The five highest paid individuals of the Group included 3 (2019: 3) directors of the Company. Details of their emoluments are included in note 12 (i) above.

The emoluments of the remaining 2 (2019: 2) highest paid individuals for the year are set out as follows:

	2020	2019
	HK$'000	*HK$'000*
Salaries and other emoluments	**3,198**	3,465
Contribution to retirement benefits schemes	**36**	36
	3,234	3,501

The emoluments of the individuals are within the following bands:

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

13. DIVIDENDS

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: The directors of the Company declared and paid a final dividend in respect of the year ended 31 December 2018 of HK$0.015 per share amounting to approximately HK$87,177,000 during the year ended 31 December 2019 and do not recommend the payment of final dividend for the year ended 31 December 2019).

During the year ended 31 December 2020, the directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2020. (2019: declared and paid an interim dividend of approximately HK$29,059,000 in respect of the six months ended 30 June 2019).

14. EARNINGS (LOSSES) PER SHARE

The calculation of the basic and diluted earnings (losses) per share is based on profit (loss) attributable to the equity holders of the Company and the weighted average number ordinary shares in issue during the year as follows:

Earnings (Losses)

	Note	**2020** ***HK$'000***	2019 *HK$'000*
Profit (Loss) for the year attributable to equity shareholders of the Company, for the purpose of basic and diluted earnings (losses) per share		**2,819,555**	(360,031)

Number of shares

	Note	**2020**	2019
Weighted average number of ordinary shares, for the purpose of basic earnings (losses) per share		**6,008,795,790**	5,811,766,282
Effect of dilutive potential ordinary shares:			
– Exercise of share award		**16,170,993**	–
Weighted average number of ordinary shares, for the purpose of diluted earnings (losses) per share		**6,024,966,783**	5,811,766,282
		HK cents	*HK cents*
Basic earnings (losses) per share		**46.92**	(6.19)
Diluted earnings (losses) per share	(a)	**46.80**	(6.19)

Note:

(a) Diluted earnings per share for the year ended 31 December 2020 is calculated by adjusting the weighted average number of ordinary shares in issue during the year with the weighted average number of ordinary shares deemed to be issued assuming the dilutive impact on the shares under the share award scheme. Diluted losses per share for the year ended 31 December 2019 and 2020 did not assume the exercise of share option since their assumed exercise during the years would have an anti-dilutive effect on the basic losses per share amount presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

15. PROPERTY AND EQUIPMENT

	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles and yacht	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
COST				
At 1 January 2019	730	41,123	117,032	158,885
Additions	–	382	201,290	201,672
At 31 December 2019	730	41,505	318,322	360,557
Additions	–	15	–	15
Disposals	–	–	(85,000)	(85,000)
At 31 December 2020	**730**	**41,520**	**233,322**	**275,572**
ACCUMULATED DEPRECIATION				
At 1 January 2019	730	39,977	39,537	80,244
Provided for the year	–	694	19,405	20,099
At 31 December 2019	730	40,671	58,942	100,343
Provided for the year	–	453	27,110	27,563
Eliminated on disposals	–	–	(36,833)	(36,833)
At 31 December 2020	**730**	**41,124**	**49,219**	**91,073**
CARRYING VALUES				
At 31 December 2020	**–**	**396**	**184,103**	**184,499**
At 31 December 2019	–	834	259,380	260,214

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

16. RIGHT-OF-USE ASSETS

	Buildings *HK$'000*
Reconciliation of carrying amount – year ended 31 December 2019	
At beginning of the year – upon adoption of HKFRS 16	8,874
Additions	18,037
Depreciation	(10,196)
At the end of the reporting period	16,715
Reconciliation of carrying amount – year ended 31 December 2020	
At beginning of the reporting period	16,715
Additions	6,070
Reassessment of lease liabilities	(1,608)
Depreciation	(11,277)
At the end of the reporting period	**9,900**
At 31 December 2019	
Cost	26,911
Accumulated depreciation	(10,196)
Net carrying amount	16,715
At 31 December 2020	
Cost	18,637
Accumulated depreciation	(8,737)
Net carrying amount	**9,900**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

16. RIGHT-OF-USE ASSETS (Continued)

The Group leases various premises for its daily operations. Lease terms are 2 years with no renewal or termination option. The interest expenses on lease liabilities are set out in note 9 to the consolidated financial statements.

The Group has recognised the following amounts for the year:

	2020	2019
	HK$'000	*HK$'000*
Lease payments:		
Short-term leases	**2,276**	2,280
Expenses recognised in profit or loss	**2,276**	2,280
Lease payments on lease liabilities	**11,764**	10,565
Total cash outflow for leases	**14,040**	12,845

Commitments under leases

At 31 December 2020, the Group was committed to approximately HK$350,000 (2019: approximately HK$1,686,000) for short-term leases.

17. FINANCIAL ASSETS AT FVOCI

	Note	**2020**	2019
		HK$'000	*HK$'000*
Designated FVOCI			
Equity securities - listed			
Listed in Hong Kong		**3,114,571**	2,096,293
Listed in the United States		**22,861**	45,855
		3,137,432	2,142,148
Equity securities - unlisted		**133,754**	846,686
	(a)	**3,271,186**	2,988,834
Mandatory FVOCI			
Debt securities - listed			
Listed in Singapore	(b)	**–**	18,599
		3,271,186	3,007,433

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

17. FINANCIAL ASSETS AT FVOCI (Continued)

Notes:

(a) At the date of initial recognition, the Group irrevocably designated certain investments in equity securities as Designated FVOCI because these equity securities represent investments that the Group intends to hold for long term for strategic purposes. The Group considers the accounting treatments under this classification provide more relevant information for those investments.

The fair value of each investment classified as Designated FVOCI is as follows.

	2020 HK$'000	2019 HK$'000
Equity securities – Listed		
Shengjing Bank Co., Ltd.	1,373,700	1,149,500
China Evergrande New Energy Vehicle Group Limited (formerly known as Evergrande Health Industry Group Ltd.)	705,772	181,585
ZhongAn Online P&C Insurance Co., Ltd.	343,140	448,546
Hao Tian International Construction Investment Group Ltd ("Hao Tian")	212,500	–
Imagi International Holdings Ltd. ("Imagi")	110,400	–
China Evergrande Group	104,300	–
E-House (China) Enterprise Holdings Ltd.	82,494	89,339
The HongKong and Shanghai Hotels, Ltd	80,905	97,908
China Dili Group	34,000	30,291
Kingston Financial Group Limited	20,010	23,541
Tai United Holdings Ltd.	16,687	24,758
X Financial	16,338	41,417
JY Grandmark Holdings Ltd.	–	29,451
Others	37,186	25,812
	3,137,432	2,142,148
Equity securities – unlisted		
Seekers Partners Limited ("Seekers") (formerly known as Satinu Resources Group Limited)	–	604,705
Co-Lead Holdings Limited ("Co-Lead")	73,570	85,398
Planetree (Cayman) Capital Limited ("Planetree") (formerly known as Liberty Capital Limited)	–	58,315
青雖投資管理有限公司	21,371	43,855
Freewill Holdings Limited	–	15,513
Others	38,813	38,900
	133,754	846,686
	3,271,186	2,988,834

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

17. FINANCIAL ASSETS AT FVOCI (Continued)

Notes:

(a) (Continued)

During the year ended 31 December 2020, the net fair value gain on Designated FVOCI of approximately HK$615,646,000 (2019: approximately HK$211,392,000) was recognised in other comprehensive income.

The fair values of the listed investments are determined on the basis of quoted market price at the end of the reporting period. Details of the fair value measurements are set out in note 35 to the consolidated financial statements.

During the year ended 31 December 2020, Designated FVOCI with fair value of approximately HK$666,555,000 (2019: approximately HK$208,179,000) were disposed to realise the value which is in line with the completion of the Group's inherent investment strategy. The cumulative loss of approximately HK$358,532,000 (2019: cumulative gain of approximately HK$18,858,000) that was previously included in the investment revaluation reserve (non-recycling) was transferred directly to retained earnings during the year ended 31 December 2020.

The major disposal of Designated FVOCI during the year ended 31 December 2020 is the disposal of Seekers. On 12 August 2020 and 14 December 2020, the Group entered into sale and purchase agreements with High Rhine Limited, an independent third party, to dispose a total of 145,000,000 ordinary shares of Seekers, representing 11.68% of the issued share capital of Seekers, at a total consideration of HK$925,000,000 which was settled by cash of HK$725,000,000 and a zero-coupon promissory note receivable of HK$200,000,000. The disposals were completed on 16 September 2020 and 14 December 2020 respectively. Upon completion of the disposals, the Group has no equity interests in Seekers.

The fair value of the promissory note was approximately HK$191,425,000 at issue date. The transactions resulted in a gain on disposal of approximately HK$489,785,000 which was calculated based on the difference between fair value of Seekers at the date of derecognition and the consideration received and has been credited to profit or loss during the year ended 31 December 2020. The accumulated gain of approximately HK$396,496,000 in respect of the 11.68% equity interests in Seekers which was previously included in the investment revaluation reserve (non-recycling) was transferred directly to retained earnings during the year ended 31 December 2020.

(b) During the year ended 31 December 2020, the net fair value loss on Mandatory FVOCI of approximately HK$180,000 (2019: approximately HK$560,000) was recognised in other comprehensive income.

During the year ended 31 December 2020, Mandatory FVOCI with fair value of approximately US$2,367,500 (equivalent to approximately HK$18,419,000) was disposed to realise the value which is in line with the completion of the Group's inherent investment strategy. The cumulative loss of approximately HK$740,000 that was previously included in the investment revaluation reserve (recycling) was reclassified to profit or loss as loss on disposal during the year ended 31 December 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

18. INTERESTS IN ASSOCIATES

	2020	2019
	HK$'000	HK$'000
Unlisted shares		
Shares of net assets	–	2,205
Goodwill	–	119
	–	2,324

Details of the associates at the end of the reporting period are as follows:

Name of entities	Country of incorporation	Principal place of operation	Class of shares held	Proportion of ownership interest held by the Group %		Principal activities
				2020	2019	
Eternal Billion Holding Group Limited ("Eternal")	BVI	Hong Kong	Ordinary	**25**	25	Investment holding, investment advisory and management services
Topwish Holdings Limited ("Topwish")	BVI	Hong Kong	Ordinary	–	25	Investment holding and trading and investment of securities

On 12 June 2020, the Group entered into a sales and purchase agreement with an independent third party incorporated in the British Virgin Islands, to dispose all shareholding in Topwish at a consideration of HK$8,433,000 which was settled by cash. The transaction resulted in a gain on disposal of HK$8,433,000 recognised during the year ended 31 December 2020. The transaction was completed on the same day.

Fair value of investments

At the end of the reporting period, the Group's associate is private company and there was no quoted market price available for the investments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

18. INTERESTS IN ASSOCIATES (Continued)

Financial information of associates

Summarised financial information of each of the associates of the Group is set out below, which represents amounts shown in the associates' financial statements prepared in accordance with HKFRSs and adjusted by the Group for equity accounting purposes including any differences in accounting policies and fair value adjustments.

At 31 December 2020	**Eternal** *HK$'000*	**Topwish** *HK$'000*
Gross amount		
Non-current assets	–	–
Current assets	246	–
Current liabilities	(297)	–
Equity	(51)	–
Reconciliation		
Gross amount of equity	(51)	–
Group's ownership interests	25%	–
Group's share of equity	–	–
Goodwill	79	–
Impairment loss on goodwill	(79)	–
Carrying amount of interests	–	–

Year ended 31 December 2020	**Eternal** *HK$'000*	**Topwish** *HK$'000* *(Up to the date of disposal)*
Gross amount		
Revenue	–	883
Loss from continuing operations	(307)	(10,336)
Other comprehensive income	–	–
Total comprehensive loss	(307)	(10,336)
Group's ownership interests	25%	25%
Group's share of results	(77)	(2,168)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

18. INTERESTS IN ASSOCIATES (Continued)

Financial information of associates (Continued)

At 31 December 2019	Planetree *HK$'000*	Eternal *HK$'000*	Topwish *HK$'000*
Gross amount			
Non-current assets	–	–	12,451
Current assets	–	277	28,087
Current liabilities	–	(21)	(31,971)
Equity	–	256	8,567
Reconciliation			
Gross amount of equity	–	256	8,567
Group's ownership interests	–	25%	25%
Group's share of equity	–	64	2,141
Goodwill	–	92	27
Carrying amount of interests	–	156	2,168

Year ended 31 December 2019	Planetree *HK$'000*	Eternal *HK$'000*	Topwish *HK$'000*
Gross amount			
Revenue	2,682	–	3,062
Loss from continuing operations	(14,221)	(6)	(11,523)
Other comprehensive income	15,229	–	–
Total comprehensive income (loss)	1,008	(6)	(11,523)
Group's ownership interests	24.45%-30.56%*	25%	25%
Group's share of results	27	(2)	(2,881)

* Upon completion of share subscriptions of Planetree in May 2019, the equity interest in Planetree from 30.65% to 24.45%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

19. INTANGIBLE ASSETS

	Trading rights *HK$'000* (Note a)	Club membership *HK$'000*	Total *HK$'000*
Reconciliation of carrying amount - year ended 31 December 2019			
At the beginning and the end of the reporting period	3,908	–	3,908
Reconciliation of carrying amount - year ended 31 December 2020			
At the beginning of the reporting period	3,908	–	3,908
Additions	–	5,000	5,000
Amortisation	–	(42)	(42)
At the end of the reporting period	**3,908**	**4,958**	**8,866**
At 31 December 2019			
Cost	3,908	–	3,908
Accumulated amortisation and impairment losses	–	–	–
	3,908	–	3,908
At 31 December 2020			
Cost	3,908	5,000	8,908
Accumulated amortisation and impairment losses	–	(42)	(42)
	3,908	**4,958**	**8,866**

Note:

(a) Trading rights that confer eligibility on the Group to trade on the Stock Exchange. The trading rights have no foreseeable limit to the period over which the Group can use to generate cash flows. As a result, the trading rights are considered by the management of the Group as having indefinite useful lives because they are expected to contribute to net cash inflows indefinitely. The trading rights will not be amortised until its useful life is determined to be finite.

20. OTHER DEPOSITS

	2020 *HK$'000*	2019 *HK$'000*
Statutory and other deposits with exchanges and clearing houses	**442**	503

The deposits are non-interest bearing.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

21. TRADE, LOAN AND OTHER RECEIVABLES

	Note	2020 HK$'000	2019 HK$'000
Trade receivables			
Trade receivables arising from the business of securities brokerage			
– cash clients		**93**	102
– margin clients	(b)	**552,121**	138,873
– Hong Kong Securities Clearing Company Limited ("HKSCC")	(c)	**9,526**	598
	(a)	**561,740**	139,573
Trade receivable arising from the provision of corporate finance advisory services		**320**	340
		562,060	139,913
Loan receivables			
Loan and interest receivables			
– from independent third parties		**1,297,944**	475,053
– from a related party		**–**	151,414
		1,297,944	626,467
Less: Loss allowance	34	**(43,423)**	(102,376)
	(d)	**1,254,521**	524,091
Less: Non-current portion		**(55,926)**	(210,653)
Current portion		**1,198,595**	313,438
Other receivables			
Deposits with securities brokers	(e)	**9,555**	886
Consideration receivable from disposal of unlisted Designated FVOCI		**9,442**	–
Other receivables, deposits and prepayments		**23,033**	19,306
		42,030	20,192
	(f)	**1,802,685**	473,543

Information about the Group's exposure to credit risks and loss allowance for trade, loan and other receivables is included in note 34 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

21. TRADE, LOAN AND OTHER RECEIVABLES (Continued)

Notes:

(a) No aging analysis by invoice date is disclosed as in the opinion of the directors of the Company, the aging analysis does not give additional value in view of the nature of brokerage business. The Group offsets certain trade receivable and trade payable when the Group currently has a legally enforceable right to set off the balances; and intends to settle on a net basis or to realise the balances simultaneously. Details are set out in note 36 to the consolidated financial statements.

(b) Trade receivables from margin clients are repayable on demand and bear interest ranging from 8% to 30% (2019: 8% to 30%) per annum for year ended 31 December 2020. The loans are secured by pledged marketable securities with a total fair value of approximately HK$1,758,248,000 (2019: approximately HK$434,135,000). The Group is permitted to sell or repledge the marketable securities if the customers default on the payment when requested by the Group. During the years ended 31 December 2020 and 2019, no margin loans were granted to the directors of the Company or directors of subsidiaries.

(c) The settlement terms of trade receivables arising from the provision of securities brokerage business with HKSCC are usually two days after trade date.

(d) As at 31 December 2020, the Group's net loan receivables included both fixed and variable rate loan advances to independent third parties of which approximately HK$788,779,000 (2019: approximately HK$160,916,000) were secured by the pledge of certain collaterals and personal guarantees, bearing interest ranging from 3% to 24% (2019: 3% to 15%) per annum and had contractual loan period between 6 months and 30 years (2019: between 6 months and 30 years) under the Group's credit and lending services. The remaining balance included both fixed and variable rate loan advances to independent third parties of approximately HK$465,742,000 which were unsecured, bearing interest ranging from 5% to 36% per annum (2019: unsecured fixed and variable rate loan advances to independent third parties of approximately HK$211,761,000 bearing interest ranging from 5% to 36% per annum and that to a related company of approximately HK$151,414,000 with interest rate at 8% per annum respectively). The contractual loan period for majority of the unsecured loan receivables from third parties is between 6 months and 5 years (2019: between 3 months and 5 years).

During the year ended 31 December 2020, the Group recovered two loan receivables by a way of loan participation to an independent third party at their loan principal value of HK$155,000,000 which was settled by cash. The then carrying amount of these loans was approximately HK$20,463,000 and then such recovery contributed a gain of approximately HK$134,537,000.

The amount granted to individuals and corporates depends on management's assessment of credit risk of the customers by evaluation on background check (such as their background, and financial position for individual borrowers and their industry and financial position for corporate borrowers) and repayment abilities. During the year ended 31 December 2020, net impairment loss of approximately HK$76,907,000 (2019: approximately HK$92,431,000) is recognised for the loan receivables. Details are set out in note 34 to the consolidated financial statements.

(e) Deposits with securities brokers represented the funds deposited with the brokers' houses for securities trading purpose.

(f) The trade, loan and other receivables are expected to be recovered within one year, except for the deposits of approximately HK$17,963,000 (2019: approximately HK$13,525,000).

22. PROMISSORY NOTE RECEIVABLE

As set out in the note 17(a) to the consolidated financial statements, a zero-coupon promissory note at principal amount of HK$200,000,000 maturing on 30 June 2021 was received as part of the consideration of disposal of Designated FVOCI. During the year ended 31 December 2020, the Group recognised imputed interest of approximately HK$721,000 in other income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

23. FINANCIAL ASSETS AT FVPL

	Note	2020 HK$'000	2019 HK$'000
Mandatorily measured at FVPL			
– Listed shares in Hong Kong		**4,330,031**	2,022,155
– Listed shares in the United States		**3,235**	–
– Unlisted investment funds	(a)	**350,724**	77,512
– Unlisted convertible notes	(b)	**–**	32,380
		4,683,990	2,132,047
Analysed as:			
Non-current		**270,827**	–
Current		**4,413,163**	2,132,047
		4,683,990	2,132,047

Notes:

(a) The unlisted investment funds are mainly subscribed from independent financial institutions. The portfolios of these funds mainly comprise securities listed in Hong Kong and overseas and unlisted debt and equity securities in Asia-Pacific region. The funds are redeemable at the discretion of the Group from time to time and the intention of holding them was for short-term investment, except for the unlisted investment funds of approximately HK$270,827,000 which was held for long-term investment.

(b) The unlisted convertible notes are subscribed from an independent third party at a consideration of HK$40,500,000 on 18 June 2019. The convertible notes are bearing coupon interest rate of 8% per annum in a principal amount of HK$81,000,000 which will mature on 31 December 2020. Based on conversion price of HK$0.05 per share, the Group could convert into a maximum of 1,620,000,000 ordinary shares of the issuer which is a listed entity.

At the date of purchase, the convertible notes was recognised at fair value of HK$78,880,000 which was determined based on valuation carried out by independent professional valuer. The difference between the transaction price and fair value of the convertible notes at purchase date of HK$38,380,000 was adjusted to deferred day-one gain. Subsequently, the deferred day-one gain is amortised over the term of the convertible notes on straight line basis.

In August 2020, the Group disposed of the entire interests in such unlisted convertible notes at a consideration of HK$40,000,000. During the year ended 31 December 2020, the Group recognised a realised gain on disposal of HK$2,009,000 (including the release of the unrealised fair value loss of HK$12,509,000).

During the year ended 31 December 2020, interest income from the convertible notes amounting to approximately HK$2,761,000 (2019: approximately HK$1,197,000) was settled by scrip from the note issuer. The fair value of the shares at the date of distribution of interest was approximately HK$2,761,000 (2019: approximately HK$1,197,000) which is determined by the quoted market price. The Group irrevocably designated the shares received as Designated FVOCI at the date of distribution of interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

23. FINANCIAL ASSETS AT FVPL (Continued)

Notes:

(b) (Continued)

The movement of the investment in unlisted convertible notes is as follows:

	Fair value *HK$'000*	Deferred day-one gain *HK$'000*	Total *HK$'000*
At date of purchase	78,880	(38,380)	40,500
Fair value change	43,460	–	43,460
Amortisation (Note 8)	–	10,692	10,692
Derecognition upon conversion	(49,017)	11,122	(37,895)
Derecognition upon disposal	(31,324)	6,947	(24,377)
At 31 December 2019 and 1 January 2020	41,999	(9,619)	32,380
Fair value change	(12,509)	–	(12,509)
Amortisation (Note 8)	–	5,611	5,611
Derecognition upon disposal	(29,490)	4,008	(25,482)
At 31 December 2020	**–**	**–**	**–**

24. BANK BALANCES – TRUST AND SEGREGATED ACCOUNTS/CASH AND CASH EQUIVALENTS

Bank balances – trust and segregated accounts

The Group receives and holds money deposited by clients and other institutions in the course of the conduct of the regulated activities of its ordinary business. These clients' monies are maintained in one or more segregated bank accounts. The Group has recognised the corresponding accounts payable to respective clients and other institutions (Note 25). However, the Group does not have a currently enforceable right to offset those payables with the deposits placed.

Cash and cash equivalents

The amounts comprise cash held by the Group and short-term bank deposits at market interest rates with an original maturity of three months or less.

Bank balances carry interest at prevailing market rate ranging from 0.001% to 0.4% (2019: 0.001% to 0.4%) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

25. TRADE AND OTHER PAYABLES

	Note	**2020** **HK$'000**	2019 HK$'000
Trade payables			
Trade payables arising from the business of securities brokerage			
– cash clients	(a)	**510**	1,711
– margin clients	(a)	**8,172**	20,754
Secured margin loans from securities brokers	(b)	**273,285**	415,516
	21(a)	**281,967**	437,981
Other payables			
Other payables and accrued charges		**23,514**	32,825
		305,481	470,806

Notes:

(a) Trade payables to cash and margin clients are repayable on demand. In the opinion of the directors of the Company, no aging analysis is disclosed as the aging analysis does not give additional value.

(b) For secured margin loans from securities brokers, the loans are repayable on demand (except certain balances arising from trades pending settlement or margin deposits) and are interest-bearing at a range from 1.56% to 12% per annum (2019: 2.97% to 7.236% per annum). The total market value of debt and equity securities pledged as collateral in respect of the loans was approximately HK$4,789,885,000 (2019: approximately HK$2,318,260,000) as at 31 December 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

26. LEASE LIABILITIES

At 31 December 2020, the weighted average discount rate applied was 4.05% (2019: 4.52%) per annum.

Commitments and present value of lease liabilities:

	Minimum lease payments 2020 ***HK$'000***	**Present value of minimum lease payments 2020** ***HK$'000***
Amounts payable:		
Within one year	**8,221**	**7,997**
In the second to fifth years inclusive	**2,086**	**2,062**
	10,307	**10,059**
Less: future finance charges	**(248)**	**–**
Total lease liabilities	**10,059**	**10,059**

	Minimum lease payments 2019 *HK$'000*	Present value of minimum lease payments 2019 *HK$'000*
Amounts payable:		
Within one year	11,044	10,521
In the second to fifth years inclusive	6,449	6,335
	17,493	16,856
Less: future finance charges	(637)	–
Total lease liabilities	16,856	16,856

27. LOAN PAYABLE

	2020 ***HK$'000***	2019 *HK$'000*
Unsecured borrowing		
– Other loan	**235,068**	150,855

Note:

The above loan from an independent third party as at 31 December 2020 is unsecured, interest bearing of 5% (2019: 6.5%) per annum and repayable within 1 year from drawdown date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

28. DEFERRED TAXATION

The movement for the year in the Group's deferred tax assets (liabilities) was as follows:

	Unrealised (gain) loss on financial assets at FVPL	Depreciation allowance	Tax losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2019	(76,113)	(1,180)	13,036	(64,257)
Credit to profit or loss for the year (Note 11)	40,274	215	(1,764)	38,725
At 31 December 2019	(35,839)	(965)	11,272	(25,532)
Charge to profit or loss for the year (Note 11)	(387,762)	261	4,328	(383,173)
At 31 December 2020	**(423,601)**	**(704)**	**15,600**	**(408,705)**

Recognised deferred tax assets (liabilities) at the end of the reporting period represent the following:

	Assets		Liabilities	
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Unrealised gain on financial assets at FVPL	**–**	–	**(423,601)**	(35,839)
Depreciation allowance	**–**	–	**(704)**	(965)
Tax losses	**15,600**	11,272	**–**	–
Deferred tax asset (liabilities)	**15,600**	11,272	**(424,305)**	(36,804)
Offsetting	**(15,600)**	(11,272)	**15,600**	11,272
Net deferred tax liabilities	**–**	–	**(408,705)**	(25,532)

At the end of the reporting period, the Group had unrecognised temporary differences arising from unused tax losses and unrealised loss on financial assets at FVPL of approximately HK$1,122,022,000 and HK$14,373,000 respectively (2019: approximately HK$1,124,462,000 and HK$354,961,000 respectively). Deferred tax assets have not been recognised due to the unpredictability of future profit available against which the Group can utilise the benefits therefrom. The tax losses do not expire under current tax legislation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

29. SHARE CAPITAL

	Number of shares	Share capital *HK$'000*
Ordinary shares of HK$0.05 (2019: HK$0.05) each		
Authorised:		
At 1 January 2019 and 31 December 2019, 1 January 2019 and **31 December 2020**	**20,000,000,000**	**1,000,000**

	Note	Number of shares	Share capital *HK$'000*
Issued and fully paid:			
At 1 January 2019, 31 December 2019 and 1 January 2020		5,811,766,282	290,588
Issue of shares on:			
– share swap in April 2020	(a)	187,500,000	9,375
– share swap in May 2020	(b)	114,342,857	5,717
At 31 December 2020		**6,113,609,139**	**305,680**

Notes:

(a) Pursuant to the share swap agreement entered into with Hao Tian, a company listed on the Stock Exchange, on 2 April 2020, Hao Tian subscribed for, and the Company issued and allotted, 187,500,000 shares at a consideration of HK$131,250,000 under the Company's general mandate, representing approximately 3.13% of the enlarged issued share capital of the Company while the Company subscribed for, and Hao Tian issued and allotted, 625,000,000 shares of Hao Tian under the general mandate of Hao Tian, representing approximately 12.37% of the enlarged issued share capital of Hao Tian. The share swap was completed on 28 April 2020.

(b) Pursuant to the share swap agreement entered into with Imagi, a company listed on the Stock Exchange, on 6 April 2020, Imagi subscribed for, and the Company issued and allotted, 114,342,857 shares at a consideration of HK$80,040,000 under the Company's general mandate, representing approximately 1.93% of the enlarged issued share capital of the Company while the Company subscribed for, and Imagi issued and allotted, 138,000,000 shares of Imagi under the general mandate of Imagi, representing approximately 16.63% of the enlarged issued share capital of Imagi. The share swap was completed on 22 May 2020.

All shares issued during the year rank pari passu with the existing shares in all respects.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

30. SHARE OPTION AND SHARE AWARD SCHEMES

2012 Scheme

On 17 May 2012, the Company adopted a share option scheme (the "2012 Scheme") which has a life of ten years from 17 May 2012. Under the 2012 Scheme, the Board of Directors may, at its discretion, offer the eligible persons (including any executive director) of the Company or its subsidiaries options to subscribe for shares in the Company subject to the terms and conditions stipulated therein.

The maximum number of shares which may be issued upon exercise of all options to be granted under the 2012 Share Option Scheme, which shall not in aggregate exceed 10% of the total number of shares in issue at the date of approval of the refreshment of the scheme limit (i.e. 5 June 2020). The total number of shares issued and to be issued upon exercise of the options granted to each eligible person in any 12-month period shall not exceed 1% of the total number of shares in issue.

On 22 January 2020, the Company granted 120,000,000 share options with no vesting conditions to 10 eligible persons of the Group under the 2012 Share Option Scheme (of which 100,000,000 and 20,000,000 share options were granted to 9 independent eligible persons and an executive director, Ms. Wong Wan Men Margaret respectively) at an exercise price of HK$0.865 per share. The validity period of the share options is 10 years from the date of grant (i.e. 22 January 2020 to 21 January 2030).

On 9 June 2020, the Company further granted 60,000,000 share options with no vesting conditions to a non-executive director, Mr. Alejandro Yemenidjian, under the 2012 Share Option Scheme at an exercise price of HK$0.840 per share. The validity period of the share options is 10 years from the date of grant (i.e. 9 June 2020 to 8 June 2030).

During the year ended 31 December 2020, the Group recognised HK$82,505,000 (2019: HK$24,720,000), with reference to the fair value of the share options determined at the date of grant using the Binomial model, as the equity-settled share-based payment expenses, with the corresponding amounts being credited to share option reserve. The share options for vest immediately as the eligible participants are not required to complete a specified period of service before becoming unconditionally entitled to those equity instruments. The Company recognised the services provided in full at the date of grant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

30. SHARE OPTION AND SHARE AWARD SCHEMES (Continued)

2012 Scheme (Continued)

The following tables disclose details of the Company's share options held by eligible persons (including directors) and movement in such holdings during the years ended 31 December 2020 and 2019:

	Number of the share options			
2012 Share Option scheme	**Outstanding at 1 January 2020**	**Granted**	**Outstanding at 31 December 2020**	**Exercisable at 31 December 2020**
Directors of the Company	–	80,000,000	80,000,000	80,000,000
Employees	72,000,000	–	72,000,000	72,000,000
Other participants	–	100,000,000	100,000,000	100,000,000
	72,000,000	**180,000,000**	**252,000,000**	**252,000,000**
Weighted average exercise price	**HK$0.82**	**HK$0.86**	**HK$0.85**	**HK$0.85**

	Number of the share options			
2012 Share Option scheme	Outstanding at 1 January 2019	Granted	Outstanding at 31 December 2019	Exercisable at 31 December 2019
Employees	–	72,000,000	72,000,000	72,000,000
Weighted average exercise price	–	HK$0.82	HK$0.82	HK$0.82

The following assumptions were used to calculate the fair values of share options:

	9 June 2020	22 January 2020	29 March 2019
Grant date share price (HK$)	0.840	0.850	0.820
Exercise price (HK$)	0.840	0.865	0.820
Volatility	61.84%	60.79%	60.33%
Option life	10 years	10 years	10 years
Risk-free interest rate	1.15%	1.89%	2.11%
Dividend yield	0.60%	0.59%	2.44%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

30. SHARE OPTION AND SHARE AWARD SCHEMES (Continued)

2019 Scheme

On 19 December 2019, the Company adopted a share award scheme (the "2019 Scheme") which has a life of ten years from 19 December 2019. Under the 2019 Scheme, the Board of Directors may, at its discretion, issue awarded shares to the eligible persons (including any executive director) of the Company or its subsidiaries subject to the terms and conditions stipulated therein.

On 22 January 2020, the Company granted 95,000,000 awarded shares to 10 eligible persons under the 2019 Share Award Scheme (of which 85,000,000 and 10,000,000 awarded shares were awarded to 9 independent eligible persons and an executive director, Ms. Wong Wan Men Margaret, respectively) by way of issue and allotment of new shares pursuant to the specific mandate. All the awarded shares shall be vested on the fourth anniversary of the date of grant (i.e. 22 January 2024), subject to the grantees remaining as eligible persons on 22 January 2024 and all of the other conditions being satisfied.

The fair value of the shares granted amounting to HK$80,750,000, which is determined based on the share price of the Company at the date of grant of HK$0.85 per share, shall be recognised as share-based payment expenses over 4 years from the date of grant on a straight line basis. During the year ended 31 December 2020, the Group recognised approximately HK$20,187,000 (2019: Nil) as the equity-settled share-based payment expenses, with the corresponding amounts being credited to share award reserve.

Movements of the awarded shares granted under the 2019 Share Award Scheme are as follows:

	Number of awarded shares		
2019 Share Award Scheme	**At 1 January 2020**	**Granted during the period**	**Unvested at 31 December 2020**
Director of the Company	–	10,000,000	10,000,000
Other participants	–	85,000,000	85,000,000
	–	95,000,000	95,000,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

31. OTHER CASH FLOW INFORMATION

Details of the changes in the Group's liabilities from financing activities are as follows:

For the year ended 31 December 2020

	Lease liabilities *HK$'000*	Loan payable *HK$'000*	Total *HK$'000*
At 1 January 2020	**16,856**	**150,855**	**167,711**
New lease	**6,070**	**–**	**6,070**
Reassessment of lease liabilities	**(1,608)**	**–**	**(1,608)**
Interest expenses	**505**	**8,255**	**8,760**
Interest paid	**–**	**(4,042)**	**(4,042)**
Cash inflow (outflow) in financing activities:			
Drawdown of loan payables	**–**	**385,600**	**385,600**
Repayment of loan payables	**–**	**(305,600)**	**(305,600)**
Lease payments (including interest payment)	**(11,764)**	**–**	**(11,764)**
At 31 December 2020	**10,059**	**235,068**	**245,127**

For the year ended 31 December 2019

	Lease liabilities *HK$'000*	Loan payable *HK$'000*	Promissory note payable *HK$'000*	Total *HK$'000*
At 1 January 2019	–	–	193,770	193,770
Upon adoption of HKFRS 16	8,874	–	–	8,874
Restated at 1 January 2019	8,874	–	193,770	202,644
New leases	18,037	–	–	18,037
Interest expenses	510	5,770	6,230	12,510
Interest paid	(510)	(4,915)	–	(5,425)
Cash inflow (outflow) in financing activities:				
Drawdown of loan payable	–	150,000	–	150,000
Settlement of promissory note payable	–	–	(200,000)	(200,000)
Lease payments	(10,055)	–	–	(10,055)
At 31 December 2019	16,856	150,855	–	167,711

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

32. RELATED PARTY TRANSACTIONS

Except for the remuneration to the key management personnel and those disclosed elsewhere in these consolidated financial statements, during the year, the Group had following transactions with related parties:

Related party relationship	Nature of transaction	**2020** **HK$'000**	2019 HK$'000
A related company which has common directorship	Loan and interest receivables	**–**	151,414
	Interest income from loan receivables	**6,014**	1,414

The key management personnel is the director of the Company and has resigned from the related company since 8 July 2020. The details of the remuneration paid to them are set out in note 12.

33. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes loan payable and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debts.

The Group is not subject to any externally imposed capital requirements except for certain subsidiaries engaged in securities dealings and broking, corporate finance and investment advisory services which are regulated entities under the Securities and Futures Commission and require to comply with Hong Kong Securities and Futures (Financial Resources) Rules (the "SF(FR)R") subject to the respective minimum capital requirements and liquid capital requirements. The management closely monitors the liquid capital requirements under SF(FR)R. The Group's regulated entities have complied with the capital requirements imposed by SF(FR)R throughout the years ended 31 December 2020 and 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

34. FINANCIAL INSTRUMENTS

Categories of financial instruments

	Note	**2020** **HK$'000**	2019 HK$'000
Financial assets			
Mandatorily measured at FVPL		**4,683,990**	2,132,047
Amortised cost	(a)	**2,726,247**	1,388,310
Designated FVOCI		**3,271,186**	2,988,834
Mandatory FVOCI		**–**	18,599
Financial liabilities			
Amortised cost	(b)	**540,549**	621,661

Notes:

(a) Financial assets at amortised cost include other deposits, promissory note receivable, trade, loan and other receivables (excluding certain deposits and prepayments), bank balances – trust and segregated accounts and cash and cash equivalents.

(b) Financial liabilities at amortised cost include trade and other payables and loan payable.

Financial risk management objectives and policies

At 31 December 2020, the Group's major financial instruments include Designated FVOCI, Mandatory FVOCI, trade, loan and other receivables, promissory note receivable, financial assets at FVPL, bank balances – trust and segregated accounts, cash and cash equivalents, trade and other payables and loan payable. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The risks associated and the management policies remain unchanged from prior year.

Market risk

Foreign currency risk

Certain bank balances are denominated in foreign currencies which expose the Group to foreign currency risk.

At the end of the reporting period, the Group had the following amounts denominated in currencies other than the functional currency of the relevant entities to which they relate.

	Assets	
	2020 **HK$'000**	2019 HK$'000
RMB	**138,621**	136,981
US$	**11,775**	5,433

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

The management considers the Group's exposure on foreign exchange rate risk from the remaining foreign currencies is minimal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

34. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

Foreign currency risk (Continued)

Sensitivity analysis

At the end of the reporting period, if exchange rate of RMB had changed against the functional currencies of the respective group entities by 1% (2019: 4%) and all other variables were held constant, the Group's profit for the year would increase/decrease by approximately HK$1,386,000 (2019: approximately HK$5,479,000) as a result of changes in the carrying amount of these assets.

Since the exchange rate of HK$ is pegged with US$, the Group does not expect any significant movements in the US$/HK$ exchange rates.

The sensitivity analysis has been determined assuming that the change in foreign exchange rate had occurred at the end of the reporting period and had been applied to each of the Group's exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the year until the end of the next reporting period.

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate cash and cash equivalents and variable-rate loans to independent third parties. The management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

Sensitivity analysis

The management considers that the Group's exposure to cash flow interest rate risk on variable-rate bank balances and variable-rate loans as a result of the change of market interest rate is insignificant due to low interest rates on bank balances and insignificant balance of variable-rate loans amounting to approximately HK$4,480,000 (2019: approximately HK$38,554,000) at the end of the reporting period, thus no sensitivity analysis is presented for cash flow interest rate risk.

Equity price risk

The Group is exposed to equity price risk arising from investment in listed equity securities and listed debt securities which classified as financial assets at FVPL, Designated FVOCI and Mandatory FVCOI. The sensitivity analysis has been determined based on the exposure to equity price risk.

Sensitivity analysis

At the end of the reporting period, if the quoted market prices of the listed equity securities classified as financial assets at FVPL had been 8% (2019: 4%) higher or lower while all other variables were held constant, the Group's profit for the year would increase/decrease by approximately HK$289,462,000 (2019: approximately HK$67,540,000) as a result of changes in fair value of these financial assets.

At the end of the reporting period, if the quoted market prices of the listed equity securities and listed debt securities classified as Designated FVOCI and Mandatory FVOCI had been 8% (2019: 4%) higher or lower while all other variables were held constant, the Group's other comprehensive income for the year would increase/decrease by approximately HK$250,995,000 (2019: approximately HK$86,430,000) as a result of changes in fair value of these financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

34. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

Equity price risk (Continued)

Sensitivity analysis (Continued)

The sensitivity analysis has been determined assuming that the reasonably possible changes in the equity prices had occurred at the end of the reporting period and had been applied to the exposure to equity price risk in existence at that date. It is also assumed that the fair values of the investments of the Group would change in accordance with the market price and that all other variables remain constant. The stated changes represent management's assessment of reasonably possible changes in the relevant market price over the period until the end of the next annual reporting period. The analysis is performed on the same basis for 2019.

Credit risk

The carrying amount of financial assets on the consolidated statement of financial position, which is net of impairment losses, represents the Group's exposure to credit risk without taking into account the value of any collateral held or other credit enhancements.

The Group's maximum exposure to credit risk in the event of the counterparties fail to perform their obligations in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

The Group reviews the recoverable amount of each individual financial assets at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Trade receivables from margin clients

The Group provides financing services only to recognised and creditworthy third parties. It is the Group's policy that all these margin clients are subject to credit verification procedures. The margin loans are secured by pledged marketable securities and margin is set to ensure that certain proportion of the fair value of pledged marketable securities of the individual margin clients is sufficiently higher than the corresponding outstanding loans.

The Group's customer base consists of a wide range of clients and the trade receivables from margin clients are categorised by common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms.

In estimating the ECL and in determining whether there is a significant increase in credit risk since initial recognition and whether the financial asset is credit-impaired, the Group has taken into account the historical actual credit loss experience, loan to value ratio which determined using current trade receivable balances and pledged marketable securities and adjusted for forward-looking factors that are specific to the debtors and general economic conditions of the industry in which the counterparties operate, in estimating the probability of default of these financial assets, as well as the loss upon default in each case. There was no change in the estimation techniques or significant assumptions made during the year.

After considering the above factors, the management assess that all of the trade receivables from margin clients have not had a significant increase in credit risk and 12-month ECL will be recognised. The management of the Group considers the 12-month ECL of trade receivables from margin clients to be insignificant, so no loss allowance was recognised during the year (2019: HK$Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

34. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk (Continued)

Loan receivables

Management has money lending policies in place and the exposure to the credit risk is monitored on an ongoing basis. The Group grants loans only to recognised and creditworthy third party and related party borrowers. It is the Group's policy that all these borrowers are subject to credit verification procedures. Also, the Group has other monitoring procedures to ensure that follow-up action is promptly taken to recover overdue debts.

As at 31 December 2020, the Group has concentration of credit risk as 18% and 73% (2019: 29% and 66%) of total loan receivables was due from the Group's largest borrower and the five largest borrowers respectively, within the money lending segment.

In estimating the ECL and in determining whether there is a significant increase in credit risk since initial recognition and whether the loan receivable is credit-impaired, the Group has taken into account the historical actual credit loss experience for the borrowers and the financial position of the counterparties by reference to, among others, their management or audited accounts and available press information, adjusted for forward-looking factors that are specific to the debtors and general economic conditions of the industry in which the counterparties operate, in estimating the probability of default of these financial assets, as well as the loss upon default in each case. There was no change in the estimation techniques or significant assumptions made during the year.

The Group has established a loan credit risk classification system and performs credit risk management based on loan classification in one of three categories of internal credit rating. The information about the ECL for the loan receivables as at 31 December 2020 is summarised below. After considering the above factors, a loss allowance of approximately HK$43,423,000 (2019: approximately HK$102,376,000) was recognised as at 31 December 2020.

At 31 December 2020

Internal credit rating	Gross carrying amount *HK$'000*	ECL	Loss allowance *HK$'000*	Net carrying amount *HK$'000*
Performing (Note i)	968,968	12-month	18,442	950,526
Underperforming (Note ii)	322,867	Lifetime	18,872	303,995
Not performing (Note iii)	6,109	Lifetime	6,109	–
	1,297,944		43,423	1,254,521

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

34. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk (Continued)

Loan receivables (Continued)

At 31 December 2019

Internal credit rating	Gross carrying amount	ECL	Loss allowance	Net carrying amount
	HK$'000		*HK$'000*	*HK$'000*
Performing (Note i)	451,045	12-month	6,829	444,216
Underperforming (Note ii)	173,793	Lifetime	93,973	79,820
Not performing (Note iii)	1,629	Lifetime	1,574	55
	626,467		102,376	524,091

Notes:

(i) Performing (Normal Credit Quality) refers to the loans that have not had a significant increase in credit risk and ECL in the next 12 months will be recognised;

(ii) Underperforming (Significant Increase in Credit Risk) refers to the loans that have had a significant increase in credit risk and for which the lifetime ECL will be recognised;

(iii) Not performing (Credit-impaired) refers to the loans that have objective evidence of impairment and for which the lifetime ECL will be recognised.

Aging analysis

Aging analysis of loan receivables (net of loss allowance) prepared based on loan commencement date set out in the relevant contracts is as follows:

	2020	2019
	HK$'000	*HK$'000*
Less than 1 month	**240,981**	115,332
1 to 3 months	**94,034**	151,414
4 to 6 months	**438,181**	64,504
7 to 12 months	**212,153**	180,878
Over 12 months	**269,172**	11,963
At the end of the reporting period	**1,254,521**	524,091

Aging analysis of loan receivables (net of loss allowance) prepared based on contractual due date is as follows:

	2020	2019
	HK$'000	*HK$'000*
Not yet past due	**1,254,521**	495,966
Less than 1 month past due	**–**	2,940
4 to 6 months past due	**–**	4,059
7 to 12 months past due	**–**	21,071
Over 12 months past due	**–**	55
At the end of the reporting period	**1,254,521**	524,091

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

34. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk (Continued)

Aging analysis (Continued)

During the year ended 31 December 2020, the Group recognised a loss allowance of approximately HK$43,423,000 (2019: approximately HK$102,376,000) on its loan receivables. The movement in the loss allowance for loan receivables during the year is summarised below.

	2020			
	12-month ECL	**Lifetime ECL**		
	Performing	**Under-performing**	**Not performing**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
At the beginning of the reporting period	**6,829**	**93,973**	**1,574**	**102,376**
Increase in allowance	**24,005**	**60,759**	**12,761**	**97,525**
Reversal of allowance upon recovery of loan	**(12,392)**	**–**	**(8,226)**	**(20,618)**
Written off upon disposal (note 21(d))	**–**	**(135,860)**	**–**	**(135,860)**
At the end of the reporting period	**18,442**	**18,872**	**6,109**	**43,423**

	2019			
	12-month ECL	Lifetime ECL		
	Performing	Under-performing	Not performing	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At the beginning of the reporting period	3,262	5,109	1,574	9,945
Increase in allowance	3,567	125,503	–	129,070
Reversal of allowance upon recovery of loan	–	(36,639)	–	(36,639)
At the end of the reporting period	6,829	93,973	1,574	102,376

At 31 December 2020, no loss allowance was recognised for loans receivables with carrying amounts of approximately HK$233,289,000 (2019: approximately HK$150,795,000) due to the relevant pledged assets of approximately HK$365,164,000 (2019: approximately HK$212,087,000).

The management closely monitors the credit quality of the loans and there are no indications that the loan receivables neither past due nor impaired will be uncollectible.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

34. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk (Continued)

Promissory note receivable

In estimating the ECL and in determining whether there is a significant increase in credit risk since initial recognition and whether the promissory note receivable is credit-impaired, the Group has taken into account the issuer previous historical actual credit loss experience, financial information and adjusted for forward-looking factors that are specific to the debtors and general economic conditions of the industry in which the counterparty operates, in estimating the probability of default of the promissory note receivable, as well as the loss upon default in each case. After considering the above factors, the management assess that the promissory note receivable have not had a significant increase in credit risk and 12-month ECL will be recognised. The management of the Group considers the 12-month ECL of promissory note receivable to be insignificant, so no loss allowance was recognised during the year.

Other receivables

The Group considers that other receivables have low credit risk based on the debtors' strong capacity to meet its contractual cash flow obligations in the near term and low risk of default, therefore, the credit risk associated with other receivables is minimal. No loss allowance was recognised for both years.

Deposits with financial institution

The credit risk on bank balances is limited because majority of the counterparties are financial institutions with high credit-ratings assigned by international credit-rating agencies and state-owned banks with good reputation. No loss allowance was recognised for both years.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both principal and interest cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

34. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity and interest risk tables

	Weighted average effective interest rate	On demand or less than 1 year	1 to 2 years	Total undiscounted cash flows	Carrying amount at 31.12.2020
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2020					
Non-derivative financial liabilities					
Amounts due to cash and margin clients	–	8,682	–	8,682	8,682
Secured margin loans from securities brokers	–	273,285	–	273,285	273,285
Other payables and accrued charges	–	23,514	–	23,514	23,514
Loan payable	5%	11,500	236,402	247,902	235,068
Lease liabilities	4.05%	8,221	2,086	10,307	10,059
		325,202	238,488	563,690	550,608

	Weighted average effective interest rate	On demand or less than 1 year	1 to 2 years	Total undiscounted cash flows	Carrying amount at 31.12.2019
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2019					
Non-derivative financial liabilities					
Amounts due to cash and margin clients	–	22,465	–	22,465	22,465
Secured margin loans from securities brokers	–	415,516	–	415,516	415,516
Other payables and accrued charges	–	32,825	–	32,825	32,825
Loan payable	6.5%	154,034	–	154,034	150,855
Lease liabilities	4.52%	11,044	6,449	17,493	16,856
		635,884	6,449	642,333	638,517

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

35. FAIR VALUE MEASUREMENTS

The following presents the assets and liabilities measured at fair value or required to disclose their fair value in these financial statements on a recurring basis across the three levels of the fair value hierarchy defined in HKFRS 13, Fair Value Measurement, with the fair value measurement categorised in its entirety based on the lowest level input that is significant to the entire measurement. The levels of inputs are defined as follows:

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

(a) Fair value of the Group's financial assets that are measured at fair value

Financial assets	Fair value as at 2020	Fair value as at 2019	Fair value hierarchy	Valuation techniques and key inputs
1) Investments in listed equity securities classified as financial assets at FVPL	**Listed equity securities in: – Hong Kong HK$4,330,031,000 – United States HK$3,235,000**	Listed equity securities in: – Hong Kong HK$2,022,155,000	Level 1	Quoted bid prices in an active market
2) Investments in unlisted investment funds classified as financial assets at FVPL	**HK$350,724,000**	HK$77,512,000	Level 2	Derived from quoted prices from pricing services based on net asset value of the funds
3) Investments in unlisted convertible notes classified as financial assets at FVPL	**-**	HK$32,380,000	Level 3	Discounted cash flow method and binomial tree model, based on spot price, volatility and discount rate
4) Investments in listed equity securities classified as Designated FVOCI	**Listed equity securities in: – Hong Kong HK$3,114,571,000 – United States HK$22,861,000**	Listed equity securities in: – Hong Kong HK$2,096,293,000 – United States HK$45,855,000	Level 1	Quoted bid prices in an active market
5) Investments in unlisted equity securities classified as Designated FVOCI	**-**	HK$58,315,000	Level 2	Determined by the management by reference to available market information adjusted to reflect liquidity of the investments
6) Investments in unlisted equity securities classified as Designated FVOCI	**HK$94,941,000**	HK$749,471,000	Level 3	Derived from unobservable inputs for the asset or liability by an independent professional qualified valuer
7) Investments in unlisted equity securities classified as Designated FVOCI	**HK$38,813,000**	HK$38,900,000	Level 2	Estimated by external fund manager by reference to recent comparable transactions
8) Investments in listed debt securities classified as Mandatory FVOCI	**-**	Listed debt securities in: – Singapore HK$18,599,000	Level 1	Quoted bid prices in an active market

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

35. FAIR VALUE MEASUREMENTS (Continued)

(a) Fair value of the Group's financial assets that are measured at fair value (Continued)

There were no transfers between Level 1 and Level 2 fair value measurement in both years. There were transfers between Level 2 and Level 3 fair value measurements. The details of the movements of the fair value measurements categorised as Level 3 of the fair value hierarchy during the years ended 31 December 2020 and 2019 are as follows:

Movements in Level 3 fair value measurements
2020

Description	Financial assets at FVPL	Designated FVOCI	Total
	Unlisted convertible notes	Unlisted equity securities	
	HK$'000	*HK$'000*	*HK$'000*
At the beginning of the year	32,380	749,471	781,851
Disposals	(25,482)	(930,938)	(956,420)
Total gains or losses			
reported as "net (loss) gain on sales of financial assets at FVPL" in profit or loss	(12,509)	-	(12,509)
reported as "fair value change on Designated FVOCI reclassified to retained earnings upon disposal" in other comprehensive income		394,119	394,119
reported as "fair value change on Designated FVOCI" in other comprehensive income	–	(119,616)	(119,616)
Amortisation of deferred day-one gain	5,611	–	5,611
Exchange alignment	–	1,905	1,905
At the end of the reporting period	–	94,941	94,941

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

35. FAIR VALUE MEASUREMENTS (Continued)

(a) Fair value of the Group's financial assets that are measured at fair value (Continued)

Movements in Level 3 fair value measurements (Continued)

2019

Description	Financial assets at FVPL	Designated FVOCI	Total
	Unlisted convertible notes	Unlisted equity securities	
	HK$'000	*HK$'000*	*HK$'000*
At the beginning of the year	–	475,785	475,785
Additions	–	134,497	134,497
Purchases	40,500	–	40,500
Disposals	(24,377)	–	(24,377)
Converted	(37,895)	–	(37,895)
Total gains or losses			
reported as "net gain (loss) on sales of financial assets at FVPL" in profit or loss	30,889	–	30,889
reported as "net unrealised fair value (loss) gain on financial assets at FVPL" in profit or loss	12,571	–	12,571
reported as "fair value change on Designated FVOCI" in other comprehensive income	–	(27,173)	(27,173)
Amortisation of deferred day-one gain	10,692	–	10,692
Exchange alignment	–	(1,555)	(1,555)
Transfers into Level 3 (Notes i, ii)	–	167,917	167,917
At the end of the reporting period	32,380	749,471	781,851

Notes:

(i) The transfer from Level 2 to Level 3 fair value measurements for the year ended 31 December 2019 was due to significant increase in unobservable inputs.

(ii) The Group's policy is to recognise transfers into Level 3 as at the beginning of the reporting period in which the transfer occurs.

Quantitative information of the significant unobservable inputs and description of valuation techniques used in Level 3 fair value measurement

The quantitative information of the significant unobservable input and description of valuation techniques used in Level 3 fair value measurement, including the description of the sensitivity to changes in unobservable inputs for recurring Level 3 fair value measurements, are as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

35. FAIR VALUE MEASUREMENTS (Continued)

(a) Fair value of the Group's financial assets that are measured at fair value (Continued)

Quantitative information of the significant unobservable inputs and description of valuation techniques used in Level 3 fair value measurement (Continued)

Description	Fair value at 31 December 2020 *HK$'000*	Valuation techniques	Unobservable input	Sensitivity of fair value to changes in unobservable inputs
Assets				
Designated FVOCI				
(a) unlisted equity securities in the PRC	**21,371**	Market approach	a) The mean of MVIC/Total assets ratios of the comparable companies of 0.63 b) The mean of P/B ratios of the comparable companies of 0.83 c) Weighting factor of 50:50 for fair value arriving by MVIC/Total assets ratio and P/B ratio	a) If the MVIC/Total assets ratio increased/decreased by 5%, the fair value of the unlisted equity securities would increase/decrease by HK$497,000. b) If the P/B ratio increased/decreased by 5%, the fair value of the unlisted equity securities would increase/decrease by HK$572,000. c) If the weighting factor was changed to 55:45/45:55 for fair value arriving by MVIC/Total assets ratio and P/B ratio, the fair value of the unlisted equity securities would decrease/increase by HK$149,000.
(b) unlisted equity securities in BVI	**73,570**	Adjusted net asset value method	a) The mean of MVIC/Total assets ratios of the comparable companies of 0.71 b) The mean of P/B ratios of the comparable companies of 0.62 c) Weighting factor of 50:50 for fair value arrived by MVIC/Total assets ratio and P/B ratio	a) If the MVIC/Total assets ratio increased/decreased by 5%, the fair value of the unlisted equity securities would increase/decrease by HK$251,000. b) If the P/B ratio increased/decreased by 5%, the fair value of the unlisted equity securities would increase/decrease by HK$152,000. c) If the weighting factor was changed to 55:45/45:55 for fair value arriving by MVIC/Total assets ratio and P/B ratio, the fair value of the unlisted equity securities would decrease/increase by HK$5,000.

The fair value of the unlisted equity securities without an active market classified in Level 3 fair value measurement was determined by the management based on the valuation from Grant Sherman Appraisal Limited, an independent professional qualified valuer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

35. FAIR VALUE MEASUREMENTS (Continued)

(a) Fair value of the Group's financial assets that are measured at fair value (Continued)

Valuation process

The management of the Group is responsible to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group will establish the appropriate valuation techniques and inputs to the model. Management reports to executive directors semi-annually to explain the cause of fluctuations in the fair value of the assets.

Information about the valuation techniques and inputs used in determining the fair value of various assets are disclosed above.

(b) Fair value of the Group's financial assets and financial liabilities carried at other than fair value

The management of the Group estimates the fair value of its financial assets and financial liabilities measured at amortised cost using the discounted cash flows analysis. The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate their fair values.

36. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO OFFSETTING, ENFORCEABLE MASTER NETTING ARRANGEMENTS AND SIMILAR AGREEMENTS

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Group's consolidated statement of financial position; or
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the Group's consolidated statement of financial position.

Under the continuous net settlement arrangement, money obligations receivable and payable with HKSCC due to or from the Group entities on the same settlement date are settled on a net basis. The Group has legally enforceable right to set off the amounts of receivables and payables with cash clients and margin clients that are due to be settled on the same date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

36. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO OFFSETTING, ENFORCEABLE MASTER NETTING ARRANGEMENTS AND SIMILAR AGREEMENTS (Continued)

The gross amounts of the recognised financial assets and financial liabilities and their net amounts as presented in the Group's consolidated statement of financial position are as follows:

	Gross amounts of recognised financial assets	Gross amounts of recognised financial assets set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Related amount not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Collateral pledged	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2020						
Trade receivables from cash clients	**125**	**(32)**	**93**	**–**	**(28)**	**65**
Trade receivables from margin clients	**553,626**	**(1,505)**	**552,121**	**–**	**(552,121)**	**–**
Trade receivables from HKSCC	**14,540**	**(5,014)**	**9,526**	**–**	**–**	**9,526**
Financial assets at FVPL	**4,683,990**	**–**	**4,683,990**	**(273,285)**	**–**	**4,410,705**

	Gross amounts of recognised financial assets	Gross amounts of recognised financial assets set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Related amount not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Collateral pledged	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2019						
Trade receivables from cash clients	102	–	102	–	(40)	62
Trade receivables from margin clients	142,470	(3,597)	138,873	–	(138,873)	–
Trade receivables from HKSCC	3,853	(3,255)	598	–	–	598
Financial assets at FVPL	2,132,047	–	2,132,047	(415,516)	–	1,716,531

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

36. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO OFFSETTING, ENFORCEABLE MASTER NETTING ARRANGEMENTS AND SIMILAR AGREEMENTS (Continued)

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amount not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Collateral pledged	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2020						
Trade payables to cash clients	**(542)**	**32**	**(510)**	**–**	**–**	**(510)**
Trade payables to margin clients	**(9,677)**	**1,505**	**(8,172)**	**–**	**–**	**(8,172)**
Trade payables to HKSCC	**(5,014)**	**5,014**	**–**	**–**	**–**	**–**
Secured margin loans from securities brokers	**(273,285)**	**–**	**(273,285)**	**–**	**273,285**	**–**

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amount not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Collateral pledged	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2019						
Trade payables to cash clients	(1,711)	–	(1,711)	–	–	(1,711)
Trade payables to margin clients	(24,351)	3,597	(20,754)	–	–	(20,754)
Trade payables to HKSCC	(3,255)	3,255	–	–	–	–
Secured margin loans from securities brokers	(415,516)	–	(415,516)	–	415,516	–

The amounts which have been offset against the related recognised financial assets and financial liabilities in the Group's consolidated statement of financial position are measured on the same basis as the recognised financial assets and financial liabilities, which is amortised cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

37. RETIREMENT BENEFIT SCHEMES

In December 2000, the Group enrolled all Hong Kong employees in a Mandatory Provident Fund ("MPF") Scheme. The assets of the MPF Scheme are held separately from those of the Group under the control of trustees. The retirement benefit cost for the MPF charged to the consolidated statement of profit or loss and other comprehensive income represents contributions paid and payable to the fund by the Group at rates specified in the rules of the MPF Scheme.

During the year ended 31 December 2020, the total expense recognised in the consolidated statement of profit or loss and other comprehensive income is approximately HK$595,000 (2019: approximately HK$653,000).

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES

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

Name of subsidiary	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company				Principal activities
			2020		2019		
			Directly	Indirectly	Directly	Indirectly	
Enerchina Resources Limited	Hong Kong – limited liability company	HK$2 of 2 ordinary shares	100	–	100	–	Provision of management services
Global Mind Investment Limited	BVI – limited liability company	US$1 of 1 ordinary share	–	100	–	100	Investment holding
Kenson Investment Limited	Bermuda – limited liability company	US$1 of 1 ordinary share	–	100	–	100	Securities trading and investments
Noble Order Limited	BVI – limited liability company	HK$91,476,207 of 1,000 ordinary shares	–	100	–	100	Holding of Yacht and motor vehicles
Nu Kenson Limited	BVI – limited liability company	US$1 of 1 ordinary share	–	100	–	100	Securities trading and investments
Oshidori Citizens Money Lending Corporation Limited (formerly known as Citizens Money Lending Corporation Limited)	Hong Kong – limited liability company	HK$15,000,000 of 15,000,000 ordinary shares	–	100	–	100	Money lending
Oshidori Corporate Finance Limited (formerly known as Enerchine Corporate Finance Limited)	Hong Kong – limited liability company	HK$10,000,000 of 10,000,000 ordinary shares	–	100	–	100	Corporate finance advisory services
Oshidori International Development Godo Kaisha	Japan – limited liability company	Paid-up capital of ¥100,000	–	100	–	–	Provision of consultancy services
Oshidori Securities Limited (formerly known as Win Wind Securities Limited)	Hong Kong – limited liability company	HK$589,000,000 of 589,000,000 ordinary shares	–	100	–	100	Securities brokerage and financial services

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company				Principal activities
			2020		2019		
			Directly	Indirectly	Directly	Indirectly	
Oshidori WW Resources Limited (formerly known as Win Wind Resources Limited)	Hong Kong – limited liability company	HK$150,000,001 of 150,000,001 ordinary shares	-	100	–	100	Money lending
Roxy Link Limited	BVI – limited liability company	US$1 of 1 ordinary share	-	100	–	100	Securities investment
Smart Jump Corporation	BVI – limited liability company	US$1 of 1 ordinary share	-	100	–	100	Securities trading and investments
Uptown WW Group Limited	BVI – limited liability company	100 ordinary shares with no par value	-	100	–	100	Holding of Yacht and motor vehicles
Uptown WW Value Investments Limited	BVI – limited liability company	1 ordinary share with no par value	-	100	–	100	Investment holding
Win Wind Capital Limited	BVI – limited liability company	US$2,359,000,000 of 115,425,007 ordinary shares	100	-	100	–	Investment holding
Win Wind Corporate Services Limited	Hong Kong – limited liability company	HK$1 of 1 ordinary share	-	100	–	100	Provision of management services
Win Wind Recreational Fishing Limited	Marshall – limited liability company	US$1 of 1 ordinary share	-	100	–	100	Investment holding
威華達信息管理(深圳)有限公司 (Note i)	PRC – limited liability company	Paid-up capital of RMB10,000,000	100	-	100	–	Investment holding
深圳威華軒信息諮詢有限公司	PRC – limited liability company	Paid-up capital of RMB24,000,000	-	75	–	75	Investment holding

Note:

(i) 威華達信息管理(深圳)有限公司 is a wholly foreign owned enterprise.

The above list includes the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results of the year or assets and liabilities of the Group. To give details of all other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2020 HK$'000	2019 HK$'000
Non-current assets			
Investments in subsidiaries		**4,053,579**	3,845,764
Amounts due from subsidiaries		**3,942,790**	4,047,058
Designated FVOCI		**322,900**	–
		8,319,269	7,892,822
Current assets			
Other receivables, deposits and prepayments		**1,177**	1,081
Cash and cash equivalents		**75,590**	145,219
		76,767	146,300
Current liabilities			
Other payables and accrued charges		**9,525**	9,610
Amounts due to subsidiaries		**1,480,881**	1,480,895
Loan payable		**–**	150,855
		1,490,406	1,641,360
Net current liabilities		**(1,413,639)**	(1,495,060)
NET ASSETS		**6,905,630**	6,397,762
Capital and reserves			
Share capital	29	**305,680**	290,588
Reserves	(a)	**6,599,950**	6,107,174
TOTAL EQUITY		**6,905,630**	6,397,762

This statement of financial position was approved and authorised for issue by the Board of Directors on 30 March 2021 and is signed on its behalf by:

Wong Wan Men Margaret
Director

Wong Yat Fai
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

(a) Movement of the reserves

	Note	Share premium *HK$'000*	Contributed surplus *HK$'000*	Investment revaluation reserve (non-recycling) *HK$'000*	Share option reserve *HK$'000* (Note 30)	(Accumulated losses) Retained earnings *HK$'000*	Total *HK$'000*
At 1 January 2019		5,739,250	44,396	8,863	–	(57,414)	5,735,095
Profit for the year		–	–	–	–	454,212	454,212
Other comprehensive income							
Items that will not be reclassified to profit or loss							
Fair value change on Designated FVOCI reclassified to retained earnings upon disposal		–	–	(18,246)	–	18,246	–
Fair value change on Designated FVOCI		–	–	9,383	–	–	9,383
Total other comprehensive income for the year		–	–	(8,863)	–	18,246	9,383
Total comprehensive income for the year		–	–	(8,863)	–	472,458	463,595
Transactions with owners:							
Contributions and distributions							
Recognition of equity-settled share-based payments		–	–	–	24,720	–	24,720
Dividends paid	13	–	–	–	–	(116,236)	(116,236)
Transfer		(5,739,250)	5,681,836	–	–	57,414	–
		(5,739,250)	5,681,836	–	24,720	(58,822)	(91,516)
At 31 December 2019		–	5,726,232	–	24,720	356,222	6,107,174

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note: (Continued)

(a) Movement of the reserves (Continued)

	Note	Share premium HK$'000	Contributed surplus HK$'000	Investment revaluation reserve (non-recycling) HK$'000	Share option reserve HK$'000 (Note 30)	Share award reserve HK$'000 (Note 30)	Retained earnings HK$'000	Total HK$'000
At 1 January 2020		–	5,726,232	–	24,720	–	356,222	6,107,174
Profit for the year		–	–	–	–	–	82,276	82,276
Other comprehensive income								
Items that will not be reclassified to profit or loss								
Fair value change on Designated FVOCI		–	–	111,610	–	–	–	111,610
Total other comprehensive income for the year		–	–	111,610	–	–	–	111,610
Total comprehensive income for the year		–	–	111,610	–	–	82,276	193,886
Transactions with owners:								
Contributions and distributions								
Issue of new shares upon share swap	29	196,198	–	–	–	–	–	196,198
Recognition of equity-settled share-based payments		–	–	–	82,505	20,187	–	102,692
		196,198	–	–	82,505	20,187	–	298,890
At 31 December 2020		196,198	5,726,232	111,610	107,225	20,187	438,498	6,599,950

FINANCIAL SUMMARY

	For the year ended 31 December				
	2016	2017	2018	2019	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
	(Represented)	*(Represented)*			
RESULTS					
Revenue	(91,113)	55,472	(94,493)	282,333	**280,459**
Net unrealised fair value (loss) gain on financial assets at FVPL	(878,900)	399,605	183,199	(419,809)	**2,649,597**
(Loss) Profit before taxation	(1,137,223)	86,308	(21,241)	(396,101)	**3,209,089**
Taxation	101,357	(65,019)	19,865	36,087	**(389,631)**
(Loss) Profit for the year	(1,035,866)	21,289	(1,376)	(360,014)	**2,819,458**
Attributable to:					
Owners of the Company	(941,990)	57,464	21,035	(360,031)	**2,819,555**
Non-controlling interests	(93,876)	(36,175)	(22,411)	17	**(97)**
(Loss) Profit for the year	(1,035,866)	21,289	(1,376)	(360,014)	**2,819,458**

	As at 31 December				
	2016	2017	2018	2019	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
ASSETS AND LIABILITIES					
Total assets	6,386,378	7,768,416	7,268,722	6,840,212	**10,902,547**
Total liabilities	(1,784,662)	(1,429,052)	(769,304)	(665,723)	**(965,378)**
	4,601,716	6,339,364	6,499,418	6,174,489	**9,937,169**
Equity attributable to owners of the Company	4,365,478	6,082,343	6,414,015	6,170,118	**9,935,364**
Non-controlling interests	236,238	257,021	85,403	4,371	**1,805**
	4,601,716	6,339,364	6,499,418	6,174,489	**9,937,169**