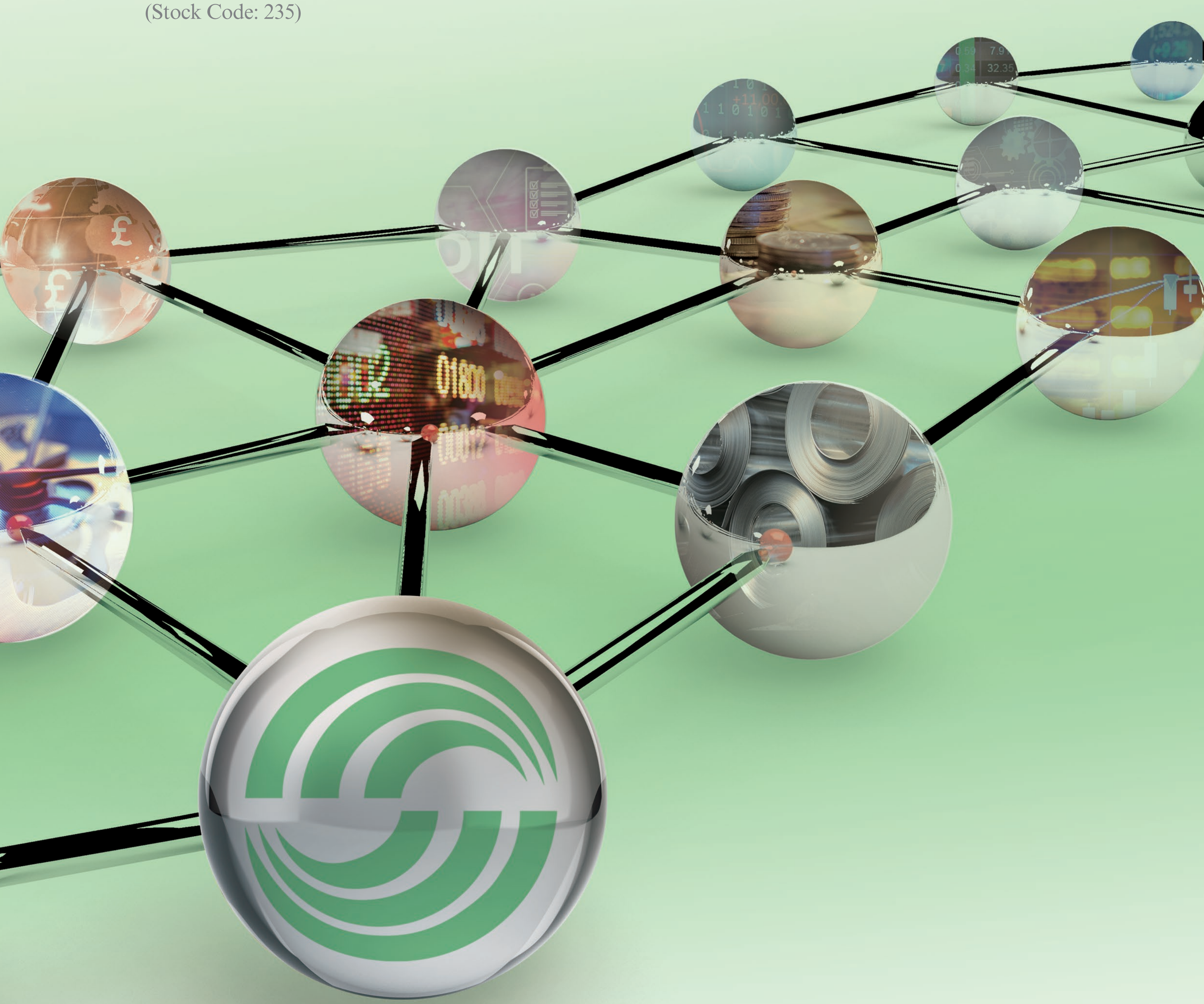
中策集團有限公司

China Strategic Holdings Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 235)



Annual Report 2020

Contents

Abbreviations

In this annual report, the following abbreviations have the following meanings unless otherwise specified:

"Board"	Board of Directors of the Company
"Company"	China Strategic Holdings Limited
"Directors"	directors of the Company
"Group"	the Company and its subsidiaries
"Hong Kong Companies Ordinance"	Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"PRC"	People's Republic of China
"RMB"	Renminbi
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"HK$" and "HK cent(s)"	Hong Kong dollars and cent(s)
"US$"	United States dollars
"%"	per cent.

The Chinese version of this annual report is a translation of the English version and is for reference only, in case of any discrepancies or inconsistencies between the English version and the Chinese version, the English version shall prevail.

Corporate Information

BOARD OF DIRECTORS

Non-executive Director

Dr. Or Ching Fai *SBS, JP (Chairman)*

Executive Directors

Mr. Sue Ka Lok *(Chief Executive Officer)*
Ms. Lee Chun Yeung, Catherine
Mr. Chow Kam Wah
Mr. Chow Man Wai, Tony

Independent Non-executive Directors

Ms. Ma Yin Fan
Mr. Chow Yu Chun, Alexander
Mr. Leung Hoi Ying
Mr. Lam Kin Fung, Jeffrey *GBS, JP*

AUDIT COMMITTEE

Ms. Ma Yin Fan *(Chairlady)*
Mr. Chow Yu Chun, Alexander
Mr. Leung Hoi Ying
Mr. Lam Kin Fung, Jeffrey *GBS, JP*

REMUNERATION COMMITTEE

Mr. Chow Yu Chun, Alexander *(Chairman)*
Ms. Ma Yin Fan
Mr. Leung Hoi Ying

NOMINATION COMMITTEE

Dr. Or Ching Fai *SBS, JP (Chairman)*
Ms. Ma Yin Fan
Mr. Leung Hoi Ying

EXECUTIVE COMMITTEE

Mr. Sue Ka Lok *(Chairman)*
Ms. Lee Chun Yeung, Catherine
Mr. Chow Kam Wah
Mr. Chow Man Wai, Tony

INVESTMENT & CREDIT COMMITTEE

Mr. Sue Ka Lok *(Chairman)*
Ms. Lee Chun Yeung, Catherine
Mr. Chow Kam Wah

COMPANY SECRETARY

Ms. Leung Siu King

REGISTERED OFFICE

Rooms 3206-3210, 32nd Floor
China Resources Building
26 Harbour Road
Wanchai, Hong Kong

PRINCIPAL BANKERS

The Hong Kong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited
Hang Seng Bank Limited
Bank of Communications Co., Ltd., Hong Kong Branch
Bank of Communications (Hong Kong) Limited
BNP Paribas Hong Kong Branch

LEGAL ADVISERS

Reed Smith Richards Butler
Stevenson, Wong & Co.

AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Standard Limited
Level 54, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

TRADING OF SHARES

The Stock Exchange of Hong Kong Limited
(Stock Code: 235)

WEBSITE

http://www.cshldgs.com

Chairman's Statement

On behalf of the Board, I am pleased to present to the shareholders the results of the Group for the year ended 31 December 2020 ("FY2020").

RESULTS

During FY2020, the Group was principally engaged in the business of investment in securities, trading of electronic components, money lending as well as securities brokerage.

With the health crises of the COVID-19 pandemic continued on a global scale, the Group was confronted with economic chaos and unprecedented market challenges during the year. The slowdown of economic activities of many countries including China, the US, the UK, Japan, Korea and many European countries, the volatilities of global financial markets including Hong Kong, and the decrease of international trade flow across the globe, all had, by different extent, posed negative impact on the Group's operations. In fact, the market conditions were more chaotic in Hong Kong owing to the occurrence of social events and the unsettled China-US trade disputes. Against this backdrop, the Group has adopted a cautious and disciplined approach in managing its businesses and managed to report a profit attributable to owners of the Company of HK$2,283,187,000 (2019: loss of HK$322,947,000), largely resulting from the net fair value gain on listed equity securities held by the Group, and an earnings per share of HK13.29 cents (2019: loss of HK1.90 cents). For the year under review, the Group's revenue declined by 67% to HK$256,347,000 (2019: HK$779,962,000), mainly due to the decreases in sales of the trading operation and interest income from the money lending business.

The Group reported a total comprehensive income attributable to owners of the Company of HK$2,294,579,000 (2019: total comprehensive expense of HK$276,193,000) which included a net fair value loss on debt securities of HK$29,768,000 (2019: net fair value gain of HK$56,400,000).

PROSPECTS

Following the stabilisation of the pandemic in the Mainland, there are signs that the economy is on the recovery path with notable improvements in economic and market conditions. China achieved a positive GDP growth in 2020 and Hong Kong is well positioned to continue to benefit from the nation's sustainable economic growth. In addition, the recent launch of vaccination program in Hong Kong and many countries including the US, the UK, Japan and Korea should also ease the global pandemic situation and pave the way for the economies to fully reactivate. Nevertheless, it is difficult to predict the evolution and duration of the pandemic, the Group's management will thus continue to adopt a cautious and disciplined approach in managing the Group's businesses and in seizing business and investment opportunities. The Group is currently considering to acquire the entire equity interests in a target company engaging in insurance business in Hong Kong, with the view to diversify the Group's businesses and income base and to create value for shareholders. Announcements will be made to inform shareholders as and when there is further material development of this investment opportunity.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to all shareholders, investors, bankers, business associates and customers for their continuing support to the Group, to my fellow directors for their valuable services, and to all staff members for their hard work and contributions during the past year.

Dr. Or Ching Fai
Chairman

Hong Kong, 26 March 2021

Management Discussion and Analysis

BUSINESS REVIEW

During the year ended 31 December 2020 ("FY2020"), the Group was principally engaged in the business of investment in securities, trading of electronic components, money lending as well as securities brokerage.

With the health crises of the COVID-19 pandemic continued on a global scale, the Group was confronted with economic chaos and unprecedented market challenges during the year. The slowdown of economic activities of many countries including China, the US, the UK, Japan, Korea and many European countries, the volatilities of global financial markets including Hong Kong, and the decrease of international trade flow across the globe, all had, by different extent, posed negative impact on the Group's operations. In fact, the market conditions were more chaotic in Hong Kong owing to the occurrence of social events and the unsettled China-US trade disputes. Against this backdrop, the Group has adopted a cautious and disciplined approach in managing its businesses. For FY2020, the Group recorded a decline in revenue by 67% to HK$256,347,000 (2019: HK$779,962,000), mainly due to the decreases in sales of the trading operation and interest income from the money lending business, and a profit attributable to owners of the Company of HK$2,283,187,000 (2019: loss of HK$322,947,000), largely resulting from the net fair value gain on listed equity securities held by the Group.

Investment in Securities

The Group generally acquires securities listed on the Stock Exchange or other recognised stock exchanges and over-the-counter markets with good liquidity that can facilitate swift execution of securities transactions, and sometimes directly from target companies. For making investment or divestment decision on securities of individual target company, references will usually be made to the latest financial information, news and announcements issued by the target company, investment analysis reports that the Company has access to, as well as industry or macro-economic news. When deciding on acquiring securities to be held for long-term purpose, particular emphasis will be placed on the past financial performance of the target company including its sales and profit growth, financial healthiness, dividend policy, business prospect, industry and macroeconomic outlook. When deciding on acquiring securities to be held other than for long-term purpose, in addition to the factors mentioned, references will also be made to prevailing market sentiments on different sectors of the investment markets. In terms of return, for long-term securities investments, the Company mainly emphasises on return of investment in the form of capital appreciation and dividend/interest income. For securities investments other than for long-term holding, the Company mainly emphasises on return of investment in the form of trading gains.

At 31 December 2020, the Group's securities investments comprised (i) a financial asset at fair value through profit or loss ("FVTPL") portfolio, comprising equity securities listed in Hong Kong, valued at HK$4,073,317,000 (2019: HK$1,454,098,000); and (ii) a debt instrument at fair value through other comprehensive income ("FVTOCI") portfolio comprising debt securities listed in Hong Kong or overseas, valued at HK$401,813,000 (2019: HK$957,361,000, constituted by non-current and current portions). As a whole, the Group's securities investments recorded a revenue of HK$64,931,000 (2019: HK$100,664,000) and a profit of HK$2,939,628,000 (2019: loss of HK$336,341,000).

Financial assets at FVTPL

At 31 December 2020, the Group held a financial asset at FVTPL portfolio amounting to HK$4,073,317,000 measured at market/fair value. During FY2020, the portfolio generated a revenue of HK$7,033,000 (2019: HK$27,319,000) representing dividends from equity securities of HK$7,033,000 (2019: HK$22,491,000), whilst no interest income from equity-linked notes and convertible securities this year (2019: HK$4,828,000). The Group recognised a net gain on financial assets at FVTPL of HK$2,905,676,000, which comprised net unrealised gain and net realised loss of HK$2,979,472,000 and HK$73,796,000 respectively (2019: net loss of HK$436,888,000, which comprised net unrealised loss and net realised loss of HK$409,214,000 and HK$27,674,000 respectively).

The net gain on financial assets at FVTPL recognised was mainly attributed to the net increase in fair value of the Group's listed equity securities portfolio during the year. Such net increase in fair value mainly comprised the increase in fair value of the Group's investment in listed shares of China Evergrande New Energy Vehicle Group Limited ("Evergrande Vehicle", HKEX stock code: 708, formerly known as Evergrande Health Industry Group Limited) which amounted to HK$2,996,648,000 during the year, in contrast to the decrease in fair value of HK$338,008,000 recognised in the prior year.

The Group has started to invest in Evergrande Vehicle since March 2015, including the unrealised fair value gain recognised in the current year, up to 31 December 2020, the accumulative holding gain of this investment amounted to HK$3,815,408,000 (as shown in the table below about the Group's top two investments). At the year end, the Group held 133,600,000 ordinary shares in Evergrande Vehicle which represented approximately 1.52% of its issued shares, and the carrying value of the Group's investment in Evergrande Vehicle amounted to HK$4,034,720,000 which represented approximately 47.57% of the Group's total assets. Evergrande Vehicle is principally engaged in technology research and development, production and sales of new energy vehicles as well as health management businesses including "Internet+" community health management, international hospitals, elderly care and rehabilitation. According to its latest published annual financial information, its healthcare business generated revenue of RMB15.3 billion while its new energy vehicle business recorded revenue of RMB187.5 million. Evergrande Vehicle has established a full industry chain of new energy vehicles covering automobile manufacturing, electric motor control, power batteries, vehicle sales, smart charging, shared mobility and other aspects and built advanced intelligent manufacturing bases in Tianjin, Shanghai, Guangzhou and other locations in accordance with the Industry 4.0 Standard. Evergrande Vehicle will endeavor to facilitate the mass production of the nine Hengchi models at full speed, and continue to devote itself to the innovation and application of new energy vehicle technologies and product R&D as well as to introduce additional vehicle models to enrich its product mix and elevate the smart manufacturing standards in China. The Group is optimistic about the prospect of Evergrande Vehicle in the medium to long-term. Subject to market conditions, the Group presently has no intention to realise this investment.

At 31 December 2020, the Group invested in Evergrande Vehicle and other categories of companies and their weightings to the market/fair value of the Group's financial asset at FVTPL portfolio of HK$4,073,317,000 are as below:

Name/category of companies	Approximate weighting to the market/fair value of the Group's financial asset at FVTPL portfolio %
Evergrande Vehicle	99.05
Property	0.73
Others	0.22
	100.00

At 31 December 2020, the weightings of the Group's investment in Evergrande Vehicle and other investments to the market/fair value of the Group's financial asset at FVTPL portfolio of HK$4,073,317,000 (together with other information) are as below:

Company name	Approximate weighting to the market/ fair value of the Group's financial asset at FVTPL portfolio	Approximate weighting to the carrying amount of the Group's total assets at 31 December 2020	% of shareholding interest	Acquisition costs	*Acquisition costs during the year/carrying amount at 1 January 2020	Market/fair value at 31 December 2020	Accumulated unrealised gain (loss) recognised up to 31 December 2020	Unrealised gain (loss) recognised during the year ended 31 December 2020	Dividend income recognised during the year ended 31 December 2020
	%	%	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				A	B	C	D = C – A	E = C – B	
Evergrande Vehicle (HKEX stock code: 708)	99.05	47.57	1.52	219,312	1,038,072	4,034,720	3,815,408	2,996,648	–
Emperor International Holdings Limited ("Emperor") (HKEX stock code: 163)	0.73	0.35	0.74	62,311	46,897	29,819	(32,492)	(17,078)	1,285
Others	0.22	0.10	N/A	194,346	8,876	8,778	(185,568)	(98)	5,748
	100.00	48.02		475,969	1,093,845	4,073,317	3,597,348	2,979,472	7,033

* The amount represented the costs of the securities acquired during the year ended 31 December 2020 and/or the carrying amount of the securities brought forward from the prior financial year after accounting for additional acquisition and/or disposal of the securities (if any) during the current financial year.

The tables below set out the (i) unrealised gain (loss) recognised for the year ended 31 December 2020 for the financial assets at FVTPL held by the Group at 31 December 2020 together with information on financial performance of the investee companies and their future prospects; and the (ii) realised gain (loss) on financial assets at FVTPL disposed of during the year ended 31 December 2020. The Group is committed to closely monitor the financial performance of its financial asset at FVTPL portfolio through making investment and divestment decisions on individual securities from time to time based on, amongst others, internal assessments on prospects of individual securities and publicly available information of the investee companies.

(i) Unrealised gain (loss) recognised for the year ended 31 December 2020 for the financial assets at FVTPL held by the Group at 31 December 2020 together with information on financial performance of the investee companies and their future prospects

Company name	Abbreviation of investee company	#Principal activities of investee company	*Acquisition costs during the year/carrying amount at 1 January 2020 HK$'000	% of shareholding interest %	Market/ fair value at 31 December 2020 HK$'000	% to total market/ fair value of the Group's financial asset at FVTPL portfolio %	Unrealised gain (loss) recognised during the year ended 31 December 2020 HK$'000	#Investee company's financial performance	#Future prospects of the investee company
Equity securities listed in Hong Kong									
Evergrande Vehicle	A	Technology research and development, production and sales of new energy vehicles as well as health management businesses including "Internet+" community health management, international hospitals, elderly care and rehabilitation	1,038,072	1.52	4,034,720	99.05	2,996,648	For the year ended 31 December 2020, revenue increased by 175% to RMB15,486,625,000 while loss for the year increased by 55% to RMB7,664,907,000 as compared to the prior year.	The investee company will endeavor to facilitate the mass production of the nine Hengchi models at full speed, and continue to devote itself to the innovation and application of new energy vehicle technologies and product R&D as well as to introduce additional vehicle models to enrich its product mix and elevate the smart manufacturing standards in China.
Emperor	B	Lease of properties, properties development and hotel and hotel related operations	46,897	0.74	29,819	0.73	(17,078)	For the six months ended 30 September 2020, revenue decreased by 49% to HK$637,503,000 and loss for the period increased by 143% to HK$1,067,484,000 as compared to the same period in 2019.	For property investment business, the investee company possesses a geographically balanced property portfolio which focuses on commercial buildings and quality street-level retail spaces in prominent locations. For property sales business, it pursues a strategy of providing quality residential properties with convenient access to transportation networks.
Others	-	-	8,876	N/A	8,778	0.22	(98)	-	-
			1,093,845		**4,073,317**	**100.00**	**2,979,472**		

\# Extracted from published financial information of the investee companies.

* The amount represented the costs of the securities acquired during the year ended 31 December 2020 and/or the carrying amount of the securities brought forward from the prior financial year after accounting for additional acquisition and/or disposal of the securities (if any) during the current financial year.

(ii) Realised gain (loss) on financial assets at FVTPL disposed of during the year ended 31 December 2020

Industry	Abbreviation of investee company	# Principal activities of investee company	*Acquisition costs during the year/carrying amount at 1 January 2020 HK$'000	Sale proceeds of financial assets at FVTPL sold during the year ended 31 December 2020 HK$'000	Realised gain (loss) recognised during the year ended 31 December 2020 HK$'000
Equity securities listed in Hong Kong					
Banking	**C**	Banking business	128,849	94,818	(34,031)
	D	Banking business	43,257	49,167	5,910
			172,106	**143,985**	**(28,121)**
Conglomerate	**E**	Broking and securities margin financing, money lending, corporate finance and investments	67,500	50,267	(17,233)
	F	International trading, financial guarantee services, finance lease services, property investment, financial advisory services and logistics services	14,525	10,105	(4,420)
	Others	–	30,553	27,554	(2,999)
			112,578	**87,926**	**(24,652)**
Property	**B+**	Lease of properties, properties development and hotel and hotel related operations	33,856	24,405	(9,451)
	Others	–	15,321	14,513	(808)
			49,177	**38,918**	**(10,259)**
Others	**–**	–	**42,683**	**31,919**	**(10,764)**
			376,544	**302,748**	**(73,796)**

\+ In the above table, investee company B stands for Emperor International Holdings Limited (HKEX stock code: 163).

Extracted from published financial information of the investee companies.

* The amount represented the costs of the securities acquired during the year ended 31 December 2020 and/or the carrying amount of the securities brought forward from the prior financial year after accounting for additional acquisition and/or disposal of the securities (if any) during the current financial year.

Debt instruments at FVTOCI

At 31 December 2020, the Group's debt instrument at FVTOCI portfolio of HK$401,813,000 was measured at market/fair value. During FY2020, the Group's debt instrument at FVTOCI portfolio generated total revenue amounting to HK$57,898,000 (2019: HK$73,345,000), representing interest income from debt securities. According to the maturity of the debt securities, no debt instruments at FVTOCI (2019: HK$7,816,000) was classified as current assets. During FY2020, the Group did not acquire debt securities (2019: HK$66,667,000 for acquiring debt securities issued by various property companies listed on the Stock Exchange).

At the year end, a net fair value loss on the debt instrument at FVTOCI portfolio amounting to HK$29,768,000 was recognised as other comprehensive expense (2019: net fair value gain of HK$56,400,000 recognised as other comprehensive income).

During the year under review, the Group disposed of debt securities amounting to HK$525,780,000 (2019: HK$149,588,000) whilst no debt securities (2019: HK$7,800,000) were redeemed. A loss on disposal of HK$17,079,000 (2019: a gain on disposal and on redemption totalling HK$1,606,000) was released from the Group's investment revaluation reserve and recognised as loss during the year.

For FY2020, the Group recognised impairment loss of HK$18,873,000 (2019: HK$859,000) on debt instruments at FVTOCI by reference to exposures at default, recovery rate and adjustments for forward looking information.

At 31 December 2020, the Group invested in debt securities of two property companies with details as below:

Category of companies	Approximate weighting to the carrying amount of the Group's total assets at 31 December 2020 %	Yield to maturity on acquisition %	Acquisition costs *HK$'000*	* Acquisition costs during the year/ carrying amount at 1 January 2020 *HK$'000*	Market/fair value at 31 December 2020 *HK$'000*	Accumulated fair value loss recognised up to 31 December 2020 *HK$'000*	Fair value loss recognised during the year ended 31 December 2020 *HK$'000*
			A	B	C	D = C – A	E = C – B
Debt securities listed in Hong Kong or overseas							
Property	4.74	5.62 - 9.50	460,235	418,604	401,813	(58,422)	(16,791)

* The amount represented the costs of the securities acquired during the year ended 31 December 2020 and/or the carrying amount of the securities brought forward from the prior financial year after accounting for additional acquisition and/or disposal of the securities (if any) during the current financial year.

The yield to maturity on acquisition of the debt securities which were held by the Group at the year end ranging from 5.62% to 9.50% per annum.

Trading

During FY2020, the Group's trading operation was focused on trading of electronic components. The operation reported a decline in revenue by 99% to HK$4,062,000 (2019: HK$396,108,000), and its result experienced a turnaround and recorded loss of HK$165,000 (2019: profit of HK$2,288,000). The decrease in revenue and loss incurred were principally due to the temporary halt of trading of commodities resulting mainly from the unsettled trade disputes between China and the US, and the slowdown of the European economy in general, which adversely affected the business of the end customers of the operation. The management is stepping up its effort to explore new business opportunities in order to improve the results of the operation and will resume the commodities trading business when market conditions improve.

Money Lending

The Group's money lending business is conducted through CS Credit Limited and U Credit (HK) Limited, both are wholly owned subsidiaries of the Company. The operation recorded a decrease in revenue of 34% to HK$180,764,000 (2019: HK$273,977,000) and experienced a turnaround of results by recording a loss of HK$27,348,000 (2019: profit of HK$128,293,000). The decrease in revenue was mainly due to the lower average amount of loans advanced to borrowers during FY2020 whilst the loss of the operation was largely due to the recognition of net impairment allowance of HK$202,923,000 (2019: HK$142,289,000).

The net impairment allowance recognised primarily represented the credit risk involved in collectability of certain default and non-default loans determined under the Group's loan impairment policy, with reference to factors including the credit history of the borrowers, the realisation value of collaterals pledged to the Group, and the prevailing economic conditions (the negative impact of the COVID-19 pandemic on the current state of the Hong Kong economy has also been considered). The Group is considering various actions for recovery of the default and non-default loans. At the year end, the balance of the impairment allowance was HK$373,254,000 (2019: HK$154,089,000).

The size of the Group's loan portfolio has reduced during the year as the management has been prudent in granting new loans in light of the prevailing economic conditions in Hong Kong. The carrying value of the loan portfolio, after impairment allowance, amounted to HK$1,448,295,000 (2019: HK$2,421,150,000) with details as follows:

Category of borrowers	Approximate weighting to the carrying amount of the Group's loan portfolio %	Interest rate per annum %	Maturity
Individual	58.95	8.50 – 18.00	Within 1 year
Corporate	41.05	10.00 – 18.00	Within 1 year
	100.00		

At 31 December 2020, 99% (2019: 90%) of the carrying amount of the loan portfolio (after impairment allowance) is secured by collaterals, nil (2019: 3%) is guaranteed by guarantors, and with the remaining 1% (2019: 7%) being unsecured.

Before granting loans to potential customers, the Group performs credit assessment process to assess the potential borrowers' credit quality individually and defines the credit limits granted to the borrowers. The credit limits granted to the borrowers are reviewed by the management regularly.

Securities Brokerage

The Group's securities brokerage business is conducted through CS Wealth Securities Limited, a wholly owned subsidiary of the Company, licensed by the Hong Kong Securities and Futures Commission to carry out dealing in securities activities. During FY2020, revenue of the operation decreased by 28% to HK$6,590,000 (2019: HK$9,213,000) and profit decreased by 42% to HK$3,671,000 (2019: HK$6,292,000) respectively. The decreases in revenue and profit of the operation were mainly due to the volatilities and negative investment sentiments of the Hong Kong stock market which to a certain extent resulting from the continuation of the COVID-19 pandemic.

Overall Results

For FY2020, the Group recorded profit attributable to owners of the Company of HK$2,283,187,000 (2019: loss of HK$322,947,000) and basic earnings per share of HK13.29 cents (2019: basic loss per share of HK1.90 cents). The Group reported total comprehensive income attributable to owners of the Company of HK$2,294,579,000 (2019: total comprehensive expense of HK$276,193,000) which included a net fair value loss on debt securities of HK$29,768,000 (2019: net fair value gain of HK$56,400,000). The profitable results recorded by the Group were mainly attributed to the substantial overall gain recognised for the Group's securities investments of HK$2,939,628,000 (2019: loss of HK$336,341,000), though the profitable results were partly offset by the loss incurred by the money lending operation of HK$27,348,000 (2019: profit of HK$128,293,000) and loss incurred by the trading operation of HK$165,000 (2019: profit of HK$2,288,000). The securities brokerage operation recorded a reduced profit of HK$3,671,000 (2019: HK$6,292,000) for the year.

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

For FY2020, the Group financed its businesses mainly by cash generated from operations, credit facilities provided by banks, finance company and securities brokers, funds raised through issuance of interest bearing notes and placement of shares as well as shareholders' funds. At the year end, the Group had current assets of HK$8,000,306,000 (2019: HK$4,185,622,000) and liquid assets comprising bank balances and cash as well as financial assets at FVTPL (excluding clients' money held relating to the Group's securities brokerage business and pledged bank deposits) totalling HK$6,314,049,000 (2019: HK$1,589,891,000). The Group's current ratio, calculated based on current assets over current liabilities of HK$1,611,842,000 (2019: HK$1,825,502,000), was at a ratio of about 5.0 (2019: 2.3). At 31 December 2020, the Group's trade and other receivables amounted to HK$175,487,000 (2019: HK$113,327,000), which mainly comprised trade receivables from cash and margin clients of the securities brokerage business, deposits placed with securities brokers, and the outstanding principal of a note receivable. The Group had deferred tax assets amounting to HK$27,067,000 (2019: HK$8,148,000) and deferred tax liabilities of HK$435,393,000 (2019: nil) which were principally related to the allowance for expected credit losses for loan receivables, net unrealised gain on financial assets at FVTPL valued at market/fair value and unused tax losses at the year end.

At 31 December 2020, the equity attributable to owners of the Company amounted to HK$5,939,048,000 (2019: HK$3,369,789,000) and was equivalent to an amount of approximately HK29.13 cents (2019: HK19.84 cents) per share of the Company. The increase in equity attributable to owners of the Company of HK$2,569,259,000 was mainly a result of the profit recognised by the Group and the issuance of new shares during the year.

At 31 December 2020, the Group's borrowings represented short-term secured borrowings that bore interests at fixed rate or floating rate and were repayable within one year or on demand. The borrowings were secured by two share charges each charging over the issued share of a wholly owned subsidiary of the Company, two debentures each incorporating a first floating charge over all the assets of a wholly owned subsidiary of the Company, and certain debt and equity securities held by the Group.

During the second half of 2020, the Company issued four tranches of notes comprising (i) the 2-year unsecured notes with nominal value of HK$500,000,000 bearing interest of 5.5% per annum in July 2020; (ii) the 1-year unsecured notes with nominal value of HK$500,000,000 bearing interest of 3.0% per annum in August 2020; (iii) the 270-day unsecured notes with nominal value of HK$500,000,000 bearing interest of 2.0% per annum in September 2020; and (iv) the 270-day unsecured notes with nominal value of HK$200,000,000 bearing interest 2.0% per annum in October 2020. All the four tranches of notes carry options for the Company to early redeem the notes, by giving not less than 15 days' notice to the noteholders, in whole or in part at 100% of the principal amount outstanding, together with interest accrued and unpaid at the date fixed for redemption.

On 20 November 2020, the Company entered into a subscription agreement with a subscriber (the "Subscriber") whereby the Company conditionally agreed to allot and issue and the subscriber conditionally agreed to subscribe for 3,397,540,000 subscription shares at the subscription price of HK$0.060 per share (the "Share Subscription"). Upon completion of the Share Subscription on 11 December 2020, 3,397,540,000 new shares were allotted and issued by the Company to the Subscriber. The gross proceeds from the Share Subscription amounted to approximately HK$203,852,000, after deducting directly attributable costs of approximately HK$619,000, the net proceeds amounted to approximately HK$203,233,000 and the net subscription price was approximately HK$0.060 per share. The net proceeds had been fully utilised as intended as general working capital of the Group. The Subscriber was a company wholly owned by Dr. Cheng Kar-Shun, Henry *GBM, GBS*. Details of the Share Subscription were set out in the announcements of the Company dated 20 November 2020 and 11 December 2020.

The Group's gearing ratio, calculated on the basis of total liabilities of HK$2,542,650,000 (2019: HK$1,825,502,000) divided by the equity attributable to owners of the Company of HK$5,939,048,000 (2019: HK$3,369,789,000), was about 43% (2019: 54%). The decrease in the Group's gearing ratio was mainly due to increase in equity attributable to owners of the Company during the year. The Group's finance costs decreased to HK$158,640,000 (2019: HK$171,095,000) were primarily a result of the decreases in the average amount of borrowings and charging interest rates during the year.

With the amount of liquid assets on hand as well as credit facilities granted by banks, finance company and securities brokers, the management is of the view that the Group has sufficient financial resources to meet its ongoing operational requirements.

Foreign Currency Management

The monetary assets and liabilities as well as business transactions of the Group are mainly denominated in Hong Kong dollars and United States dollars. During the year under review, the Group had not experienced any significant exposure to exchange rate fluctuations, as such, the Group had not entered into any foreign currency forward contracts, currency swaps or other financial derivatives for hedging purposes.

Contingent Liability

At 31 December 2020, the Group had no significant contingent liability (2019: nil).

Pledge of Assets

At 31 December 2020, property, plant and equipment of HK$17,042,000 (2019: nil), club debentures of HK$1,453,000 (2019: nil), debt securities of HK$401,813,000 (2019: HK$914,387,000), trade and other receivables of HK$66,670,000 (2019: nil), equity securities of HK$4,073,317,000 (2019: HK$1,352,744,000), bank balances and cash of HK$109,252,000 (2019: nil) were pledged to secure the Group's borrowings. In addition, the Group's credit facility for settlement of the securities brokerage activities was secured by the Group's bank deposits of HK$3,096,000 (2019: HK$32,067,000 in aggregate to secure credit facilities for issuance of letters of credit and settlement of the securities brokerage activities).

Capital Commitment

At 31 December 2020, the Group had no significant capital commitment (2019: nil).

HUMAN RESOURCES AND REMUNERATION POLICY

At 31 December 2020, the Group had 60 (2019: 46) employees including directors of the Company and staff costs (including directors' emoluments) for the year amounted to HK$27,630,000 (2019: HK$24,975,000). The remuneration packages for directors and staff are normally reviewed annually and are structured by reference to prevailing market terms and individual competence, performance and experience. The Group operates Mandatory Provident Fund Scheme for employees in Hong Kong. In addition, the Group provides other employee benefits including medical insurance, training subsidy, discretionary bonus and participation in the Company's share option scheme.

PRINCIPAL RISK AND UNCERTAINTIES

The Group is principally engaged in the business of investment in securities, trading of electronic components, money lending as well as securities brokerage. The financial position, operations, businesses and prospects of the Group and its individual business segment are affected by the following significant risks and uncertainty factors:

Business Risk

The global economic conditions and the state of international financial and investment markets, including the economy, financial and investment markets of the US, Mainland China and Hong Kong, of which the Group has no control, have significant influences on the business and financial performance of the Group. The management policy to mitigate this risk is to diversify the Group's businesses and to diversify its investments (where possible) within the same business.

Market Risk

The Group's money lending business, trading business of electronic components as well as securities brokerage business are all operating in a very competitive environment that put pressure on the revenue and profitability of these businesses. The management policy to mitigate this risk is to continue to put effort in enlarging the market share and enhancing the market competitiveness of these businesses by various means.

Financial Risk

The Group is exposed to financial risks relating to interest rate, securities price, foreign currency, credit and liquidity risk in its ordinary course of business. Further details of such risks and relevant management policies are set out in Note 35 to the consolidated financial statements.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the businesses and operations of the Group. During the year under review, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group understands the importance of maintaining a good relationship with its employees, customers and suppliers to meet its immediate and long-term business goals. During the year under review, there were no significant disputes between the Group and its employees, customers and suppliers.

Biographical Details of Directors

The biographical details of Directors at 26 March 2021, the date of this annual report, are set out below:

NON-EXECUTIVE DIRECTOR

Dr. Or Ching Fai *SBS, JP* ("Dr. Or"), *Chairman*

Aged 71, joined the Company as Executive Director and the Chief Executive Officer in November 2009 and was appointed the Chairman of the Board in March 2012. Dr. Or stepped down from his position as Chief Executive Officer in January 2018 and was re-designated as Non-executive Director in April 2018. Dr. Or is the Chairman of the Nomination Committee and is also a director of certain subsidiaries of the Company. Dr. Or graduated from The University of Hong Kong in 1972 and was conferred an Honorary Doctor of Social Science by the City University of Hong Kong in November 2014. Dr. Or is an independent non-executive director of Chow Tai Fook Jewellery Group Limited (HKEX stock code: 1929) and Regina Miracle International (Holdings) Limited (HKEX stock code: 2199). He was the former vice chairman and chief executive of Hang Seng Bank Limited (HKEX stock code: 11), the former chairman of Hang Seng Life Limited and a director of The Hongkong and Shanghai Banking Corporation Limited, Cathay Pacific Airways Limited (HKEX stock code: 293) and Hutchison Whampoa Limited (HKEX stock code: 13 (delisted)) until his retirement in May 2009. Dr. Or was also the chairman and non-executive director of Esprit Holdings Limited (HKEX stock code: 330), the former vice chairman and independent non-executive director of G-Resources Group Limited (HKEX stock code: 1051), an independent non-executive director of Industrial and Commercial Bank of China Limited (HKEX stock code: 1398) and Television Broadcasts Limited (HKEX stock code: 511), and the former deputy chairman and non-executive director of Aquis Entertainment Limited (ASX stock code: AQS) (a company listed on the Australian Securities Exchange Limited). All the aforementioned companies with HKEX stock code are/was listed on the Main Board of the Stock Exchange.

EXECUTIVE DIRECTORS

Mr. Sue Ka Lok ("Mr. Sue"), *Chief Executive Officer*

Aged 55, joined the Group in November 2014 and was appointed as Executive Director in December 2014. He was the Company Secretary until May 2017 and was appointed the Chief Executive Officer in January 2018. Mr. Sue is the Chairman of the Executive Committee and the Investment & Credit Committee. He is also a director of certain subsidiaries of the Company. Mr. Sue holds a Bachelor of Economics degree from The University of Sydney in Australia and a Master of Science in Finance degree from the City University of Hong Kong. Mr. Sue is a fellow of the Hong Kong Institute of Certified Public Accountants, a certified practising accountant of the CPA Australia, a fellow of the Hong Kong Securities and Investment Institute, and a chartered secretary, a chartered governance professional and a fellow of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute. He has extensive experience in corporate management, finance, accounting and company secretarial practice. Mr. Sue is an executive director of EPI (Holdings) Limited (HKEX stock code: 689) and PT International Development Corporation Limited (HKEX stock code: 372); and a non-executive director of Birmingham Sports Holdings Limited (HKEX stock code: 2309). All the aforementioned companies are listed on the Main Board of the Stock Exchange.

EXECUTIVE DIRECTORS (continued)

Ms. Lee Chun Yeung, Catherine ("Ms. Lee")

Aged 52, joined the Group in September 2014 and was appointed as Executive Director in February 2015. Ms. Lee is a member of the Executive Committee and the Investment & Credit Committee. She is also a director of certain subsidiaries of the Company. Ms. Lee holds a Bachelor of Arts degree from Guangdong University of Foreign Studies (formerly known as Guangzhou Institute of Foreign Languages) and a Master of Business Administration degree from the University of South Australia. She has extensive experience in international trading of metal minerals and commodities. Ms. Lee had worked as an economist in a major commercial bank and a senior executive in a state-owned trading group in the PRC.

Mr. Chow Kam Wah ("Mr. KW Chow")

Aged 58, joined the Company as Executive Director in July 2007. Mr. KW Chow is a member of the Executive Committee and the Investment & Credit Committee. He is also a director of certain subsidiaries of the Company. Mr. KW Chow holds a master's degree in accountancy from The Hong Kong Polytechnic University. He has over 15 years of managerial experience in finance and accounting. Mr. KW Chow is a certified practising accountant of the CPA Australia.

Mr. Chow Man Wai, Tony ("Mr. Tony Chow")

Aged 50, joined the Group in July 2020 and was appointed as Executive Director in December 2020. Mr. Tony Chow is a member of the Executive Committee. He holds a Bachelor of Commerce degree from Concordia University in Montreal, Canada. Mr. Tony Chow was a senior executive of China Life Insurance (Overseas) Company Limited and the chief executive officer of China Life Insurance (Singapore) Pte. Ltd., he was primarily responsible for the strategic development and business management of life insurance business in Hong Kong and Singapore. He has over 20 years of experience in life insurance industry.

Biographical Details of Directors

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Ma Yin Fan ("Ms. Ma")

Aged 57, joined the Company as Independent Non-executive Director in September 2007. Ms. Ma is the Chairlady of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee. Ms. Ma obtained a bachelor's degree with honours in accounting from Middlesex University in the United Kingdom. She is also awarded the Master of Business Administration and Master in Professional Accounting degree from Heriot-Watt University in the United Kingdom and The Hong Kong Polytechnic University respectively. Ms. Ma is a CPA (Practising) in Hong Kong and has been working in the auditing, accounting and taxation areas with more than 20 years of professional experience. She is the principal of Messrs. Ma Yin Fan & Company CPAs. Ms. Ma is a fellow of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in the England and Wales, The Taxation Institute of Hong Kong, the Association of Chartered Certified Accountants, and a chartered secretary, a chartered governance professional and a fellow of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute. Ms. Ma is an independent non-executive director of CST Group Limited (HKEX stock code: 985) and Youth Champ Financial Group Holdings Limited (HKEX stock code: 1160). All the aforementioned companies are listed on the Main Board of the Stock Exchange.

Mr. Chow Yu Chun, Alexander ("Mr. Alexander Chow")

Aged 74, joined the Company as Independent Non-executive Director in March 2011. Mr. Alexander Chow is the Chairman of the Remuneration Committee and a member of the Audit Committee. He has over 35 years of experience in commercial, financial and investment management in Hong Kong and Mainland China. Mr. Alexander Chow is an independent non-executive director of Playmates Toys Limited (HKEX stock code: 869) and Symphony Holdings Limited (HKEX stock code: 1223). All the aforementioned companies are listed on the Main Board of the Stock Exchange. Mr. Alexander Chow is also an independent non-executive director of Aquis Entertainment Limited (ASX stock code: AQS), a company listed on the Australian Securities Exchange Limited.

INDEPENDENT NON-EXECUTIVE DIRECTORS (continued)

Mr. Leung Hoi Ying ("Mr. Leung")

Aged 70, joined the Company as Independent Non-executive Director in September 2007. Mr. Leung is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Leung graduated from Guangdong Foreign Trade School in the PRC. He has over 15 years of experience in trading business and business development. Mr. Leung is an independent non-executive director of CST Group Limited (HKEX stock code: 985), a company listed on the Main Board of the Stock Exchange.

Mr. Lam Kin Fung, Jeffrey *GBS, JP* ("Mr. Lam")

Aged 69, joined the Company as Independent Non-executive Director in December 2020. Mr. Lam is a member of the Audit Committee. Mr. Lam holds a Bachelor Degree in mechanical engineering from Tufts University in the United States. He has over 40 years of experience in the toy industry and is currently the managing director of Forward Winsome Industries Limited which is engaged in toy manufacturing. Mr. Lam is a member of the National Committee of the Chinese People's Political Consultative Conference. He also holds a number of other public and community service positions including being a non-official member of the Executive Council and a member of the Legislative Council of the Hong Kong Special Administrative Region, a general committee member of the Hong Kong General Chamber of Commerce, the chairman of Independent Commission Against Corruption (ICAC) Complaints Committee, and a director of the Hong Kong Mortgage Corporation Limited. He was the former chairman of the Assessment Committee of Mega Events Fund and a member of Fight Crime Committee. Mr. Lam is an independent non-executive director of Chow Tai Fook Jewellery Group Limited (HKEX stock code: 1929), China Overseas Grand Oceans Group Limited (HKEX stock code: 81), Wynn Macau, Limited (HKEX stock code: 1128), CWT International Limited (HKEX stock code: 521), i-CABLE Communications Limited (HKEX stock code: 1097), Wing Tai Properties Limited (HKEX stock code: 369), Analogue Holdings Limited (HKEX stock code: 1977) and C C Land Holdings Limited (HKEX stock code: 1224). All the aforementioned companies are listed on the Main Board of the Stock Exchange.

Report of the Directors

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

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in Note 39 to the consolidated financial statements.

Further discussion and analysis of the Group's activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year and an indication of likely future developments in the Group's businesses, can be found in the "Chairman's Statement" and "Management Discussion and Analysis" sections set out on pages 4 to 17 of this annual report. In addition, discussions on the Group's environmental policies and performance are contained in the Environmental, Social and Governance Report on pages 42 to 62 of this annual report.

RESULTS

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 69.

FINAL DIVIDEND

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

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements of the Company, is set out on page 156. The summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movement in the property, plant and equipment of the Group during the year are set out in Note 17 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in Note 31 to the consolidated financial statements.

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

During the year ended 31 December 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

DISTRIBUTABLE RESERVE

As at 31 December 2020, the Company had retained profits of HK$80,825,000 available for distribution to shareholders.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, revenue from the Group's five largest customers accounted for approximately 27% of the revenue for the year and revenue from the largest customer accounted for approximately 7%. Purchases from the Group's five largest suppliers accounted for approximately 100% of the total purchases for the year and purchases from the largest supplier accounted for approximately 100%.

None of the directors or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued shares) had any beneficial interest in the Group's five largest customers or suppliers during the year.

Report of the Directors

DIRECTORS

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

Non-executive Director:

Dr. Or Ching Fai

Executive Directors:

Mr. Sue Ka Lok
Ms. Lee Chun Yeung, Catherine
Mr. Chow Kam Wah
Mr. Chow Man Wai, Tony *(appointed on 18 December 2020)*

Independent Non-executive Directors:

Ms. Ma Yin Fan
Mr. Chow Yu Chun, Alexander
Mr. Leung Hoi Ying
Mr. Lam Kin Fung, Jeffrey *(appointed on 18 December 2020)*

In accordance with Article 99 of the Company's Articles of Association, Mr. Chow Man Wai, Tony and Mr. Lam Kin Fung, Jeffrey will hold office until the forthcoming annual general meeting of the Company (the "2021 AGM") and being eligible, will offer themselves for re-election in the 2021 AGM.

In accordance with Article 116 of the Company's Articles of Association, Mr. Sue Ka Lok, Mr. Chow Kam Wah and Mr. Leung Hoi Ying will retire at the 2021 AGM by rotation and, being eligible, will offer themselves for re-election in the 2021 AGM.

The list of directors of the subsidiaries of the Company during the year and up to the date of this report is kept at the Company's registered office and available for inspection by shareholders of the Company during office hours.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Articles of Association, subject to the statutes, every director shall be indemnified out of the assets of the Company against all losses and liabilities which he/she may sustain or incur in or about the execution of his/her office or otherwise in relation thereto. The Company has arranged appropriate directors' and officers' liability insurance coverage for the directors and other officers of the Company during the year.

DIRECTORS' SERVICE CONTRACTS

None of the directors being proposed for re-election at the 2021 AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

Details of the directors' remuneration are set out in Note 13 to the consolidated financial statements.

UPDATES ON DIRECTORS' INFORMATION

The following is updated information of directors of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

– Dr. Or Ching Fai re-designated from an executive director to a non-executive director of Esprit Holdings Limited (HKEX stock code: 330) ("Esprit") (a company listed on the Main Board of the Stock Exchange) on 24 June 2020 and resigned as a non-executive director and the chairman of Esprit on 1 January 2021.

– Mr. Sue Ka Lok resigned as a non-executive director and the chairman of Courage Investment Group Limited (HKEX stock code: 1145) (a company listed on the Main Board of the Stock Exchange and Singapore Exchange Securities Trading Limited) on 12 January 2021; and resigned as an executive director of PYI Corporation Limited (HKEX stock code: 498) (a company listed on the Main Board of the Stock Exchange) on 3 February 2021.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save for the related party disclosures as disclosed in Note 37 to the consolidated financial statements, no other transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director has or had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2020, none of the directors or chief executive of the Company had registered an interest or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save for the share option scheme of the Company disclosed in Note 33 to the consolidated financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the directors of the Company or their spouse or minor children had any rights to subscribe for the securities of the Company, or had exercised any such rights during the year.

SHARE OPTION SCHEME

Details of the share option scheme of the Company are set out in Note 33 to the consolidated financial statements.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 2020, the following interests of more than 5% of the issued shares of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO.

Long positions in the shares of the Company:

Name of shareholder	**Capacity and nature of interest**	**Number of shares held**	**Approximate percentage of the Company's issued shares** *(Note (i))*
Dr. Cheung Kar-Shun, Henry *GBM, GBS* ("Dr. Cheng")	Interest of controlled corporation	3,397,540,000 *(Note (ii))*	16.67%
Courage Star Global Limited ("Courage Star")	Beneficial owner	3,397,540,000 *(Note (ii))*	16.67%
Mr. Suen Cho Hung, Paul ("Mr. Suen")	Interest of controlled corporation	1,680,000,000 *(Note (iii))*	8.24%
Pioneer Success Development Limited ("Pioneer Success")	Beneficial owner	1,680,000,000 *(Note (iii))*	8.24%

Notes:

(i) The approximate percentage of the Company's issued shares was calculated on the basis of 20,385,253,835 shares of the Company in issue as at 31 December 2020.

(ii) These shares were held by Courage Star, which in turn was wholly owned by Dr. Cheng. Accordingly, Dr. Cheng and Courage Star were deemed to be interested in 3,397,540,000 shares of the Company under the SFO.

(iii) These shares were held by Pioneer Success, which in turn was wholly owned by Mr. Suen. Accordingly, Mr. Suen and Pioneer Success were deemed to be interested in 1,680,000,000 shares of the Company under the SFO.

The interests of Dr. Cheng and Courage Star in 3,397,540,000 shares of the Company referred to in Note (ii) above related to the same parcel of shares.

The interests of Mr. Suen and Pioneer Success in 1,680,000,000 shares of the Company referred to in Note (iii) above related to the same parcel of shares.

Save as disclosed above, the Company had not been notified of any other relevant interests or short positions in the shares and underlying shares of the Company as at 31 December 2020 as required pursuant to section 336 of the SFO.

CONNECTED TRANSACTIONS

The related party disclosures as disclosed in Note 37 to the consolidated financial statements fall under the scope of "Connected Transactions" or "Continuing Connected Transactions" under Chapter 14A of the Listing Rules but are exempted from reporting, annual review, announcement or independent shareholders' approval requirements.

REMUNERATION POLICY

The Group remunerates its employees based on their competence, performance, experience and prevailing market terms. Other employee benefits include provident fund scheme, medical insurance, share option scheme as well as discretionary bonus.

EQUITY-LINKED AGREEMENTS

Save for the share option scheme of the Company as disclosed in Note 33 to the consolidated financial statements, no equity-linked agreements were entered into by the Group, or existed during the year.

MANAGEMENT CONTRACTS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued shares is held by the public as at the date of this report.

AUDIT COMMITTEE

The audited consolidated financial statements of the Company for the year ended 31 December 2020 have been reviewed by the Audit Committee and duly approved by the Board under the recommendation of the Audit Committee.

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2020 have been audited by Deloitte Touche Tohmatsu.

A resolution will be proposed at the 2021 AGM to re-appoint Deloitte Touche Tohmatsu as the auditor of the Company.

On behalf of the Board

Dr. Or Ching Fai
Chairman

Hong Kong, 26 March 2021

Corporate Governance Report

The Company has recognised the importance of transparency and accountability, and believes that shareholders can benefit from good corporate governance. The Company aims to achieve good standard of corporate governance.

CORPORATE GOVERNANCE

The Company has complied with all the applicable provisions of the Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Listing Rules for the year ended 31 December 2020.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by directors of the Company. Having made specific enquiry with the directors, all of them confirmed that they have complied with the required standards set out in the Model Code during the year ended 31 December 2020.

BOARD OF DIRECTORS

The Board formulates the overall strategy of the Group, monitors its financial performance and maintains effective oversight over the management. The Board members are fully committed to their roles and have acted in good faith to maximize the shareholders' value in the long-run, and have aligned the Group's goals and directions with the prevailing economic and market conditions. Daily operations and administration are delegated to the management.

The Board met regularly throughout the year to discuss the overall strategy as well as the operation and financial performance of the Group. The directors are kept informed on a timely basis of major changes that may affect the Group's businesses, including relevant rules and regulations. The directors can, upon reasonable request, seek independent professional advice in appropriate circumstances, at the Company's expenses. The Board shall resolve to provide separate appropriate independent professional advice to the directors to assist the relevant directors to discharge their duties.

BOARD OF DIRECTORS (continued)

As at 26 March 2021, the date of this annual report, the Board comprises nine directors, one is Non-executive Director, namely Dr. Or Ching Fai ("Dr. Or"), the Chairman of the Company (the "Chairman"), four are Executive Directors, namely Mr. Sue Ka Lok, the Chief Executive Officer of the Company (the "CEO"), Ms. Lee Chun Yeung, Catherine, Mr. Chow Kam Wah and Mr. Chow Man Wai, Tony, and four are Independent Non-executive Directors, namely Ms. Ma Yin Fan ("Ms. Ma"), Mr. Chow Yu Chun, Alexander, Mr. Leung Hoi Ying ("Mr. Leung") and Mr. Lam Kin Fung, Jeffrey ("Mr. Lam"). The directors are considered to have a balance of skill and experience appropriate for the requirements of the businesses of the Company. The Company has received from each of the independent non-executive directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive directors are independent in accordance with the independence guidelines set out in the Listing Rules. Biographical details of the directors are set out under the section headed "Biographical Details of Directors" on pages 18 to 21 of this annual report.

Both Dr. Or and Mr. Lam are independent non-executive directors of Chow Tai Fook Jewellery Group Limited (HKEX stock code: 1929); and both Ms. Ma and Mr. Leung are independent non-executive directors of CST Group Limited (HKEX stock code: 985). Save for the aforesaid, there is no other financial, business, family or other material/relevant relationship between the Chairman and the CEO and among members of the Board.

The Company will provide a comprehensive, formal and tailored induction to each newly appointed director on his/her first appointment in order to enable him/her to have an appropriate understanding of the businesses and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

All directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The directors are continually updated on developments in the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. The Company has provided timely technical updates, including the briefing on the amendments on the Listing Rules and the news releases published by the Stock Exchange to the directors. Continuing briefing and professional development for directors are arranged where necessary.

The Directors have participated in continuous professional development by attending seminars, in-house briefings or reading materials on the related areas to develop and refresh their knowledge and skills. During the year ended 31 December 2020, all the Directors (including Dr. Or Ching Fai (Chairman), Mr. Sue Ka Lok (Chief Executive Officer), Ms. Lee Chun Yeung, Catherine, Mr. Chow Kam Wah, Mr. Chow Man Wai, Tony, Ms. Ma Yin Fan, Mr. Chow Yu Chun, Alexander, Mr. Leung Hoi Ying and Mr. Lam Kin Fung, Jeffrey) have complied with Code Provision A.6.5 of the CG Code and have provided the Company with their respective training records pursuant to the CG Code.

BOARD OF DIRECTORS (continued)

During the year ended 31 December 2020, four regular Board meetings and annual general meeting of the Company (the "2020 AGM") were held and the attendance of each director is set out as follows:

	Number of attendance	
	Board Meetings	**2020 AGM**
Non-executive Director		
Dr. Or Ching Fai	4/4	1/1
Executive Directors		
Mr. Sue Ka Lok	4/4	1/1
Ms. Lee Chun Yeung, Catherine	4/4	0/1
Mr. Chow Kam Wah	4/4	1/1
Mr. Chow Man Wai, Tony *(appointed on 18 December 2020)*	N/A	N/A
Independent Non-executive Directors		
Ms. Ma Yin Fan	4/4	1/1
Mr. Chow Yu Chun, Alexander	4/4	1/1
Mr. Leung Hoi Ying	4/4	1/1
Mr. Lam Kin Fung, Jeffrey *(appointed on 18 December 2020)*	N/A	N/A

CHAIRMAN AND CHIEF EXECUTIVE

The Group adopts a dual leadership structure in which the role of the Chairman is separated from that of the CEO. The Chairman is responsible for overseeing all Board functions, while the executive directors and senior management are under the leadership of the CEO to oversee the day-to-day operations of the Group and implement the strategies and policies approved by the Board.

The position of the Chairman of the Board is currently held by Dr. Or Ching Fai and the position of the CEO is currently held by Mr. Sue Ka Lok.

TERM OF APPOINTMENT OF NON-EXECUTIVE DIRECTORS

According to the CG Code, the non-executive directors should be appointed for a specific term and subject to re-election. All the Non-executive Directors (including the Independent Non-Executive Directors) are appointed for a term of two years and shall determine upon expiry subject to renewal by mutual agreement prior to the expiry of the term. All the Non-executive Directors (including the Independent Non-Executive Directors) are subject to retirement by rotation and re-election at least once every three years at the annual general meetings of the Company as governed by the Company's Articles of Association.

REMUNERATION COMMITTEE

The Remuneration Committee has specific written terms of reference that is in compliance with the CG Code. As at the date of this annual report, the Remuneration Committee comprises three Independent Non-executive Directors, namely Ms. Ma Yin Fan, Mr. Chow Yu Chun, Alexander and Mr. Leung Hoi Ying. Mr. Chow Yu Chun, Alexander is the Chairman of the Remuneration Committee.

The Remuneration Committee is mainly responsible for formulating the remuneration policy, reviewing and recommending to the Board the annual remuneration policy and the remuneration of the directors. The overriding objective of the remuneration policy is to ensure that the Group is able to attract, retain and motivate a high-caliber team which is essential to the success of the Group. The full terms of reference are available on the Company's website and the Stock Exchange's website.

The Remuneration Committee met two times during the year ended 31 December 2020 to review and make recommendations to the Board on the remuneration packages for directors. The attendance of each member is set out as follows:

Members	Number of attendance
Mr. Chow Yu Chun, Alexander	2/2
Ms. Ma Yin Fan	2/2
Mr. Leung Hoi Ying	2/2

NOMINATION COMMITTEE

The Nomination Committee has specific written terms of reference that is in compliance with the CG Code. As at the date of this annual report, the Nomination Committee comprises three members, including one Non-executive Director, namely Dr. Or Ching Fai, and two Independent Non-executive Directors, namely Ms. Ma Yin Fan and Mr. Leung Hoi Ying. Dr. Or Ching Fai is the Chairman of the Nomination Committee.

The Nomination Committee is mainly responsible for identifying potential directors and making recommendations to the Board on the appointment or re-appointment of directors of the Company. Potential new directors are selected on the basis of their qualifications, skills and experience that he/she could add value to the management through his/her contributions in the relevant strategic business areas. The full terms of reference are available on the Company's website and the Stock Exchange's website.

The Nomination Committee met two times during the year ended 31 December 2020 to review the board diversity policy of the Company (the "Board Diversity Policy"), review the independence of independent non-executive directors, review the structure, size and composition of the Board; and review and make recommendation to the Board on the re-election of directors and the appointment of directors. The attendance of each member is set out as follows:

Members	Number of attendance
Dr. Or Ching Fai	2/2
Ms. Ma Yin Fan	2/2
Mr. Leung Hoi Ying	2/2

BOARD DIVERSITY POLICY

The Company recognises the benefits of having a diverse Board to enhance the quality of its performance and has adopted the Board Diversity Policy. The Board Diversity Policy sets out that in determining the optimum composition of the Board, differences in skills, regional and industry experience, background, race, gender and other qualities of directors shall be considered. All Board appointments are made on merits, in the context of skills and experience the Board as a whole requires, with due regard to the benefits of diversity of the Board, and the Nomination Committee shall review and assess the Board composition and its effectiveness on an annual basis. When there is vacancy on Board, the Nomination Committee will recommend suitable candidates for appointment to the Board on merits, based on the terms of reference of the Nomination Committee, with due regard to the Company's own circumstances.

NOMINATION POLICY

The Board has adopted a nomination policy (the "Nomination Policy") setting out the principles which guide the Nomination Committee to identify and evaluate a candidate for nomination to (i) the Board for appointment; and (ii) the shareholders for election as a director of the Company. According to the Nomination Policy, in assessing the suitability of a proposed candidate, the Board shall take into account among other things, the following factors: (i) qualifications, professional experience, skills and knowledge relevant to the businesses of the Group; (ii) commitment in respect of available time and relevant interest; (iii) diversity perspectives set out in the Board Diversity Policy; (iv) in case of independent non-executive directors, regulatory requirement for appointment of independent non-executive directors and the independence criteria set out in the Listing Rules; and (v) any other factors that the Board considers appropriate.

For filling a casual vacancy or as an addition to the existing Board, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation. On making recommendation, the Nomination Committee may submit to the Board for consideration a proposal comprising, inter alia, the personal profile of the proposed candidate, which contains at least the candidate's information required to be disclosed under Rule 13.51 of the Listing Rules. The Board shall be vested with power to make the final decision on all matters relating to the recommendation of candidates (i) for appointment; and (ii) for standing for election at a general meeting as a director of the Company.

The Nomination Committee had reviewed the diversity of the Board of the Company during the year ended 31 December 2020 and will review the Board Diversity Policy and the Nomination Policy from time to time to ensure that the policies will be implemented effectively.

AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about their responsibilities on the Company's consolidated financial statements for the year ended 31 December 2020 is set out in the "Independent Auditor's Report" on pages 63 to 68 of this annual report.

For the year ended 31 December 2020, remuneration payable to the Company's auditor, Deloitte Touche Tohmatsu, for the provision of audit services was HK$1,980,000. During the year, HK$375,000 was paid as remuneration to Deloitte Touche Tohmatsu for performing a review on the Company's condensed consolidated financial statements for the six months ended 30 June 2020.

AUDIT COMMITTEE

The Audit Committee has specific written terms of reference that is in compliance with the CG Code. As at the date of this annual report, the Audit Committee comprises four Independent Non-executive Directors, namely Ms. Ma Yin Fan, Mr. Chow Yu Chun, Alexander, Mr. Leung Hoi Ying and Mr. Lam Kin Fung, Jeffrey, who among themselves possess a wealth of management experience in the accounting profession and in commercial fields. Ms. Ma Yin Fan is the Chairlady of the Audit Committee.

The Audit Committee is mainly responsible for reviewing financial statements of the Company, discussing the risk management and internal control of the Group and meeting with the auditor of the Company. Any findings and recommendations of the Audit Committee will be submitted to the Board for consideration.

The Audit Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee. It is also authorised to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary. The full terms of reference are available on the Company's website and the Stock Exchange's website.

The Audit Committee met two times during the year ended 31 December 2020 and the attendance of each member is set out as follows:

Members	Number of attendance
Ms. Ma Yin Fan	2/2
Mr. Chow Yu Chun, Alexander	2/2
Mr. Leung Hoi Ying	2/2
Mr. Lam Kin Fung, Jeffrey *(appointed on 18 December 2020)*	N/A

The following is a summary of work performed by the Audit Committee during the year:

1. reviewed and discussed the audited consolidated financial statements of the Company for the year ended 31 December 2019 and recommended to the Board for approval;

2. reviewed and discussed the unaudited condensed consolidated financial statements of the Company for the six months ended 30 June 2020 and recommended to the Board for approval;

3. reviewed and discussed with the management and the auditor of the Company the accounting policies and practices which may affect the Group and the scope of the audit;

4. reviewed reports from the auditor of the Company regarding their audit on the Company's consolidated financial statements for the year ended 31 December 2019 and their review on the Company's condensed consolidated financial statements for the six months ended 30 June 2020;

5. reviewed the effectiveness of the risk management and internal control systems of the Group; and

6. reviewed and approved the remuneration and the terms of engagement of the Company's auditor; and reviewed and made recommendations to the Board on the re-appointment of the Company's auditor.

EXECUTIVE COMMITTEE

The Executive Committee has been established since 31 March 2016. As at the date of this annual report, the Executive Committee comprises four Executive Directors, namely Mr. Sue Ka Lok, Ms. Lee Chun Yeung, Catherine, Mr. Chow Kam Wah and Mr. Chow Man Wai, Tony. Mr. Sue Ka Lok is the Chairman of the Executive Committee. The Executive Committee is mainly responsible for overseeing the management and the administrative functions of the day-to-day operations of the Group and handling such other matters as delegated by the Board from time to time. The full terms of reference are available on the Company's website and the Stock Exchange's website. The Executive Committee will meet as and when necessary to discuss the operating affairs of the Group.

INVESTMENT AND CREDIT COMMITTEE

The Investment & Credit Committee has been established since 31 March 2016. As at the date of this annual report, the Investment & Credit Committee comprises three Executive Directors, namely Mr. Sue Ka Lok, Ms. Lee Chun Yeung, Catherine and Mr. Chow Kam Wah. Mr. Sue Ka Lok is the Chairman of the Investment & Credit Committee. The Investment & Credit Committee is mainly responsible for overseeing and monitoring the activities of the securities investment operation and the money lending operation of the Group and handling such other matters relating to securities investments and money lending as delegated by the Board from time to time. The full terms of reference are available on the Company's website and the Stock Exchange's website. The Investment & Credit Committee will meet as and when necessary to discuss the activities of the securities investments and money lending of the Group.

DIRECTORS' RESPONSIBILITIES FOR CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements for the year ended 31 December 2020, which give a true and fair view of the state of affairs of the Company and of the Group at that date and of the Group's results and cash flows for the year then ended and are properly prepared on the going concern basis in accordance with the statutory requirements and applicable accounting standards.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for determining the policy for the corporate governance of the Company and performing the corporate governance duties as below:

1. to develop and review the Group's policies and practices on corporate governance and make recommendations;

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

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

4. to develop, review and monitor the code of conduct and compliance manual applicable to the employees and directors of the Group; and

5. to review the Group's compliance with the CG Code and disclosure requirements in the corporate governance report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibilities for maintaining sound and effective risk management and internal control and reviewing their effectiveness to safeguard the shareholders' interests and the Group's assets at least annually. The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss. The review covers financial, operational and compliance controls of the selected key operations of the Group.

During the year, the Company has taken risk management as a core part of its business activities and operations. The Company is taking steps to build a comprehensive risk management system that is aligned with the strategies and operations of the Company by standardizing its risk management procedures, adopting qualitative and quantitative measures to identify, evaluate and mitigate the identified significant risks. Furthermore, the Company has increased the level of synergy between risk management and internal audit by identifying the potential risks by reviewing the internal control systems, policies and/or procedures relating to the Group's business operations so as to promote the risk control capabilities.

RISK MANAGEMENT AND INTERNAL CONTROL (continued)

Risk Management System

The Group adopts a risk management system which manages the risk associated with its businesses and operations. The system comprises the following phases:

- Identification: identify ownership of risks, business objectives and risks that could affect the achievement of objectives;
- Evaluation: analyse the likelihood and impact of risks and evaluate the risk portfolio accordingly; and
- Management: consider the risk exposures, ensure effective communication to the Board and monitor the residual risks on an on-going basis.

Internal Control System

The Company has in place an internal control system which enables the Group to achieve objectives regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The components of the framework are shown as follows:

- Control environment: a set of standards, processes and structures that provide the basis for carrying out internal control across the Group;
- Risk assessment: a dynamic and iterative process for identifying and analysing risks to achieve the Group's objectives, forming a basis for determining how risks should be managed;
- Control activities: actions established by policies and procedures to help ensure that management directives to mitigate risks for the achievement of objectives are carried out;
- Information and communication: internal and external communications to provide the Group with the information needed to carry out day-to-day controls; and
- Monitoring: ongoing and separate evaluations to ascertain whether each component of the internal control system is present and functioning.

RISK MANAGEMENT AND INTERNAL CONTROL (continued)

During the year, the Group has engaged an independent professional firm to provide risk management and internal controls assessment services to assist the Board and the Audit Committee to assess the risk management and internal control systems of the Group. The review included interviews with relevant management and key process owners and preforming walkthrough tests to identify the major risk and significant deficiencies, and making recommendations for improving the internal control system to the Audit Committee for further approval. The Audit Committee, together with the Board, have reviewed, considered and discussed the findings and recommendations of the Internal Control Report prepared by the independent professional firm for the year ended 31 December 2020 (the "Report"). Having taken the recommendations in the Report into consideration, the Group will continue to improve its internal management and control systems. In addition, the independent professional firm has also performed a follow-up assessment on the findings as identified in the Internal Control Report for the year ended 31 December 2019 to assess the remediation status.

The Board has also considered the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting function during the year under review. The Board is not aware of any significant internal control and risk management weaknesses or inconsistencies with the risk management policies, and considers the existing internal control and risk management systems effective and adequate for the year ended 31 December 2020. The Company has complied with the relevant code provisions of the CG Code relating to risk management and internal control.

HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Company has put in place a policy on handling and dissemination of inside information which sets out the procedures and internal controls for handling and dissemination of inside information in a timely manner in such a way to avoid placing any person in a privileged dealing position. The inside information policy also provides guidelines to employees of the Group to ensure proper safeguards exists to prevent the Company from breaching the statutory and Listing Rules disclosure requirements. The Company has appropriate internal control and reporting systems to identify and assess potential inside information. Dissemination of inside information of the Company shall be conducted by publishing the relevant information on the websites of the Company and the Stock Exchange, according to the requirements of the Listing Rules.

COMPANY SECRETARY

Ms. Leung Siu King ("Ms. Leung") was appointed the Company Secretary on 16 May 2018. Ms. Leung is a chartered secretary, a chartered governance professional and an associate of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute. Ms. Leung has taken no less than 15 hours of the relevant professional training during the year ended 31 December 2020.

SHAREHOLDER RIGHTS AND INVESTOR RELATIONS

The annual general meeting (the "AGM") of the Company provides a forum for communication between shareholders and the Board. The notice of the AGM is despatched to all shareholders at least 20 clear business days prior to such AGM. The chairmen of all Board committees are invited to attend the AGM. The chairman of the Board and the chairmen of all the Board committees, or in their absence, other members of the respective committees, are available to answer questions at the AGM. The auditor of the Company is also invited to attend the AGM to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and the auditor's independence.

Under Section 566 of the Hong Kong Companies Ordinance, shareholders representing at least 5% of the total voting rights of all the shareholders having a right to vote at the general meetings are entitled to send a request to the Company to convene a general meeting. Such requisition must state the general nature of the business to be dealt with at the meeting and may include the text of a resolution that may properly be moved and is intended to be moved at the meeting. The request may be sent to the Company in hard copy form or in electronic form and must be authenticated by the shareholder(s) making it and deposited at the registered office of the Company. Besides, in relation to an annual general meeting which a company is required to hold, Section 615 of the Hong Kong Companies Ordinance provide that shareholders representing at least 2.5% of the total voting rights of all the shareholders having a right to vote on the resolution at the annual general meeting or at least 50 shareholders having a right to vote on the resolution at the annual general meeting, may request the Company to circulate a notice of the resolution for consideration at the annual general meeting, by sending a request, which must be authenticated by the shareholders making it, in a hard copy form or electronic form. Such request must be deposited at the registered office of the Company not later than six weeks before the relevant annual general meeting or if later, when the notice of annual general meeting is despatched.

As a channel to further promote effective communication, the Group maintains a website at http://www.cshldgs.com where the Company's annual and interim reports, notices, announcements and circulars are posted.

A printed copy of the Articles of Association of the Company has been published on the websites of the Company and the Stock Exchange. There had been no changes in the Company's constitutional documents during the year ended 31 December 2020.

Enquiries may be put to the Board through the Company Secretary at Rooms 3206–3210, 32nd Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

DIVIDEND POLICY

According to the dividend policy adopted by the Company, 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: (i) the actual and expected financial performance of the Group; (ii) the retained earnings and distributable reserves of the Group; (iii) the expected working capital requirements and future expansion plans of the Group; (iv) the liquidity position of the Group; and (v) any other factors that the Board deems appropriate. The declaration and payment of dividends by the Company shall be determined at the sole and absolute discretion of the Board and is also subject to compliance with all applicable laws and regulations including the Hong Kong Companies Ordinance and the Company's Articles of Association.

Environmental, Social and Governance Report

ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICIES

Introduction

China Strategic Holdings Limited and its subsidiaries are principally engaged in the business of investment in securities, trading of electronic components, money lending as well as securities brokerage. The Board has the overall responsibility for its environmental, social and governance ("ESG") strategy and reporting in achieving green operations for sustainable development.

This Environmental, Social and Governance Report (the "ESG Report") summarises the ESG initiatives, plans and performances of the Group and demonstrates its commitment to sustainable development.

The ESG Governance Structure

To systematically manage the ESG issues, the Group has set up an ESG working taskforce (the "Taskforce") comprising staff from relevant departments to assist in data collection and compilation of the ESG Report. The Taskforce would periodically report to the senior management, assist in assessing, identifying and managing ESG risks of the Group and whether its internal control system is operating effectively. The Taskforce reviews the ESG performance of the Group, including environmental, labour practices, and other ESG aspects.

SCOPE OF REPORTING

The ESG Report serves to provide details of the Group's ESG policies and initiatives of its businesses in investment in securities, trading of electronic components, money lending and securities brokerage. The ESG key performance indicator ("KPI") data is gathered from the companies and subsidiaries that are under the Group's direct operational control. The KPIs are shown in the ESG Report and are supplemented by explanatory notes to establish benchmarks. The Group will extend the scope of disclosures when and where applicable.

REPORTING FRAMEWORK

The ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") set out in Appendix 27 to the Listing Rules.

Information relating to the Group's corporate governance practices is set out in the "Corporate Governance Report" on pages 30 to 41 of this annual report.

REPORTING PERIOD

The ESG Report specifies the ESG activities, challenges and measures taken by the Group during the year ended 31 December 2020 (the "Reporting Period").

STAKEHOLDER ENGAGEMENT

Opinions and feedback from the stakeholders in regard to the Group's businesses and ESG aspects are greatly valued by the Group, as their expectations and concerns steer the Group towards sustainability, allowing the Group to formulate business and ESG strategies accordingly and appropriately. Throughout the Reporting Period, the Group has kept close communications with its key stakeholders, including but not limited to shareholders, employees, customers, suppliers and government and regulatory authorities, by utilising a variety of engagement methods and communication channels, as listed below:

Stakeholders	Communication Channels	Expectations and Concerns
Shareholders	• Financial reports • Annual general meeting and other shareholder meetings • Corporate website • Announcements and circulars	• Stability in business operations • Shareholder return • Compliance with local laws and regulations
Employees	• Staff meetings • Performance appraisals • Posters • Employee handbook • Electronic correspondences	• Remuneration, compensation and benefits • Fair and competitive employment • Employees' rights and interests • Occupational health and safety • Career development and training
Customers	• Corporate website • Face-to-face meetings	• Provision of quality products and services • Protection of customers' interest and privacy • Protection of intellectual property • Compliant operation
Suppliers	• Supplier assessment • Regular meetings	• Integrity • Fair and open procurement • Sustainable development of supply chain
The government and regulatory authorities	• Review papers • Statutory filings and notification	• Compliance with local laws and regulations • Completion of tax obligations

The Group is eager to collaborate with the stakeholders to improve its ESG performances and create greater value for the wider community on a continuous basis.

MATERIALITY ASSESSMENT

In preparation of the ESG Report and defining the scope of reporting, the Group has conducted a materiality assessment and sent out questionnaires to relevant departments and business units of the Group to assist in identifying relevant ESG material issues. Based on the results, the identified material ESG issues are then prioritised by the management and staff of the Group's respective major operations, so that the Group can focus on addressing the key material ESG issues and improving its ESG performance.

The following is a summary of the Group's ESG material issues included in the ESG Report:

ESG Reporting Guide	ESG Material Issues	Materiality to the Group		
A. Environmental		**High**	**Medium**	**Low**
A1. Emissions	Greenhouse Gas ("GHG") Emissions	☐	☐	☑
	Waste Management	☐	☐	☑
A2. Use of Resources	Energy Efficiency	☐	☐	☑
	Water Consumption	☐	☐	☑
A3. The Environment and Natural Resources	Indoor Air Quality	☑	☐	☐
B. Social		**High**	**Medium**	**Low**
B1. Employment	Recruitment and Remuneration	☐	☑	☐
	Promotion and Dismissal	☐	☑	☐
	Working Hours and Rest Periods	☑	☐	☐
	Compensation and Other Benefits	☐	☑	☐
	Diversity, Equal Opportunities and Anti-discrimination	☐	☐	☑
B2. Health and Safety	Operational Health and Safety Management	☐	☐	☑
B3. Development and Training	Development and Training	☑	☐	☐
B4. Labour Standards	Prevention of Child Labour and Forced Labour	☐	☐	☑
B5. Supply Chain Management	Supply Chain Management	☐	☐	☑
	Fair and Open Tendering	☐	☐	☑
B6. Product Responsibility	Quality Assurance	☑	☐	☐
	Customer Services	☑	☐	☐
	Protection of Intellectual Property Rights	☐	☑	☐
	Customer Privacy Protection	☐	☑	☐
	Advertising and Labelling	☐	☐	☑
B7. Anti-corruption	Anti-corruption and Anti-fraud	☐	☑	☐
	Anti-money Laundering ("AML") and Counter-financing of Terrorism ("CFT")	☐	☑	☐
B8. Community Investment	Community Participation	☐	☐	☑

MATERIALITY ASSESSMENT (continued)

The Group confirmed that it has established appropriate and effective management policies and internal control systems to address the ESG material issues, and to ensure that the disclosed contents are in compliance with the requirements of the ESG Reporting Guide.

CONTACT US

The Group welcomes stakeholders to provide their opinions and suggestions. Stakeholders can provide valuable advice in respect of the ESG Report or its performances in sustainable development by writing to the email address: info@cshldgs.com.

A. ENVIRONMENTAL

A1. Emissions

The Group is committed to the long-term sustainability of the environment and community where it operates, and is committed to minimise its carbon footprint. As a corporation which is principally engaged in the business of investment in securities, trading of electronic components, money lending as well as securities brokerage, the Group's daily operations have minimal impact on the environment. Nevertheless, the Group recognises its responsibilities for the potential indirect negative environmental impacts associated with its business operations, and the Group focuses on nurturing and strengthening its employees' awareness of environmental protection in their daily work processes.

During the Reporting Period, the Group was not aware of any non-compliance related to air and GHG emissions, discharge into water and land, and generation of hazardous and non-hazardous waste, including but not limited to the Air Pollution Control Ordinance, the Water Pollution Control Ordinance and the Waste Disposal Ordinance.

A. ENVIRONMENTAL (continued)

A1. Emissions (continued)

Air Emissions

Owing to the Group's business nature, it is considered that the air emissions it generated are of an insignificant level. Nonetheless, the Group has relevant policies in place to optimise fuel use, which include setting up a monitoring system for gasoline consumption to track the amount of gasoline consumed and urging employees to report and handle any irregularities appropriately. Other initiatives relating to mitigating air emissions for vehicles and vessels will be described in the section below headed "Scope 1 – Direct GHG Emissions".

Summary of air emissions performances:

Air emissions	Unit	2020	2019
Nitrogen Oxides (NOx)	kg	2.12	3.28
Sulphur Oxides (SOx)	kg	0.29	0.21
Particulate Matter (PM)	kg	0.16	0.24

GHG Emissions

Gasoline consumption of vehicles and diesel consumption of vessels (Scope 1) and purchased electricity (Scope 2) account for the principal GHG emissions of the Group.

Scope 1- Direct GHG Emissions

The Group has set out guidelines to better govern the use of fuel and to reduce direct GHG emissions from gasoline and diesel consumption in its operations. The emissions reduction measures are as follows:

- Plan routes ahead of time to optimise fuel consumption;
- Switch off the engine whenever the vehicle or vessel is idling; and
- Service the vehicles or vessels to ensure optimal engine performance and fuel use on a regular basis.

A. ENVIRONMENTAL (continued)

A1. Emissions (continued)

Scope 2 – Energy Indirect GHG Emissions

Purchased electricity accounts for the indirect GHG emissions of the Group. The Group has implemented measures to reduce energy consumption, the measures are mentioned in the section below headed "A2. Use of Resources".

During the Reporting Period, the Group's total GHG emissions increased by approximately 19.01% from approximately 88.74 tCO_2e in 2019 to approximately 105.61 tCO_2e in 2020. This is mainly due to the increased consumption of diesel and electricity for business purposes.

Summary of GHG emissions performances:

Indicator *(Note (i))*	**Unit**	**2020**	**2019**
Scope 1 – Direct GHG emissions			
• Group's vehicles and vessels	tCO_2e	51.13	40.47
Scope 2 – Energy Indirect GHG emissions			
• Purchased electricity	tCO_2e	54.48	48.27
Total GHG emissions	tCO_2e	**105.61**	**88.74**
Intensity *(Note (ii))*	tCO_2e/employee	**1.76**	**1.93**

Notes:

(i) GHG emissions data is presented in terms of carbon dioxide equivalent and is based on, but not limited to, "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World Resources Institute and the World Business Council for Sustainable Development, "How to prepare an ESG report – Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange, the "Global Warming Potential Values" from the IPCC Fifth Assessment Report, 2014 (AR5) and the HK Electric Investments Sustainability Report 2019.

(ii) As of 31 December 2020, the Group had 60 (2019: 46) employees. The data is also used for calculating other intensity data.

A. ENVIRONMENTAL (continued)

A1. Emissions (continued)

Waste Management

Hazardous Waste Handling Method

Owing to the Group's business nature, no material hazardous waste had been generated by the Group during the Reporting Period.

Non-hazardous Waste Handling Method

The Group recognises that the majority of non-hazardous waste produced is paper. Although the operations do not generate a significant amount of non-hazardous waste, the Group endeavours to further minimise the waste by promoting the concept of "green office" to its employees through introducing a series of initiatives. The waste reduction measures are listed as follows:

- Re-use single-sided office paper;
- Encourage double-sided printing or photocopying;
- Recycle and return the toners and ink cartridges to approved collectors;
- Print electronic correspondences only when necessary;
- Procure paper with FSC Recycled Label; and
- Recycle outdated office supplies and electronic equipment.

During the Reporting Period, the Group's total non-hazardous waste slightly decreased by approximately 1.54% from approximately 0.65 tonne in 2019 to approximately 0.64 tonne in 2020. This is explained by the increasing awareness of the employees in reducing the waste.

Summary of non-hazardous waste performance:

Category of waste	Unit	2020	2019
Paper	tonne	0.64	0.65
Total non-hazardous waste	tonne	**0.64**	**0.65**
Intensity	tonne/employee	**0.01**	**0.01**

A. ENVIRONMENTAL (continued)

A2. Use of Resources

The Group upholds and promotes the principle of effective use of resources and is committed to optimising the use of resources across its business operations. The Group, therefore, keeps track of the ESG related KPIs through its internal monitoring programme on procurement and use of resources and has identified its major resources consumed to be water, energy and fuel. As such, the Group has established relevant policies and procedures to better govern the usage of these resources.

Energy Efficiency

The energy consumed by the Group is mainly electricity consumption for daily operations. As the Group is determined to reduce energy consumption and adhere to the electricity-saving principle, a detailed internal energy reduction policy has been set in place for all of the Group's subsidiaries and departments to follow.

Given the Group's business nature, the variety of applicable and possible green measures to be incorporated into the Group's policy is limited. Nevertheless, the Group strives to further reduce energy consumption by adopting a variety of energy-saving measures as listed below:

- Design and operate lighting control systems based on actual need;
- Switch off unnecessary lightings and electrical appliances when not in use;
- Purchase energy-efficient equipment to replace retired equipment;
- Set all computer screens and printers to standby mode after a certain period;
- Post eye-catching stickers on energy efficiency as a reminder to employees; and
- Encourage employees to utilise public transportation where possible.

During the Reporting Period, the total energy consumption of the Group increased by approximately 29.05% from approximately 206.00 MWh in 2019 to approximately 265.84 MWh in 2020. This is mainly due to the increased consumption of diesel and electricity for business purposes.

A. ENVIRONMENTAL (continued)

A2. Use of Resources (continued)

Summary of energy consumption performance:

Type of energy	Unit	2020	2019
Direct energy consumption			
Gasoline	MWh	86.20	102.08
Diesel	MWh	112.38	42.81
Indirect energy consumption			
Electricity	MWh	67.26	61.11
Total energy consumption	MWh	**265.84**	**206.00**
Intensity	MWh/employee	**4.43**	**4.48**

Water Consumption

Owing to the Group's business nature, the usage of water is only confined to water used by employees at the office. Although the Group does not have full control over its water supply, the Group aims to focus on reducing the water demand through increasing employee awareness on water conservation. In an effort to ensure the efficient use of water and reduce water wastage, the Group has reduced unnecessary water consumption in toilets and pantries, while also posting water-saving reminders in the office area to raise employees' awareness.

During the Reporting Period, the water consumption of the Group decreased by approximately 7.93% from approximately 3.28 m^3 in 2019 to approximately 3.02 m^3 in 2020. This is explained by the increasing awareness of the employees in reducing water consumption.

Summary of water consumption performance:

Water consumption	Unit	2020	2019
Total water consumption	m^3	**3.02**	**3.28**
Intensity	m^3/employee	**0.05**	**0.07**

Owing to the Group's business nature, the Group has not identified any issues in sourcing water that is fit for purpose.

Use of Packaging Material

Owing to the Group's business nature, the use of packaging material is not considered a material ESG aspect to the Group.

A. ENVIRONMENTAL (continued)

A3. The Environment and Natural Resources

Although the core business of the Group has a remote impact on the environment and natural resources, as an ongoing commitment to good corporate social responsibility, the Group realises its responsibility for minimising any negative environmental impacts in its business operations. The Group regularly assesses the environmental risks of its businesses and adopts preventive measures to reduce the risks and ensures compliance with the relevant laws and regulations.

Indoor Air Quality

To ensure that the Group's working environment is pleasant, indoor air quality in its workplace is regularly monitored and measured. During the Reporting Period, the indoor air quality of the Group's offices is satisfactory. To improve indoor air quality, air purifying equipment is used in offices when considered appropriate and the air conditioning system is cleaned periodically. These measures resulted in controlling indoor air quality at a satisfactory level and filtering out pollutants, contaminants and dust particles.

The Group believes that running a sustainable business model could greatly lower operational risk which in turn lowers the risk of the Group's business portfolio and generates a more stable return to the Group and its shareholders. The Group is deeply committed to making such transition in the long-term.

B. SOCIAL

B1. Employment

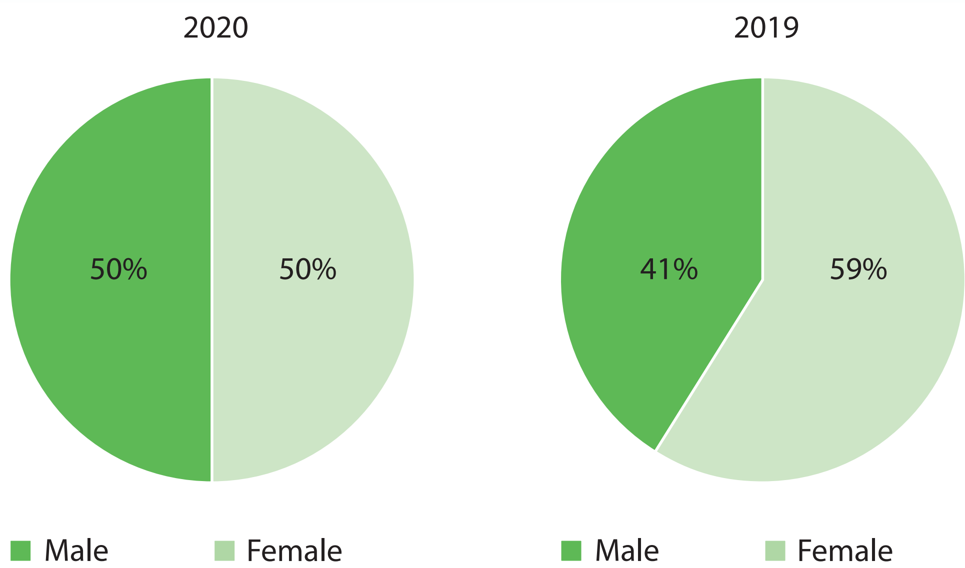
The Group believes that human resources are one of its key competitive advantages and are the foundation of the Group's continued success. By implementing its people-oriented management strategy in relevant employment policies, the full potential of employee can be realised. The Group has formulated relevant employment policies that are formally documented in the employee handbook, including recruitment and remuneration, compensations, working hours and rest periods, diversity and equal opportunities, etc. to protect the rights of its employees. The management regularly reviews and updates the employee handbook, so that it will be of relevance to the latest employment standards and in compliance with the most updated local laws and regulations.

B. SOCIAL (continued)

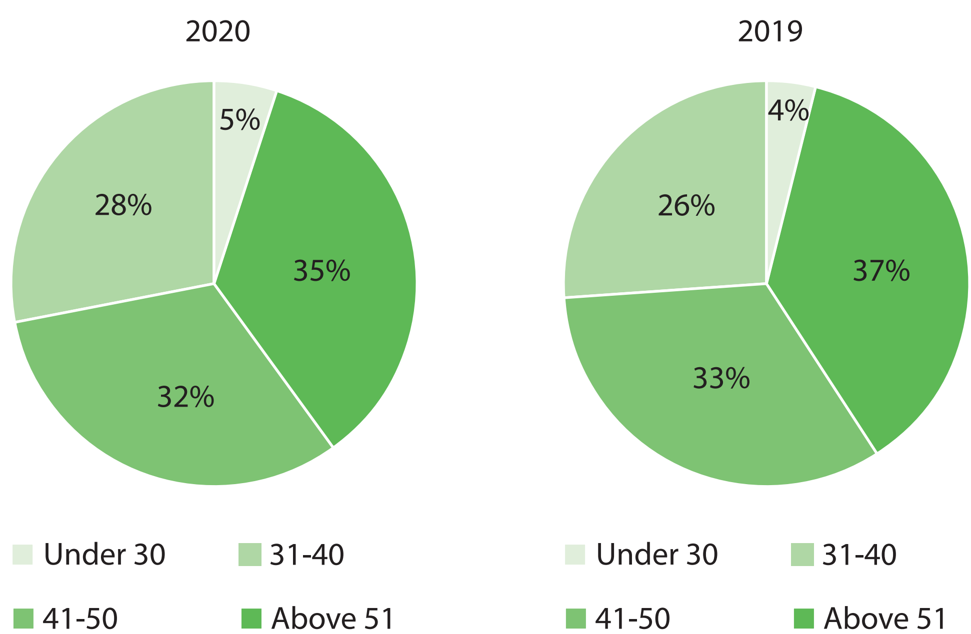
B1. Employment (continued)

During the Reporting Period, the Group was not aware of any material non-compliance with employment related laws and regulations including but not limited to the Employment Ordinance that would have a significant impact on the Group. As of 31 December 2020, the Group has a total number of 60 (2019: 46) employees located in Hong Kong. The demographics of the Group's workforce are as follows:

(i) Percentage of Employees by Gender Group



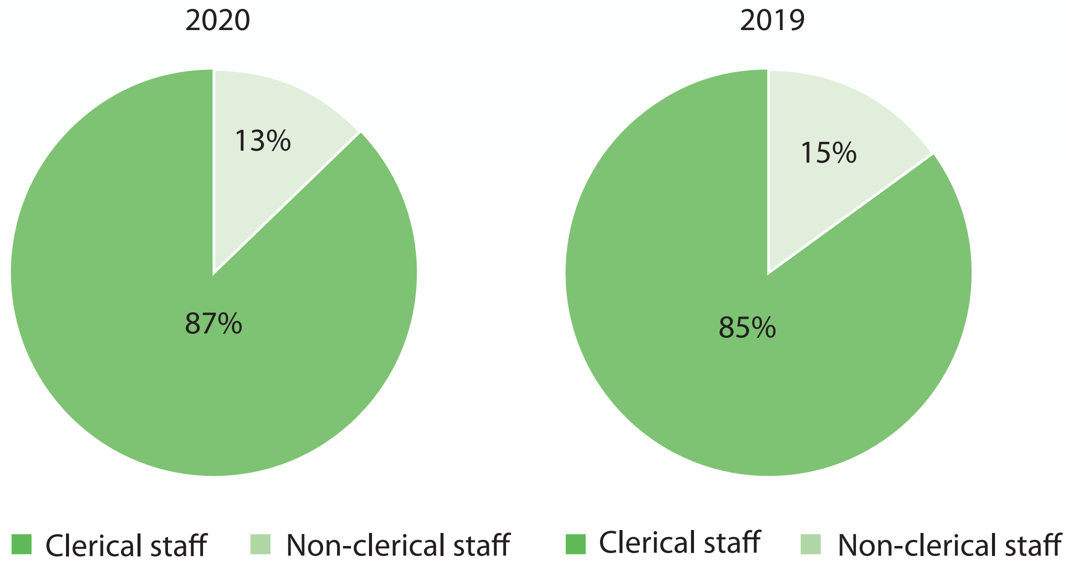
(ii) Percentage of Employees by Age Group



B. SOCIAL (continued)

B1. Employment (continued)

(iii) Percentage of Employees by Employment Type



Recruitment and Remuneration

Employees are recruited via a robust, transparent and fair recruitment process based solely on their experience and suitability for the positions, regardless of their age, religion, ethnicity, origin, gender identity, physical capability and marital status, etc. Employees are assessed and chosen based on their ability and potential to fulfil the Group's current and future needs. The Group is adamant in treating and evaluating its employees in a fair and unprejudiced way.

The Group conducts its salary adjustments and promotion appraisals in a systematic manner to ensure fairness and transparency. Through conducting an annual performance review of each employee, the Group's management will determine whether the employee warrants the salary adjustment or promotion, while providing support to employees with below average performance. Remuneration packages include variable bonuses, annual leave, outpatient medical consultation, and discretionary bonuses, etc.

B. SOCIAL (continued)

B1. Employment (continued)

Promotion and Dismissal

The Group has clearly defined the basis and process for the management of promotion, transfer, and demotion of employees to protect the interests of both the employees and the Group. The promotion of employees depends on their performances, working ability, intrinsic potential, and the needs of the group entities, and can only be carried out with the appropriate approval.

The Group closely monitors employees' turnover and understands the reasons behind the departure through exit interviews so that it can address employees' concerns and implement the right retention measures accordingly. Besides, termination of employees was arranged in accordance with the Employment Ordinance.

During the Reporting Period, there was no dismissal and all employees left the Group voluntarily, totalling 4 (2019: 9) employees.

The overall employees' turnover rate by gender and age group is as follows:

Gender	**2020**	**2019**
Male	13%	26%
Female	0%	15%
Age Group		
Under 30 Years Old	0%	0%
31 to 40 Years Old	12%	58%
41 to 50 Years Old	5%	13%
Above 51 Years Old	5%	0%

B. SOCIAL (continued)

B1. Employment (continued)

Working Hours and Rest Periods

The Group understands the importance of "work-life balance" to its employees and adopts a five-day workweek to ensure that its employees have adequate rest. Employees are entitled to basic leaves such as sick leave, annual leave, maternity leave, paternity leave and marriage leave.

Compensation and Other Benefits

Other benefits include subsidy for training courses, medical insurance packages, education and traveling allowance and causal Friday. Performance bonuses and salaries increment for employees are fairly assessed based on a number of criteria including working experience, seniority and contribution to the Group during the annual performance appraisal process.

Diversity, Equal Opportunities and Anti-discrimination

The Group believes in the power of diversity, as it believes that a varied workforce is essential to business continuity. Therefore, the Group is committed to creating and maintaining an embracing and collaborative workplace culture. The Group aims to provide equal opportunities in all aspects of employment and ensure the workplace is free from discrimination, physical or verbal harassment against any individual based on race, religion, colour, gender, physical or mental capability, age, place of origin, marital status, and sexual orientation. The Group also strives to ensure that complaints, afflictions and concerns, including whistle-blowing, are dealt with promptly and confidentially. The Group has zero tolerance for sexual harassment or abuse in the workplace in any form.

B2. Health and Safety

As the Group's operation is mostly carried out in an office setting, where no labour-intensive work is required, the Group's businesses do not pose a significant threat to the health and safety of employees. Furthermore, the Group endeavours to safeguard the health and safety of its employees by raising awareness on the benefits of exercising and maintaining a proper posture by putting up posters or leaflets in visible areas.

During the Reporting Period, the Group was not aware of any material non-compliance with health and safety-related laws and regulations including but not limited to the Occupational Safety and Health Ordinance that would have a significant impact on the Group. The Group had one reported work-related incident and 13 work days lost due to this work injury.

B. SOCIAL (continued)

B2. Health and Safety (continued)

Occupational Health and Safety Management

In the pursuit of building an injury-free working environment and preventing physical impairment, the Group has created an internal safety policy ensuring a safe work environment whereas guidelines are listed in accordance with the laws and regulations. Business Continuity Plan has been set in place in case of emergencies such as fire, electrical failure, flood and water damage. Loss or damage within the office and injuries at work are covered by various insurance policies of the Group.

Prevention Control on Coronavirus Disease 2019 ("COVID-19")

In view of the COVID-19 outbreak in early 2020, the Group has taken proactive measures to safeguard the health and safety of its employees and business partners and has complied with the public health measures promulgated by the local authorities. In addition to complying with public health policies, the Group has enhanced the environmental hygiene in its working areas through regular sanitisation, and distribution of adequate protective gear such as surgical masks and hand sanitizers. To further minimise the risk of cross-infection, all employees and guests of the Group are also required to perform stringent temperature checks before entering the offices or worksites. The Group has also issued a detailed guideline to its employees to advise on responsive actions when there are COVID-19 infections among its employees and their relevant family members.

B. SOCIAL (continued)

B3. Development and Training

The valuable contribution of the Group's talents is key to the continued success of the Group. Therefore, nurturing talents and polishing the skills of the Group's employees are important for their striving for excellence. The Group is also very supportive in facilitating employees' personal development and goals and regularly provides ample training opportunities while encouraging its directors and senior executives to participate in external professional training.

Development and Training

One of the Group's subsidiary is a highly regulated securities brokerage company, as such, the Group regularly provides training in the areas of securities brokerage, investment and financial analysis, and laws and regulations for its relevant employees. Employees are therefore informed of the latest industry practice and knowledge as well as regulatory requirements and standards which are crucial to the subsidiary's operations.

The Group will provide induction training materials such as handouts and onboard guidance to new recruits, and upon appointment of a new director, a guidebook set forth by the Hong Kong Institute of Directors together with other materials will be provided. The induction materials to employees are updated regularly in response to the dynamic working environment. Materials such as updates, circulars and consultation papers issued by the Stock Exchange are also made available to directors and senior employees for them to keep abreast of the latest market and regulatory development. In addition to training events provided by the Group, many of its employees are members of certifications that require external professional training on an annual basis.

During the Reporting Period, the percentage of male and female employees who received training were 23% (2019: 26%) and 23% (2019: 33%) respectively. The training hours completed by male and female employees were 165 (2019: 125) hours and 125 (2019: 125) hours respectively.

B. SOCIAL (continued)

B4. Labour Standards

Prevention of Child Labour and Forced Labour

Child labour and forced labour are strictly prohibited in accordance with laws and regulations. The Group's human resources department will ensure that identity documents are carefully checked in order to verify the personal data submitted by the candidates during the recruitment process. The Group strictly complies with local laws and does not employ children before they reach the legal age to work as defined by the Labour Department in Hong Kong. The Group guarantees that no employee would be forced or persuaded to work in the Group against their will, experienced any form of action of threatening and abuse, or subjected to any type of coercion or punishment in workplaces.

During the recruitment process, the Group collects candidates' personal data in order to aid the selection of suitable candidates. The Group's human resources department will be responsible for checking the authenticity of personal information received against the original documents provided by the candidates. Any faulty information received will be reported to the relevant management and corrective actions will be taken.

The Group also supports human rights consistent with the Universal Declaration of Human Rights and will consider carefully before trading with, or investing in, countries that are governed by regimes that do not adhere to the Universal Declaration of Human Rights.

During the Reporting Period, the Group was not aware of any material non-compliance with child and forced labour-related laws and regulations, including but not limited to the Employment Ordinance that would have a significant impact on the Group.

B5. Supply Chain Management

Most of the Group's suppliers are being third-party service providers in the information technology, property management, financial, legal and consulting sectors. The Group commits to creating a sustainable supply chain and therefore expects all its suppliers and business partners to uphold a similar standard in respect of environmental issues and labour practices. The Group has also formulated the relevant supplier management policy to govern the supplier assessment process, which is reviewed on an annual basis.

Supply Chain Management

A well-developed supplier assessment process enables the Group to assess a vendor in a structured and systematic manner. The evaluation criterion of a vendor is based on its service or product quality, social responsibilities and moral standards. Furthermore, management oversees business projects with due care in pursuit of mitigating any issues that contradict the Group's standards on environmental and social issues.

The evaluation on the supplier is conducted periodically. The supplier who continuously fails to meet the Group's requirements may be subject to termination for supply in the future.

B. SOCIAL (continued)

B5. Supply Chain Management (continued)

Fair and Open Tendering

To engage suppliers in a fair and competitive environment, the Group has developed a tendering procedure which is to be used when a supplier tendering process is considered appropriate. The senior management will be responsible for all the decision-making during the tendering process. The Group strictly prohibits the differentiation or discrimination on certain suppliers, and it monitors and prevents all kinds of business bribery in a serious manner. Employees or personnel having any direct or indirect interests associated with the suppliers should not be involved in the related business activity.

B6. Product Responsibility

The Group is committed to offering quality products and services to meet or exceed its customers' requirements. To ensure high quality products and services are delivered to its customers, the Group has systems and controls in place to monitor the status and progress of all its business activities carrying out by different levels of staff.

During the Reporting Period, the Group was not aware of any incidents of non-compliance with laws and regulations that would have a significant impact on the Group, concerning health and safety and privacy matters relating to products and services provided and methods of redress, including but not limited to the Money Lenders Ordinance, Personal Data (Privacy) Ordinance and Securities and Futures Ordinance. The Group has also recorded zero recalls and complaints about its products and services due to safety and health reasons.

Quality Assurance

The Group places great emphasis on maintaining its high service quality and strives to satisfy its customers through meeting or exceeding their expectations. To ensure the quality of the securities brokerage services provided and as required by the relevant rules of the Securities and Futures Commission, the Group keeps the telephone voice records with its customers and the relevant documentation records for 6 months and not less than 7 years respectively. A designated responsible officer is in charge of overseeing the execution of this quality assurance process through random and regular checking of the voice records to ensure that orders of the customers are properly and satisfactorily executed. For the Group's trading business, the merchandises trading by the operation are strictly complied with the international standards.

Customer Services

To provide high quality products or services to its customers, the Group has established good relationships with its customers through gathering and analysing their feedback, inquires and complaints. The Group is able to identify areas of improvement to improve its future products or services quality through conducting studies and reviews on the information gathered.

The Group has also formulated a set of policies and procedures to handle customers' feedback and complaints in a professional manner. Reviews on feedback or complaints will be conducted when a product or service-related inquiry or complaint is received. Customers' satisfaction will be evaluated after the complaints are settled.

B. SOCIAL (continued)

B6. Product Responsibility (continued)

Protection of Intellectual Property Rights

The Group values its intangible assets as much as its tangibles. The Group protects its business against intellectual property theft by refusing the use of illegal software or anything without copyright or patents. The Group supports the use of legal and intangible assets with trademarks while protecting itself from exposure to cybersecurity threats.

Customer Privacy Protection

During the provision of products and services, a wide range of sensitive information is entrusted to the Group by its customers. To ensure that the information is properly stored and managed, the Group has installed and routinely upgrades firewall, anti-virus and anti-spam solutions to prevent potential data leakage. The Group restricts employee access to sensitive data, allowing access only to relevant employees for carrying out their roles and responsibilities.

Advertising and Labelling

To promote responsible money lending services, relevant employees are required to familiarise themselves with related guidelines on money lending procedures. Guideline on the requirements in money lending business advertisement is formally documented in the operation procedures handbook, the guideline states that advertisement, whether in textual, audio or visual form, must contain the telephone hotline for handling complaints and a clear risk warning statement. The said risk warning statement must also be audible in the audio part of the advertisement.

B7. Anti-corruption

The Group affirms its zero-tolerance policy towards corruption, fraud and all other behaviours that severely violates professionalism and work ethics, and place high priority on integrity, honesty and fairness. Policies on corruption, bribery, extortion, fraud and money laundering are clearly stated within the employee handbook. The Group does not allow the occurrence of any corruptions, frauds and other behaviours going against work ethics and therefore, it adopts a zero-tolerance approach for all kinds of corruption, bribery and extortion cases.

During the Reporting Period, the Group was not aware of any material non-compliance cases with the laws and regulations related to bribery, fraud, extortion and money laundering, including but not limited to the Prevention of Bribery Ordinance that would have a significant impact on the Group. There were no concluded legal cases regarding corrupt practices brought against the Group or its employees.

B. SOCIAL (continued)

B7. Anti-corruption (continued)

Anti-corruption

The Group does not put up with any corruption, fraud and other behaviours going against work ethics. The Group values integrity, honesty and equality as essential and vital aspects when operating its businesses. The arise of potential conflict of interest and code of ethics are clearly explained and listed in the employee handbook and employees are strongly advised of declaring any potential conflicts of interest and ethical issues when circumstances arise.

Anti-fraud

All employees are required to stay alert to the occurrence of any type of fraud and also be aware of any suspicious or fraud-indicating transactions or behaviours. Disciplinary actions will be taken by the Group immediately if any employees are found to be involved in fraud-related activities which are detrimental to the Group's operation. Disciplinary actions on individuals are based on the level of severity, which include termination of employment and reporting to the relevant law enforcement and/or regulatory authorities for investigation.

Anti-money Laundering (AML) and Counter-financing of Terrorism (CFT)

The Group places great emphasis on AML and CFT. Apart from the compliance with laws and regulations in relation to AML/CFT, the Group has established an AML/CFT policy to help protect the financial integrity of its operations. The management will report to the Audit Committee directly if any unusual activities are spotted with indicators of AML/CFT.

B. SOCIAL (continued)

B8. Community Investment

Community Participation

The Group is committed to supporting the community by various means of social participation and contribution as part of its strategic development. As a responsible corporation, the Group strives to nurture a "give-back" culture within its corporation and inspire the sense of social responsibility of its employees by encouraging them to participate in charitable activities during their works and spare time.

Deloitte. 德勤

TO THE SHAREHOLDERS OF CHINA STRATEGIC HOLDINGS LIMITED
中策集團有限公司
(Incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of China Strategic Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 69 to 155, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

WorldClass
智启非凡

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Provision of expected credit losses ("ECL") for debt instruments at fair value through other comprehensive income ("FVTOCI")	
We identified the provision of ECL for debt instruments at FVTOCI as a key audit matter due to the determination of loss allowances for debt instruments at FVTOCI using the ECL model involves significant estimates and judgements, including determination of whether there is significant increase in credit risk since initial recognition, use of assumptions in determination of probability of default and loss given default, and incorporation of forward looking information. As disclosed in Note 21 to the consolidated financial statements, the fair value of debt instruments at FVTOCI is HK$401,813,000 at 31 December 2020 and impairment allowance of HK$18,873,000 is provided for the current year. The determination of the loss allowances is dependent on the external macro environment and the credit rating of each debt security. The managements takes into consideration historical data from an international rating agency. The Group had engaged an independent professional valuer to perform ECL assessment.	Our procedures in relation to ECL for debt instruments at FVTOCI included: • Understanding and assessing the design and implementation of key internal controls of the credit grading process and measurement of loss allowances; • Evaluating methodology and assumptions used by management in determining ECL; • Testing the integrity of significant inputs used by management in determining ECL and the mathematical accuracy of the calculations; and • Engaging our internal specialists to review the significant management judgements and assumptions, including (i) the criteria for significant increase in credit risk made by assessing credit rating migration between origination date and reporting date; (ii) reasonableness of probability of default, recovery rate and loss given default; and (iii) the use of economic variables and relative weighting for forward-looking scenarios.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Provision of ECL and impairment assessment on loan receivables	
We identified the provision of ECL and impairment assessment on loan receivables as a key audit matter due to management judgement being required in making an assessment of the adequacy of the provision of ECL and impairment assessment for loan receivables rising from the money lending business. As detailed in Note 22 to the consolidated financial statements, the Group's loan receivables at 31 December 2020 amounted to HK$1,448,295,000 and impairment allowance of HK$202,923,000 is provided for the current year. In determining the impairment of loan receivables, ECL of the loan receivables were assessed by the management taking into account of the credit loss experience, ageing of overdue balances, cash flows that are expected from the realisation of collateral, borrowers' repayment history and financial condition of borrowers as well as forward looking information.	Our procedures in relation to management's impairment assessment of loan receivables included: • Understanding and evaluating the entity's key controls on how the management estimates the credit loss allowance for loan receivables; • Evaluating management's assessment of the internal credit rating of the loan receivables by reference to past due status, past collection history and financial condition of the borrowers; and • Understanding management's basis and judgement in determining credit loss allowance on loan receivables at 31 December 2020, including the identification of credit-impaired loan receivables, estimated loss rates applied to each borrower, collaterals pledged to the Group, the use of economic variables and relative weighting for forward-looking scenarios.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the 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 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.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, 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.

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 or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Tsang Yiu Chung.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 26 March 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Revenue	5	**256,347**	779,962
Trading income		**4,062**	396,108
Dividend income		**7,033**	22,491
Interest income		**239,174**	345,393
Commission, underwriting fee and other income		**6,078**	15,970
Purchases and related expenses		**(4,023)**	(394,137)
Other income	7	**20,581**	1,130
Other (loss) gain	8	**(628)**	266
Staff costs		**(27,630)**	(24,975)
Impairment losses on loan receivables and debt instruments at fair value through other comprehensive income		**(221,796)**	(143,148)
Other expenses		**(39,849)**	(28,599)
Net gain (loss) on financial assets at fair value through profit or loss	9	**2,905,676**	(436,888)
(Loss) gain on disposal of debt instruments at fair value through other comprehensive income		**(17,079)**	1,309
Gain on redemption of debt instruments at fair value through other comprehensive income		**–**	297
Finance costs	10	**(158,640)**	(171,095)
Profit (loss) before tax		**2,712,959**	(415,878)
Income tax (expense) credit	11	**(429,772)**	92,931
Profit (loss) for the year attributable to owners of the Company	12	**2,283,187**	(322,947)
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Deferred tax on net fair value changes of debt instruments at fair value through other comprehensive income		**5,208**	(8,899)
Net fair value (loss) gain on debt instruments at fair value through other comprehensive income		**(29,768)**	56,400
Release on disposal of debt instruments at fair value through other comprehensive income		**17,079**	(1,309)
Release on redemption of debt instruments at fair value through other comprehensive income		**–**	(297)
Impairment loss on debt instruments at fair value through other comprehensive income		**18,873**	859
Other comprehensive income for the year		**11,392**	46,754
Total comprehensive income (expense) for the year attributable to owners of the Company		**2,294,579**	(276,193)
Earnings (loss) per share attributable to owners of the Company			
– Basic	16	**HK13.29 cents**	HK(1.90) cents

Consolidated Statement of Financial Position

At 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment	17	**18,196**	19,788
Right-of-use assets	18	**28,388**	10,434
Goodwill	19	**4,000**	4,000
Club debentures	20	**1,928**	1,928
Debt instruments at fair value through other comprehensive income	21	**401,813**	949,545
Loan receivables	22	**–**	15,826
Deferred tax assets	30	**27,067**	8,148
Total non-current assets		**481,392**	1,009,669
Current assets			
Debt instruments at fair value through other comprehensive income	21	**–**	7,816
Loan receivables	22	**1,448,295**	2,405,324
Trade and other receivables	23	**175,487**	113,327
Income tax recoverable		**22,841**	3,182
Financial assets at fair value through profit or loss	24	**4,073,317**	1,454,098
Pledged bank deposits	25	**3,096**	32,067
Bank balances and cash	25	**2,277,270**	169,808
Total current assets		**8,000,306**	4,185,622
Current liabilities			
Trade and other payables	26	**68,240**	78,479
Income tax payable		**8,794**	21,048
Borrowings	27	**355,000**	464,698
Notes payable	28	**1,170,725**	1,253,171
Lease liabilities	29	**9,083**	8,106
Total current liabilities		**1,611,842**	1,825,502
Net current assets		**6,388,464**	2,360,120
Total assets less current liabilities		**6,869,856**	3,369,789

Consolidated Statement of Financial Position

At 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current liabilities			
Notes payable	28	**478,152**	–
Lease liabilities	29	**17,263**	–
Deferred tax liabilities	30	**435,393**	–
Total non-current liabilities		**930,808**	–
Net assets		**5,939,048**	3,369,789
Capital and reserves			
Share capital	31	**3,216,110**	3,012,877
Reserves		**2,722,938**	356,912
Total equity		**5,939,048**	3,369,789

The consolidated financial statements on pages 69 to 155 have been approved and authorised for issue by the Board of Directors on 26 March 2021 and are signed on its behalf by:

Dr. Or Ching Fai
Director

Sue Ka Lok
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Share capital HK$'000	Shareholder's contribution reserve HK$'000	Investment revaluation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2019	3,012,877	–	(65,672)	698,777	3,645,982
Loss for the year	–	–	–	(322,947)	(322,947)
Deferred tax on net fair value changes of debt instruments at fair value through other comprehensive income	–	–	(8,899)	–	(8,899)
Net fair value gain on debt instruments at fair value through other comprehensive income	–	–	56,400	–	56,400
Release on disposal of debt instruments at fair value through other comprehensive income	–	–	(1,309)	–	(1,309)
Release on redemption of debt instruments at fair value through other comprehensive income	–	–	(297)	–	(297)
Impairment loss on debt instruments at fair value through other comprehensive income	–	–	859	–	859
Total comprehensive income (expense) for the year	–	–	46,754	(322,947)	(276,193)
At 31 December 2019	3,012,877	–	(18,918)	375,830	3,369,789
Profit for the year	**–**	**–**	**–**	**2,283,187**	**2,283,187**
Deferred tax on net fair value changes of debt instruments at fair value through other comprehensive income	**–**	**–**	**5,208**	**–**	**5,208**
Net fair value loss on debt instruments at fair value through other comprehensive income	**–**	**–**	**(29,768)**	**–**	**(29,768)**
Release on disposal of debt instruments at fair value through other comprehensive income	**–**	**–**	**17,079**	**–**	**17,079**
Impairment loss on debt instruments at fair value through other comprehensive income	**–**	**–**	**18,873**	**–**	**18,873**
Total comprehensive income for the year	**–**	**–**	**11,392**	**2,283,187**	**2,294,579**
Shareholder's contribution *(Note 28)*	**–**	**71,447**	**–**	**–**	**71,447**
Issue of shares *(Note 31)*	**203,852**	**–**	**–**	**–**	**203,852**
Transaction cost attributable to issue of shares *(Note 31)*	**(619)**	**–**	**–**	**–**	**(619)**
At 31 December 2020	**3,216,110**	**71,447**	**(7,526)**	**2,659,017**	**5,939,048**

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Operating activities			
Profit (loss) before tax		**2,712,959**	(415,878)
Adjustments for:			
Finance costs		**158,640**	171,095
Bank interest income		**(11,167)**	(833)
Other interest income		**(7,013)**	–
Interest income from financial assets at fair value through profit or loss and debt instruments at fair value through other comprehensive income		**(57,898)**	(78,173)
Loan interest income		**(180,151)**	(265,308)
Interest income from securities margin financing		**(1,125)**	(1,912)
Depreciation of property, plant and equipment	12	**3,369**	3,293
Depreciation of right-of-use assets	12	**9,582**	8,062
Dividends from equity investments		**(7,033)**	(22,491)
Impairment losses on loan receivables and debt instruments at fair value through other comprehensive income		**221,796**	143,148
Loss (gain) on disposal of debt instruments at fair value through other comprehensive income		**17,079**	(1,309)
Gain on redemption of debt instruments at fair value through other comprehensive income		**–**	(297)
Net unrealised (gain) loss on financial assets at fair value through profit or loss		**(2,979,472)**	409,214
Operating cash flows before movements in working capital		**(120,434)**	(51,389)
Decrease in inventories		**–**	6,108
Increase in trade and other receivables		**(66,391)**	(1,311)
Decrease in loan receivables		**803,363**	8,268
Decrease in financial assets at fair value through profit or loss		**360,253**	179,699
Decrease in trade and other payables		**(17,809)**	(30,965)
(Increase) decrease in bank balances - client accounts		**(2,523)**	17,377
Cash from operations		**956,459**	127,787
Income tax paid		**(40,003)**	(6,131)
Interest received		**228,154**	284,199
Net cash from operating activities		**1,144,610**	405,855
Investing activities			
Purchase of debt instruments at fair value through other comprehensive income		**–**	(66,667)
Proceeds from disposal of debt instruments at fair value through other comprehensive income		**525,780**	149,588
Proceeds from redemption of debt instruments at fair value through other comprehensive income		**–**	7,800
Proceeds from redemption of convertible securities receivables		**–**	120,000
Dividend received		**7,033**	22,491
Withdrawal (placement) of pledged bank deposits		**28,971**	(673)
Purchase of property, plant and equipment	17	**(1,777)**	(87)
Net cash from investing activities		**560,007**	232,452

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Financing activities			
New borrowings raised		**478,553**	329,901
Repayments of borrowings		**(588,251)**	(568,474)
Interest paid		**(133,917)**	(168,625)
Repayment of lease liabilities		**(9,296)**	(7,820)
Redemption of notes issued	28	**(1,250,000)**	(250,000)
Net proceeds from issue of notes	28	**1,700,000**	–
Proceeds from issue of shares		**203,852**	–
Transaction costs attributable to issue of shares		**(619)**	–
Net cash from (used in) financing activities		**400,322**	(665,018)
Net increase (decrease) in cash and cash equivalents		**2,104,939**	(26,711)
Cash and cash equivalents at the beginning of the year		**135,793**	162,504
Cash and cash equivalents at the end of the year		**2,240,732**	135,793
Represented by:			
Bank balances and cash			
– General accounts and cash	25	**2,240,732**	135,793

1. GENERAL INFORMATION

China Strategic Holdings Limited is a public limited liability company incorporated in Hong Kong and its shares are listed on the Main Board of the Stock Exchange. The registered office and principal place of business of the Company is Rooms 3206-3210, 32nd Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

The consolidated financial statements are presented in HK$, which is also the functional currency of the Company and all values are rounded to the nearest thousand (HK$'000) except otherwise indicated.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in Note 39 to the consolidated financial statements.

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

Amendments to HKFRSs that are mandatorily effective for the current year

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

Amendments to HKAS 1 and HKAS 8	Definition of material
Amendments to HKFRS 3	Definition of a business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest rate benchmark reform

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

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

Amendments to HKFRSs that are mandatorily effective for the current year (continued)

2.1 Impacts on application of Amendments to HKAS 1 and HKAS 8 "Definition of material"

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

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

2.2 Impacts on application of Amendments to HKFRS 3 "Definition of a business"

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

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

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

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

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance contracts and the related amendments[1]
Amendment to HKFRS 16	Covid-19-related rent concessions[4]
Amendments to HKFRS 3	Reference to the conceptual framework[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest rate benchmark reform – phase 2[5]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to HKAS 1	Classification of liabilities as current or non-current and related amendments to Hong Kong interpretation 5 (2020)[1]
Amendments to HKAS 16	Property, plant and equipment – proceeds before intended use[2]
Amendments to HKAS 37	Onerous contracts – cost of fulfilling a contract[2]
Amendments to HKFRSs	Annual improvements to HKFRSs 2018 – 2020[2]

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

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

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

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

Amendments to HKAS 1 "Classification of liabilities as current or non-current and related amendments to Hong Kong interpretation 5 (2020)"

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

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

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

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

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

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

Based on the Group's outstanding liabilities as at 31 December 2020, and the related terms and conditions stipulated in the agreements between the Group and the relevant lenders, the application of the amendments will not result in reclassification of the Group's liabilities.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

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

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

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

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 “Share-based payment”, leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 “Inventories” or value in use in HKAS 36 “Impairment of assets”.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of preparation of consolidated financial statements (continued)

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

For financial instruments which are transacted at fair value and a valuation technique in which unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

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

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

3.2 Significant accounting policies

Basis of consolidation

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Basis of consolidation (continued)

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

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

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

Goodwill

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Revenue from contracts with customers

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

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

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

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

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

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Leases

Definition of a lease

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

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

The Group as a lessee

Allocation of consideration to components of a contract

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

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

Short-term leases

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Right-of-use assets

The cost of right-of-use asset includes:

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

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

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

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

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Lease liabilities

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

The lease payments include:

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Lease liabilities (continued)

- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

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

Lease modifications

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

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

Borrowing costs

Borrowing costs which are not capitalised to qualifying assets are recognised in profit or loss in the period in which they are incurred.

Government grants

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

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

Retirement benefit costs

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Termination benefits

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

Short-term employee benefits

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

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

Taxation

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

Current tax

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

Deferred tax

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Taxation (continued)

Deferred tax (continued)

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

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

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

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

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Taxation (continued)

Current and deferred tax for the year

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

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

Property, plant and equipment

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

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Impairment on property, plant and equipment and right-of-use assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Impairment on property, plant and equipment and right-of-use assets other than goodwill (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale.

Financial instruments

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

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

Effective interest method

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets

Classification and subsequent measurement of financial assets

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

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

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

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

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

All other financial assets are subsequently measured at FVTPL.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

(i) Amortised cost and interest income

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

(ii) Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method, are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these debt instruments. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

(iii) Financial assets at FVTPL

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

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

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Impairment of financial assets

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

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

The Group always recognises lifetime ECL for trade receivables from contracts with customers.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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

(i) Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor; and

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk (continued)

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

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

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

(ii) Definition of default

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(iii) Credit-impaired financial assets

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

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

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

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

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

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

(iv) Write-off policy

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(v) Measurement and recognition of ECL

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

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

Lifetime ECL for trade receivables from contracts with customers are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(v) Measurement and recognition of ECL (continued)

Except for investments in debt instruments that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and loan receivables where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve without reducing the carrying amount of these debt instruments. Such amount represents the changes in the investment revaluation reserve in relation to accumulated loss allowance.

Derecognition of financial assets

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

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

On derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities at amortised cost

Financial liabilities (including trade and other payables, borrowings and notes payable) are subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

Provision of ECL and impairment loss for loan receivables

The Group performed impairment assessment for loan receivables under the ECL model on an individual basis. ECL for loan receivables are determined based on management's estimates under the ECL model by taking into account the credit loss experience, ageing of overdue balances, cash flows that are expected from the realisation of collateral, customers' repayment history, financial condition of borrowers and the incorporation of forward looking information, all of which involve a significant degree of management judgement.

The provision of ECL is sensitive to changes in estimates. The information about the Group's financial assets and ECL are disclosed in Notes 22 and 35 respectively.

At 31 December 2020, the carrying amounts of loan receivables were HK$1,448,295,000 (2019: HK$2,421,150,000) with impairment allowance of HK$202,923,000 recognised during the year (2019: HK$142,289,000).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Provision of ECL for debt instruments at FVTOCI

The Group had engaged an independent professional valuer to perform ECL assessment for debt instruments at FVTOCI individually. The determination of the loss allowances is dependent on the external macro environment and the credit rating of each debt security. The management takes into consideration historical data from the international rating agency.

The provision of ECL involves significant estimates and judgements, including determination of whether there is significant increase in credit risk since initial recognition, use of assumptions in determination of probability of default and loss given default, incorporation of forward looking information. The information about the Group's financial assets and the ECL are disclosed in Notes 21 and 35 respectively.

At 31 December 2020, the carrying amounts of debt instruments at FVTOCI were HK$401,813,000 (2019: HK$957,361,000) with impairment allowance of HK$18,873,000 recognised during the year (2019: HK$859,000).

5. REVENUE

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

	2020	2019
	HK$'000	*HK$'000*
Trading of coke products	**–**	388,604
Sales of electronic components	**4,062**	7,504
Dividend income from financial assets at FVTPL	**7,033**	22,491
Interest income from financial assets at FVTPL and debt instruments at FVTOCI	**57,898**	78,173
Interest income from securities margin financing business	**1,125**	1,912
Interest income from money lending business	**180,151**	265,308
Arrangement fee income from money lending business	**613**	8,669
Commission and handling income from securities brokerage business	**5,128**	6,194
Underwriting fee income from securities brokerage business	**337**	1,107
	256,347	779,962

5. REVENUE (continued)

Disaggregation of revenue from contracts with customers and reconciliation of total revenue:

Segments	Investment in securities HK$'000	Trading HK$'000	Money lending HK$'000	Securities brokerage HK$'000	Total HK$'000
For the year ended 31 December 2020					
Types of goods and services					
Commission, underwriting fee and other income	**–**	**–**	**613**	**5,465**	**6,078**
Trading income					
Electronic components	**–**	**4,062**	**–**	**–**	**4,062**
Revenue from contracts with customers	**–**	**4,062**	**613**	**5,465**	**10,140**
Dividend income	**7,033**	**–**	**–**	**–**	**7,033**
Interest income	**57,898**	**–**	**180,151**	**1,125**	**239,174**
Total revenue	**64,931**	**4,062**	**180,764**	**6,590**	**256,347**
For the year ended 31 December 2019					
Types of goods and services					
Commission, underwriting fee and other income	–	–	8,669	7,301	15,970
Trading income					
Coke products	–	388,604	–	–	388,604
Electronic components	–	7,504	–	–	7,504
Revenue from contracts with customers	–	396,108	8,669	7,301	412,078
Dividend income	22,491	–	–	–	22,491
Interest income	78,173	–	265,308	1,912	345,393
Total revenue	100,664	396,108	273,977	9,213	779,962

5. REVENUE (continued)

During the years ended 31 December 2020 and 2019, the revenue is recognised at a point in time except for dividend income and interest income which fall outside the scope of HKFRS 15.

The Group recognises revenue from trading of coke products and electronic components. The Group acts as the principal for such transactions as it controls the specified goods before they are transferred to the customer and is primarily responsible for fulfilment of the promise to provide the goods. Performance obligations are satisfied at a point in time once control of the goods has been transferred to the customers. For trading business, the Group normally allows credit period for trade customers ranging from 30 to 180 days (2019: 30 to 180 days).

Brokerage commission income is recognised on a trade date basis when the relevant transactions are executed. Underwriting fee income is recognised at a point in time when the transactions are executed and services are completed. Other service income is recognised when the related services are rendered.

All the Group's contracts with customers are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to unsatisfied performance obligations at 31 December 2020 and 31 December 2019 is not disclosed.

This is consistent with the revenue information disclosed for each operating segment.

6. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by operating segments, based on information provided to the chief operating decision maker, for the purposes of allocating resources and assessment of segment performance. This is also the basis upon which the Group is arranged and organised.

The Group's operating segments under HKFRS 8 are as follows:

1. Investment in securities
2. Trading of coke products and electronic components ("Trading")
3. Money lending
4. Securities brokerage

6. SEGMENT INFORMATION (continued)

Segment revenues and results

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

For the year ended 31 December 2020

	Investment in securities HK$'000	Trading HK$'000	Money lending HK$'000	Securities brokerage HK$'000	Total HK$'000
Segment revenue					
External sales/sources	64,931	4,062	180,764	6,590	256,347
Results					
Segment results	2,939,628	(165)	(27,348)	3,671	2,915,786
Other income					12,883
Central administrative expenses					(57,070)
Finance costs					(158,640)
Profit before tax					2,712,959
Income tax expense					(429,772)
Profit for the year					2,283,187
Other segment information					
Net gain on financial assets at FVTPL	2,905,676	–	–	–	2,905,676
Loss on disposal of debt instruments at FVTOCI	17,079	–	–	–	17,079
Impairment loss on loan receivables	–	–	202,923	–	202,923
Impairment loss on debt instruments at FVTOCI	18,873	–	–	–	18,873

6. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

For the year ended 31 December 2019

	Investment in securities HK$'000	Trading HK$'000	Money lending HK$'000	Securities brokerage HK$'000	Total HK$'000
Segment revenue					
External sales/sources	100,664	396,108	273,977	9,213	779,962
Results					
Segment results	(336,341)	2,288	128,293	6,292	(199,468)
Other income					152
Central administrative expenses					(45,467)
Finance costs					(171,095)
Loss before tax					(415,878)
Income tax credit					92,931
Loss for the year					(322,947)
Other segment information					
Net loss on financial assets at FVTPL	436,888	–	–	–	436,888
Gain on disposal of debt instruments at FVTOCI	1,309	–	–	–	1,309
Gain on redemption of debt instruments at FVTOCI	297	–	–	–	297
Impairment loss on loan receivables	–	–	142,289	–	142,289
Impairment loss on debt instruments at FVTOCI	859	–	–	–	859

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment profit (loss) represents the profit earned/loss incurred by each segment without allocation of certain other income, central administrative expenses (including depreciation of property, plant and equipment and right-of-use assets), finance costs and income tax (expense) credit.

6. SEGMENT INFORMATION (continued)

Segment assets and liabilities

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

	2020 HK$'000	2019 HK$'000
Segment assets		
Investment in securities	**4,645,933**	2,528,601
Trading	**3,031**	43,474
Money lending	**1,549,021**	2,435,497
Securities brokerage	**309,037**	124,337
Total segment assets	**6,507,022**	5,131,909
Property, plant and equipment	**18,196**	19,788
Right-of-use assets	**28,388**	10,434
Bank balances and cash	**1,921,585**	24,211
Other unallocated assets	**6,507**	8,949
Consolidated assets	**8,481,698**	5,195,291
Segment liabilities		
Investment in securities	**796,621**	472,389
Trading	**334**	334
Money lending	**1,249**	14,394
Securities brokerage	**40,479**	61,514
Total segment liabilities	**838,683**	548,631
Other payables	**28,744**	15,594
Notes payable	**1,648,877**	1,253,171
Lease liabilities	**26,346**	8,106
Consolidated liabilities	**2,542,650**	1,825,502

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

- all assets are allocated to operating segments other than property, plant and equipment, right-of-use assets, certain bank balances and cash and certain other assets; and
- all liabilities are allocated to operating segments other than certain other payables, notes payable and lease liabilities.

6. SEGMENT INFORMATION (continued)

Geographical information

The Group's operations are located in Hong Kong and the PRC.

Information about the Group's revenue from external customers/sources by geographical location of the customers/sources is presented based on the location of the customers/sources. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers/sources		Non-current assets *(Note)*	
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**254,889**	388,470	**45,356**	28,826
The PRC	**1,458**	128,705	**3,156**	3,324
Singapore	**–**	262,787	**–**	–
	256,347	779,962	**48,512**	32,150

Note: Non-current assets excluded goodwill, debt instruments at FVTOCI, loan receivables and deferred tax assets.

Information about major customers

Revenue from customers of trading business contributing over 10% of the total revenue of the Group for the corresponding years are as follows:

	2020	2019
	HK$'000	*HK$'000*
Customer A	**–**[1]	137,065
Customer B	**–**[1]	125,817
Customer C	**–**[1]	125,722

1 No revenue generated from the customers during the year.

7. OTHER INCOME

	2020	2019
	HK$'000	*HK$'000*
Bank interest income	**11,167**	833
Other interest income	**7,013**	–
Government grants	**2,259**	–
Others	**142**	297
	20,581	1,130

During the current year, the Group recognised government grants of HK$2,259,000 in respect of COVID-19-related subsidies, of which HK$2,209,000 relates to Employment Support Scheme provided by the Hong Kong government.

8. OTHER (LOSS) GAIN

	2020	2019
	HK$'000	*HK$'000*
Exchange (loss) gain, net	**(628)**	266

9. NET GAIN (LOSS) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020	2019
	HK$'000	*HK$'000*
Net unrealised gain (loss) on financial assets at FVTPL	**2,979,472**	(409,214)
Net realised loss on sales of financial assets at FVTPL	**(73,796)**	(27,674)
	2,905,676	(436,888)

10. FINANCE COSTS

	2020 HK$'000	2019 HK$'000
Interest on advances drawn on bill receivables discounted with full recourse	–	1,290
Interest on borrowings	**11,687**	30,140
Interest on notes payable *(Note 28)*	**146,611**	139,245
Interest on lease liabilities	**342**	420
	158,640	171,095

11. INCOME TAX (EXPENSE) CREDIT

	2020 HK$'000	2019 HK$'000
Tax charge comprises:		
Current tax		
– Hong Kong Profits Tax	**(10,795)**	(8,586)
Overprovision in prior years		
– Hong Kong Profits Tax	**2,705**	228
	(8,090)	(8,358)
Deferred tax *(Note 30)*	**(421,682)**	101,289
Income tax (expense) credit recognised in profit or loss	**(429,772)**	92,931

11. INCOME TAX (EXPENSE) CREDIT (continued)

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

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

The income tax expense (credit) for the year can be reconciled to the profit (loss) before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2020	2019
	HK$'000	*HK$'000*
Profit (loss) before tax	**2,712,959**	(415,878)
Tax at the domestic income tax rate of 16.5%	**447,638**	(68,620)
Tax effect of expenses not deductible for tax purpose	**10,023**	1,973
Tax effect of income not taxable for tax purpose	**(26,871)**	(20,402)
Overprovision in prior years	**(2,705)**	(228)
Tax effect of tax losses not recognised	**7,562**	2,476
Income tax at concessionary rate	**(165)**	(165)
Utilisation of tax losses previously not recognised	**(5,710)**	(7,965)
Income tax expense (credit) for the year	**429,772**	(92,931)

12. PROFIT (LOSS) FOR THE YEAR

Profit (loss) for the year has been arrived at after charging the following items:

	2020 **HK$'000**	2019 HK$'000
Staff costs		
– directors' emoluments *(Note 13)*	**7,591**	7,457
– other staff salaries, wages and other benefits	**19,192**	16,537
– retirement benefit scheme contributions, excluding directors	**847**	981
Total staff costs	**27,630**	24,975
Impairment loss on loan receivables	**202,923**	142,289
Impairment loss on debt instruments at FVTOCI	**18,873**	859
Total impairment losses	**221,796**	143,148
Auditor's remuneration	**2,058**	1,972
Depreciation of property, plant and equipment	**3,369**	3,293
Depreciation of right-of-use assets	**9,582**	8,062
Cost of inventories recognised as expenses	**4,021**	373,765

13. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS

The emoluments paid or payable to each of the nine (2019: seven) directors, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, were as follows:

	2020					2019				
	Fee HK$'000	Salaries and other benefits HK$'000	Retirement benefit scheme contributions HK$'000	Discretionary bonus HK$'000	Total HK$'000	Fee HK$'000	Salaries and other benefits HK$'000	Retirement benefit scheme contributions HK$'000	Discretionary bonus HK$'000	Total HK$'000
Executive directors										
– Mr. Sue Ka Lok	-	2,145	107	-	2,252	-	2,115	181	-	2,296
– Ms. Lee Chun Yeung, Catherine	-	1,144	57	-	1,201	-	1,138	76	-	1,214
– Mr. Chow Kam Wah	-	1,235	18	-	1,253	-	1,229	18	-	1,247
– Mr. Chow Man Wai, Tony *(Note)*	-	73	1	103	177	-	-	-	-	-
	-	4,597	183	103	4,883	-	4,482	275	-	4,757
Non-executive director										
– Dr. Or Ching Fai	2,150	-	-	-	2,150	2,150	-	-	-	2,150
Independent non-executive directors										
– Ms. Ma Yin Fan	200	-	-	-	200	200	-	-	-	200
– Mr. Chow Yu Chun, Alexander	200	-	-	-	200	200	-	-	-	200
– Mr. Leung Hoi Ying	150	-	-	-	150	150	-	-	-	150
– Mr. Lam Kin Fung, Jeffrey *(Note)*	8	-	-	-	8	-	-	-	-	-
	558	-	-	-	558	550	-	-	-	550
Total	2,708	4,597	183	103	7,591	2,700	4,482	275	-	7,457

Note: Appointed on 18 December 2020.

For the year ended 31 December 2020, the payment of discretionary bonus to an executive director was made under the recommendation of the Remuneration Committee and was at the discretion of the Board, determined with reference to the director's performance and the Group's performance for the year.

13. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS (continued)

The emoluments of the executive directors shown above were mainly for their services in connection with the management of the affairs of the Group. The emoluments of the non-executive director and independent non-executive directors' shown above were mainly for their services as directors of the Company.

During the year, no emoluments were paid by the Group to any directors as an inducement to join or upon joining the Group or as compensation for loss of office. No directors waived or agreed to waive any emoluments for both years.

14. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2019: four) of them were executive directors or non-executive director of the Company whose emoluments are included in Note 13 above. The emolument of the remaining one (2019: one) individual was as follows:

	2020	2019
	HK$'000	*HK$'000*
Salaries and other benefits	**1,040**	1,040
Retirement benefit scheme contributions	**52**	52
	1,092	1,092

The emolument was within the following band:

	Number of individual	
	2020	2019
HK$1,000,001 - HK$1,500,000	**1**	1

15. DIVIDENDS

No dividend was paid or proposed for the years ended 31 December 2020 and 2019, nor has any dividend been proposed since the end of the reporting periods.

16. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share attributable to the owners of the Company is based on the following data:

	2020 HK$'000	2019 HK$'000
Earnings (loss):		
Profit (loss) for the year attributable to owners of the Company for the purpose of calculating basic earnings (loss) per share	**2,283,187**	(322,947)

	2020 '000	2019 '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings (loss) per share	**17,182,655**	16,987,714

Diluted earnings (loss) per share for the years ended 31 December 2020 and 2019 are not presented as there were no dilutive potential ordinary shares in issue during both years.

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Furniture and fixtures HK$'000	Machinery and equipment HK$'000	Motor vehicles HK$'000	Vessels HK$'000	Total HK$'000
Cost						
At 1 January 2019	2,125	4,278	483	3,258	25,773	35,917
Additions	–	63	24	–	–	87
Disposals	–	–	(2)	–	–	(2)
At 31 December 2019	2,125	4,341	505	3,258	25,773	36,002
Additions	–	1,461	64	–	252	1,777
At 31 December 2020	**2,125**	**5,802**	**569**	**3,258**	**26,025**	**37,779**
Accumulated depreciation						
At 1 January 2019	1,203	3,637	233	1,633	6,217	12,923
Provided for the year	68	184	57	407	2,577	3,293
Eliminated on disposals for the year	–	–	(2)	–	–	(2)
At 31 December 2019	1,271	3,821	288	2,040	8,794	16,214
Provided for the year	68	232	62	407	2,600	3,369
At 31 December 2020	**1,339**	**4,053**	**350**	**2,447**	**11,394**	**19,583**
Carrying values						
At 31 December 2020	**786**	**1,749**	**219**	**811**	**14,631**	**18,196**
At 31 December 2019	854	520	217	1,218	16,979	19,788

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Buildings	Over the shorter of the term of the lease of 40 - 50 years or 2.5%
Furniture and fixtures	12.5% - 20%
Machinery and equipment	12.5% - 20%
Motor vehicles	12.5%
Vessels	10%

At 31 December 2020 and 2019, the buildings of the Group are situated on land in the PRC.

At 31 December 2020, property, plant and equipment of HK$17,042,000 (2019: nil) were pledged as security for credit facilities granted to the Group.

18. RIGHT-OF-USE ASSETS

	Leased properties HK$'000
Carrying amount	
At 31 December 2020	**28,388**
At 31 December 2019	10,434
Depreciation	
Provided for the year ended 31 December 2020	**9,582**
Provided for the year ended 31 December 2019	8,062

	2020 ***HK$'000***	2019 *HK$'000*
Expense relating to short-term leases	**26**	1,939
Total cash outflow for leases	**9,664**	10,179
Addition to right-of-use assets	**27,536**	–

For both years, the Group leases offices for its operations. Lease contracts are entered into for fixed term of three years. Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

19. GOODWILL

For the purpose of impairment testing, goodwill is allocated to the securities brokerage business, being one of the Group's cash generating units identified according to segment information.

The recoverable amount of the securities brokerage business was based on its value in use and was determined by the management of the Group. The calculation uses cash flow projections based on financial budgets covering a five-year period approved by the management, and at a discount rate of 11.86% (2019: 11.88%). Cash flows after the five-year period were assumed to have no growth.

The key assumption for the value in use calculation includes profit forecast. Such estimation is based on historical performance and the management's expectation of the development of the Group's securities brokerage business under the current market conditions. No impairment on goodwill was made for the years ended 31 December 2020 and 31 December 2019. The management believes that any reasonably possible change in the assumption would not cause the aggregate carrying amount of the cash generating unit exceeds the aggregate recoverable amount of it.

20. CLUB DEBENTURES

The club debentures represent the club membership of three (2019: three) private clubs in Hong Kong. The directors are of opinion that it is not necessary to make any impairment on the club debentures since the quoted prices are higher than their carrying values.

At 31 December 2020, club debentures of HK$1,453,000 (2019: nil) were pledged as security for credit facilities granted to the Group.

21. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 ***HK$'000***	2019 *HK$'000*
Listed investments, at fair value:		
– Debt securities listed in Hong Kong or overseas with fixed interests ranging from 5.65% to 9.50% (2019: 3.90% to 12.25%) per annum and maturity dates ranging from 18 January 2023 to 28 June 2025 (2019: 19 July 2020 to 23 January 2027)	**401,813**	957,361
Analysed as:		
Current portion	**–**	7,816
Non-current portion	**401,813**	949,545
	401,813	957,361

21. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)

During the year ended 31 December 2020, there was no acquisition of debt securities listed in Hong Kong (2019: HK$66,667,000) and the Group divested part of its investments in the amount of HK$542,859,000 with cumulative loss of HK$17,079,000 (2019: HK$148,279,000 with cumulative gain of HK$1,309,000) previously accumulated in the investment revaluation reserve, the cumulative loss (2019: cumulative gain) was subsequently reclassified to profit or loss accordingly. In addition, no debt securities was redeemed during the year ended 31 December 2020 (2019: HK$7,503,000 was redeemed with cumulative gain of HK$297,000 previously accumulated in the investment revaluation reserve being reclassified to profit or loss upon redemption).

At 31 December 2020 and 31 December 2019, debt instruments at FVTOCI were stated at fair values which were determined based on the quoted market closing prices available on the Stock Exchange or other recognised stock exchanges.

The Group provided impairment allowance of HK$18,873,000 on debt instruments at FVTOCI for the current year (2019: HK$859,000).

At 31 December 2020, debt securities of HK$401,813,000 (2019: HK$914,387,000) were pledged as security for credit facilities granted to the Group.

All debt instruments at FVTOCI were denominated in US$.

Details of impairment assessment are set out in Note 35.

22. LOAN RECEIVABLES

	2020 **HK$'000**	2019 HK$'000
Fixed-rate loan receivables	**1,821,549**	2,575,239
Less: impairment allowance	**(373,254)**	(154,089)
	1,448,295	2,421,150
Analysed as:		
Current portion	**1,448,295**	2,405,324
Non-current portion	**–**	15,826
	1,448,295	2,421,150
Analysed as:		
Secured	**1,436,779**	2,189,142
Guaranteed	**–**	66,647
Unsecured	**11,516**	165,361
	1,448,295	2,421,150

At 31 December 2020, the range of interest rates and maturity dates attributed to the Group's performing loan receivables was 10% to 14.25% (2019: 3% to 18%) per annum and from 19 February 2021 to 31 May 2021 (2019: 4 March 2020 to 17 May 2021) respectively.

The analysis of the Group's fixed-rate loan receivables by their respective contractual maturity dates is as follows:

	2020 **HK$'000**	2019 HK$'000
Fixed-rate loan receivables:		
Within one year or on demand	**1,448,295**	2,405,324
In more than one year but not more than two years	**–**	15,826
	1,448,295	2,421,150

The Group provided impairment allowance of HK$202,923,000 on loan receivables for the current year (2019: HK$142,289,000). Details of impairment assessment are set out in Note 35.

23. TRADE AND OTHER RECEIVABLES

	2020 HK$'000	2019 HK$'000
Trade receivables of securities brokerage business:		
– Cash clients *(Note (i))*	**2,941**	8,994
– Margin clients *(Note (i))*	**100,153**	18,571
	103,094	27,565
Other receivables *(Note (ii))*	**26,793**	36,362
Note receivable *(Note (iii))*	**45,600**	49,400
	175,487	113,327

Notes:

(i) For securities brokerage business, the normal settlement terms of trade receivables from cash clients are two days after trade date. The trade receivables from cash and margin clients with carrying amounts of HK$103,094,000 (2019: HK$27,565,000) were not past due at the end of the reporting period.

Margin clients are required to pledge securities as collateral to the Group in order to obtain the credit facilities for securities trading. The amount of credit facilities granted to them individually is determined based on a discount on the market value of securities pledged to the Group. Any excess in the lending ratio will trigger a margin call for which the clients have to make good the shortfall. At 31 December 2020, the market value of securities pledged by clients to the Group as collateral against margin client receivables was HK$2,062,243,000 (2019: HK$343,979,000).

(ii) Included in other receivables were unrestricted deposits of HK$3,433,000 (2019: HK$9,672,000) placed with securities brokers. The remaining balance of other receivables represents mainly dividends receivable, prepayment and deposits for office use.

(iii) The amount represented the outstanding principal of a convertible note subscribed by the Group, which was originally due for repayment on 15 December 2019. Pursuant to a deed entered into between the relevant parties on 10 February 2020, the conversion rights under the note were removed and ceased to be convertible into shares of the issuer. The repayment date of the outstanding principal of the note of HK$49,400,000 was extended from 15 December 2019 to 15 May 2020 and bearing interest at the rate of 12% per annum. Outstanding principal of HK$3,800,000 was settled during the year and the repayment date of the remaining principal had been further extended to 14 October 2020 and bearing interest at the rate of 16% per annum. The Group accepted the repayment plan provided by the note issuer and the outstanding principal was fully settled after the year end.

23. TRADE AND OTHER RECEIVABLES (continued)

For the years ended 31 December 2020 and 2019, the Group performed impairment assessment on trade and other receivables and concluded that ECL were insignificant, accordingly, no impairment was recognised on trade and other receivables at the end of both of the reporting periods. Details of impairment assessment are set out in Note 35.

At 31 December 2020, trade and other receivables of HK$66,670,000 (2019: nil) were pledged as security for credit facilities granted to the Group.

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020	2019
	HK$'000	*HK$'000*
Listed investments, at fair value:		
– Equity securities listed in Hong Kong *(Note)*	**4,073,317**	1,454,098
Analysed as:		
Current portion	**4,073,317**	1,454,098

Note: The fair values of the listed equity securities were determined based on the quoted market closing prices available on the Stock Exchange.

At 31 December 2020, equity securities of HK$4,073,317,000 (2019: HK$1,352,744,000) were pledged as security for credit facilities granted to the Group.

25. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS

	2020	2019
	HK$'000	*HK$'000*
Bank balances and cash:		
– General accounts and cash *(Note (i))*	**2,240,732**	135,793
– Client accounts *(Note (ii))*	**36,538**	34,015
	2,277,270	169,808

25. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS (continued)

Notes:

(i) The accounts comprise cash and short-term bank deposits with an original maturity of three months or less held by the Group. The amounts carried interest ranging from 0.01% to 0.25% (2019: 0.01% to 2.71%) per annum.

(ii) The Group's securities brokerage business receives and holds money deposited by clients during the course of conducting its regulated activities in its ordinary course of business. Such clients' monies are maintained in a segregated bank account and the Group has recognised the corresponding account payables to the respective clients.

The Group's bank balances and cash and pledged bank deposits denominated in currencies other than functional currencies of the Group are set out below:

	2020	2019
	HK$'000	*HK$'000*
RMB	**963**	444
US$	**335,607**	91,557

At 31 December 2020, bank balances and cash of HK$109,252,000 (2019: nil) were pledged as security for credit facilities granted to the Group.

Pledged bank deposits represented deposits pledged to banks to secure the banking facilities granted to the Group. At 31 December 2020, nil deposit (2019: HK$28,977,000) was pledged to a bank to comply with the minimum deposit requirement for the issuance of letters of credit whilst deposit amounting to HK$3,096,000 (2019: HK$3,090,000) was pledged to a bank to secure the credit facility for settlement of the securities brokerage activities. The pledged bank deposits will be released upon settlement of the relevant letters of credit and termination of the credit facility in relation to settlement of the securities brokerage activities and are therefore classified as current assets.

26. TRADE AND OTHER PAYABLES

	2020 *HK$'000*	2019 *HK$'000*
Trade payables of securities brokerage business:		
– Cash clients *(Note)*	**27,142**	48,177
– Margin clients *(Note)*	**12,305**	10,646
– Hong Kong Securities Clearing Company Limited ("HKSCC") *(Note)*	**924**	2,540
Accrued charges and other payables	**7,653**	4,470
Interest payables	**20,216**	12,646
	68,240	78,479

Note: For securities brokerage business, the normal settlement terms of trade payables to cash and margin clients and HKSCC are two days after trade date.

27. BORROWINGS

	2020 *HK$'000*	2019 *HK$'000*
Short-term secured borrowings *(Note (i))*	**355,000**	228,860
Margin financing *(Note (ii))*	**–**	235,838
	355,000	464,698

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

	2020 *HK$'000*	2019 *HK$'000*
Fixed-rate borrowings	**350,000**	–
Variable-rate borrowings	**5,000**	464,698
	355,000	464,698

27. BORROWINGS (continued)

Notes:

(i) The amount of HK$350,000,000 (2019: nil) carried interest at 7% per annum and was repayable within one year. The loan agreement of the borrowings contains a repayment on demand clause. The borrowings were secured by two share charges each charging over the issued share of a wholly owned subsidiary of the Company and two debentures each incorporating a first floating charge over all the assets of a wholly owned subsidiary of the Company.

The amount of HK$5,000,000 (2019: HK$228,860,000) carried interest at Hong Kong Interbank Offered Rate ("HIBOR") plus certain basis points per annum (2019: HIBOR or London Interbank Offered Rate ("LIBOR") plus certain basis points per annum) and was repayable within one year. The loan agreement of the borrowings contains a repayment on demand clause. The borrowings were secured by certain debt securities (2019: certain debt securities).

(ii) The amount carried interest at Hong Kong prime rate plus certain basis points per annum and was secured by certain debt and equity securities held in a margin securities account.

28. NOTES PAYABLE

The movement of the unsecured notes payable for the year is as follows:

	2020 ***HK$'000***	2019 *HK$'000*
At the beginning of the year	**1,253,171**	1,500,325
Redemption of notes *(Note (i))*	**(1,250,000)**	(250,000)
Issue of notes *(Note (ii))*	**1,628,553**	–
Effective interest charged *(Note 10)*	**146,611**	139,245
Interest paid	**(129,458)**	(136,399)
At the end of the year	**1,648,877**	1,253,171
Analysed as:		
Current portion	**1,170,725**	1,253,171
Non-current portion	**478,152**	–
	1,648,877	1,253,171

28. NOTES PAYABLE (continued)

Notes:

(i) In December 2016, the Company issued 2-year unsecured notes (the "2016 Notes") with nominal value of HK$1,500,000,000 denominated in Hong Kong dollars. The interest for the 2016 Notes was 7.00% per annum and 8.00% per annum for the first and second year respectively. The effective interest rate of the 2016 Notes was 8.57% per annum. In December 2018, the 2016 Notes of nominal value of HK$200,000,000 were redeemed. The Company executed a supplemental deed poll to extend the maturity date of the remaining 2016 Notes with nominal value of HK$1,300,000,000 for further two years to 16 December 2020. The interest for the 2016 Notes was 9.50% per annum and 10.00% per annum for the third and fourth year respectively. The effective interest rate of the 2016 Notes was 9.74% per annum. The 2016 Notes carried option for the Company to early redeem the notes, by giving not less than 15 days' nor more than 30 days' notice to the noteholders on the third anniversary date and/or 16 June 2020, in whole or in part at 100% of the principal amount outstanding, together with interest accrued and unpaid at the date fixed for redemption. During the year ended 31 December 2020, the 2016 Notes of nominal value of HK$50,000,000 (2019: HK$250,000,000) were early redeemed and the remaining 2016 Notes with nominal value of HK$1,000,000,000 were redeemed at maturity.

In August 2018, the Company issued a new tranche of 2-year unsecured notes (the "2018 Notes") with nominal value of HK$200,000,000 denominated in Hong Kong dollars. The interest for the 2018 Notes was 9.50% per annum and 10.00% per annum for the first and second year respectively. The effective interest rate of the 2018 Notes was 9.74% per annum. The 2018 Notes carried option for the Company to early redeem the notes, by giving early redemption notice to the noteholders on the first anniversary date, in whole or in part at 100% of the principal amount outstanding, together with interest accrued and unpaid at the date fixed for redemption. During the year ended 31 December 2020, the 2018 Notes with nominal value of HK$200,000,000 were redeemed at maturity.

28. NOTES PAYABLE (continued)

Notes: (continued)

(ii) During the year ended 31 December 2020, the Company issued a series of unsecured notes to a company controlled by a shareholder of the Company.

In July 2020, the Company issued 2-year unsecured notes with nominal value of HK$500,000,000 denominated in Hong Kong dollars. The interest for the notes was 5.50% per annum with effective interest rate of 8.56% per annum.

In August 2020, the Company issued 1-year unsecured notes with nominal value of HK$500,000,000 denominated in Hong Kong dollars. The interest for the notes was 3.00% per annum with effective interest rate of 6.98% per annum.

In September 2020, the Company issued 270-day unsecured notes with nominal value of HK$500,000,000 denominated in Hong Kong dollars. The interest for the notes was 2.00% per annum with effective interest rate of 6.56% per annum.

In October 2020, the Company issued 270-day unsecured notes with nominal value of HK$200,000,000 denominated in Hong Kong dollars. The interest for the notes was 2.00% per annum with effective interest rate of 7.48% per annum.

All four notes carry option for the Company to early redeem the notes, by giving not less than 15 days' notice to the noteholders, in whole or in part at 100% of the principal amount outstanding, together with interest accrued and unpaid at the date fixed for redemption. Early redemption options of the Company are regarded as embedded derivatives not related to the host contract. The directors of the Company consider that the fair value of early redemption options is insignificant on initial recognition date.

The difference between the consideration received of HK$1,700,000,000 and the fair value of the four notes of approximately HK$1,628,553,000 amounting to HK$71,447,000 was recognised as shareholder's contribution reserve in the consolidated statement of changes in equity.

29. LEASE LIABILITIES

	2020 HK$'000	2019 HK$'000
Lease liabilities payable:		
Within one year	**9,083**	8,106
Within a period of more than one year but not exceeding two years	**9,371**	–
Within a period of more than two years but not exceeding five years	**7,892**	–
	26,346	8,106
Less: Amount due for settlement within one year shown under current liabilities	**(9,083)**	(8,106)
Amount due for settlement after one year shown under non-current liabilities	**17,263**	–

The weighted average incremental borrowing rates applied in determining lease liabilities ranged from 3.0% to 3.6% (2019: 3.6%).

30. DEFERRED TAX (LIABILITIES) ASSETS

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of deferred tax balances for financial reporting purposes:

	2020 HK$'000	2019 HK$'000
Deferred tax assets	**27,067**	8,148
Deferred tax liabilities	**(435,393)**	–
	(408,326)	8,148

30. DEFERRED TAX (LIABILITIES) ASSETS (continued)

The movement of deferred tax (liabilities) assets for the year is as follows:

	Allowance for ECL *HK$'000*	Tax losses *HK$'000*	Temporary difference related to net unrealised gain/loss on financial assets at FVTPL and debt instruments at FVTOCI *HK$'000*	Total *HK$'000*
At 1 January 2019	4,535	101,216	(189,993)	(84,242)
Credited to the profit or loss *(Note 11)*	3,471	27,868	69,950	101,289
Credited (charged) to the other comprehensive income	142	–	(9,041)	(8,899)
At 31 December 2019	8,148	129,084	(129,084)	8,148
Credited (charged) to the profit or loss *(Note 11)*	21,648	49,582	(492,912)	(421,682)
Credited to the other comprehensive income	3,114	–	2,094	5,208
At 31 December 2020	**32,910**	**178,666**	**(619,902)**	**(408,326)**

At 31 December 2020, the Group had unused tax losses arising in Hong Kong of HK$1,393,363,000 (2019: HK$1,259,249,000), subject to agreement of the Hong Kong Inland Revenue Department, the unused tax losses are available indefinitely for offset against future profits of the companies in which the losses arose. The unused tax losses of HK$1,082,826,000 (2019: HK$782,327,000) were recognised as deferred tax assets and no deferred tax asset was recognised in respect of the remaining unused tax losses of HK$310,537,000 (2019: HK$476,922,000) due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

31. SHARE CAPITAL OF THE COMPANY

	Number of shares		Share capital	
	2020	2019	**2020**	2019
	'000	*'000*	***HK$'000***	*HK$'000*
Issued and fully paid				
At the beginning of the year	**16,987,714**	16,987,714	**3,012,877**	3,012,877
Issue of shares *(Note)*	**3,397,540**	–	**203,852**	–
Transaction costs attributable to issue of shares	**–**	–	**(619)**	–
At the end of the year	**20,385,254**	16,987,714	**3,216,110**	3,012,877

Note: On 11 December 2020, the Company completed a placing of 3,397,540,000 new shares under the general mandate at a placing price of HK$0.06 per placing share. The net proceeds from the placing, after deducting directly attributable costs of approximately HK$619,000, were approximately HK$203,233,000. Details of the placing were set out in the announcements of the Company dated 20 November 2020 and 11 December 2020.

32. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2020	2019
	HK$'000	*HK$'000*
Non-current assets		
Property, plant and equipment	**1,066**	1,319
Right-of-use assets	**2,369**	2,469
Investments in subsidiaries	**–**	–
Amounts due from subsidiaries	**1,051,585**	1,628,067
Club debentures	**475**	475
Total non-current assets	**1,055,495**	1,632,330
Current assets		
Amounts due from subsidiaries	**4,266,915**	3,039,175
Income tax recoverable	**–**	3,004
Other receivables	**1,203**	1,300
Bank balances and cash	**91,718**	20,870
Total current assets	**4,359,836**	3,064,349
Current liabilities		
Accrued charges and other payables	**22,156**	15,255
Amounts due to subsidiaries	**371,883**	349,217
Income tax payable	**4,033**	–
Notes payable	**1,170,725**	1,253,171
Total current liabilities	**1,568,797**	1,617,643
Net current assets	**2,791,039**	1,446,706
Total assets less current liabilities	**3,846,534**	3,079,036
Non-current liability		
Notes payable	**478,152**	–
Net assets	**3,368,382**	3,079,036
Capital and reserves		
Share capital *(Note 31)*	**3,216,110**	3,012,877
Reserves *(Note)*	**152,272**	66,159
Total equity	**3,368,382**	3,079,036

The Company's statement of financial position has been approved and authorised for issue by the Board on 26 March 2021 and is signed on its behalf by:

Dr. Or Ching Fai	**Sue Ka Lok**
Director	*Director*

32. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

Note: Movements in the Company's reserves

	Shareholder's contribution reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2019	–	5,245	5,245
Profit for the year and total comprehensive income for the year	–	60,914	60,914
At 31 December 2019	–	66,159	66,159
Profit for the year and total comprehensive income for the year	–	14,666	14,666
Shareholder's contribution	71,447	–	71,447
At 31 December 2020	**71,447**	**80,825**	**152,272**

33. SHARE-BASED PAYMENT TRANSACTIONS

Share option scheme

The existing share option scheme of the Company (the "Share Option Scheme") was adopted by the Company at the annual general meeting of the Company held on 29 June 2020 and the previous share option scheme of the Company adopted on 10 June 2011 (the "Old Share Option Scheme") was terminated on the same date. Unless otherwise cancelled or amended, the Share Option Scheme will be valid and effective for a period of ten years commencing on the date of adoption. The purpose of the Share Option Scheme is to enable the Company to grant options to participants as incentives or rewards for their contribution to the Company or any of the subsidiaries and associated companies of the Company. Eligible participants of the Share Option Scheme include any employees (whether full time or part time), executives or officers of the Company or any of the subsidiaries and associated companies of the Company (including executive and non-executive directors of the Company) and any business consultants, agents, financial or legal advisers who the Board considers, in its sole discretion, will contribute or have contributed to the Company or any of the subsidiaries and associated companies of the Company. The offer of a grant of share options may be accepted until the 21st days inclusive of, and from, the date of grant, provided that no such offer shall be open for acceptance after the expiry of the period of ten years commencing on the adoption date of the Share Option Scheme or after the Share Option Scheme has been terminated. The amount payable by each grantee of options to the Company on acceptance of the offer for the grant of options is HK$1.00.

33. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Share option scheme (continued)

The subscription price for the shares on the exercise of options under the Share Option Scheme shall be a price as determined by the Board in its absolute discretion at the time of the grant of the relevant option (and shall be stated in the letter containing the offer of the grant of the option) but in any case the subscription price shall not be less than the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a trading day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 trading days immediately preceding the date of grant; or (iii) the nominal value of a share (if any). The exercise period of the share options granted is determinable by the Board but in any event, not longer than ten years from the date of grant.

The total number of shares issued and to be issued upon exercise of the options granted to each participant, together with all options granted and to be granted to the participant under any other share option scheme(s) of the Company in the 12-month period up to and including the proposed date of grant (including both exercised, cancelled and outstanding options) shall not exceed 1% of the total number of the shares in issue at the proposed date of grant. Any further grant of options to a participant in excess of the 1% limit shall be subject to the shareholders' approval of the Company with such participant and the participant's associates abstaining from voting.

The limit on the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme(s) of the Company must not exceed 30% of the total number of the shares in issue from time to time. In addition, the total number of the shares which may be issued upon exercise of all options to be granted under the Share Option Scheme, together with all options to be granted under any other share option scheme(s) of the Company (excluding lapsed options), must not represent more than 10% of the total number of the shares in issue at the date of approval of the Share Option Scheme (the "Scheme Mandate Limit") or at the date of the approval of the refreshed Scheme Mandate Limit as the case maybe.

No share option has been granted under the Share Option Scheme and the Old Share Option Scheme since their adoption and up to the date of this annual report. The total number of shares of the Company available for issue under the Share Option Scheme is 1,698,771,383 shares, representing 10% of the issued shares of the Company as at the date of adoption of the Share Option Scheme and approximately 8.3% of the issued shares of the Company as at the date of this annual report.

34. CAPITAL RISK 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 debt and equity balance. The Group's overall strategy remains unchanged from the prior year.

The capital structure of the Group consists of debts, which include the borrowings as disclosed in Note 27, notes payable as disclosed in Note 28, lease liabilities as disclosed in Note 29 and equity attributable to owners of the Company, comprising issued share capital, shareholder's contribution reserve and retained profits.

The directors of the Company review the capital structure of the Group regularly. As part of the review, the directors of the Company consider the costs of capital and other sources of funds other than issuance of shares, including borrowings and notes payable. Based on the recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues, raising or repayment of borrowings, and issue or redemption of interest bearing notes.

35. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

Statement of financial position

	2020 ***HK$'000***	2019 *HK$'000*
Financial assets		
Amortised cost	**3,899,514**	2,732,330
Debt instruments at FVTOCI	**401,813**	957,361
Financial assets at FVTPL	**4,073,317**	1,454,098
Financial liabilities		
Amortised cost	**2,064,464**	1,791,878

35. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, loan receivables, pledged bank deposits, bank balances and cash, debt instruments at FVTOCI, financial assets at FVTPL, trade and other payables, borrowings, notes payable and lease liabilities. Details of the financial instruments are disclosed in the 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.

Market risk

(i) Interest rate risk management

The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the management of the Group will consider hedging significant interest rate risk exposure if the need arises.

The Group is exposed to fair value interest rate risk in relation to debt securities classified as debt instruments at FVTOCI, loan receivables, note receivable, financial assets at FVTPL, borrowings, notes payable and lease liabilities set out in Notes 21, 22, 23, 24, 27, 28 and 29 respectively.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances and borrowings (set out in Notes 25 and 27 respectively). It is the policy of the Group to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk. The Group does not have any significant exposure to the risk of changes in market interest rates in relation to bank balances.

The exposures of the Group to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note. The cash flow interest rate risk of the Group is mainly concentrated on the fluctuation of HIBOR or LIBOR arising from secured borrowings and Hong Kong prime rate arising from margin financing.

35. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risk (continued)

(i) Interest rate risk management (continued)

Total interest income from financial assets that are measured at amortised cost, at FVTOCI or FVTPL is as follows:

	2020	2019
	HK$'000	*HK$'000*
Interest revenue		
Financial assets at amortised cost	**181,276**	267,220
Financial assets at FVTOCI	**57,898**	73,345
Financial assets at FVTPL	**–**	4,828
Other income		
Financial assets at amortised cost	**18,180**	833
	257,354	346,226

Interest expense on financial liabilities:

	2020	2019
	HK$'000	*HK$'000*
Financial liabilities at amortised cost	**158,298**	170,675
Interest expense on lease liabilities	**342**	420

35. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risk (continued)

(i) *Interest rate risk management (continued)*

Sensitivity analysis for interest rate risk

The sensitivity analysis below has been determined based on the exposure to interest rates for the secured borrowings and margin financing at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, profit after tax for the year ended 31 December 2020 of the Group would decrease/increase by HK$21,000 (2019: loss after tax would increase/decrease by HK$1,940,000) as a result of changes in interest rate of the borrowings.

In management's opinion, the above sensitivity analysis is for illustrative purpose only and is unrepresentative of the inherent interest rate risk facing the Group as the exposure at the year end does not reflect the exposure during the year.

35. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Price risk management

The Group's price risk is mainly concentrated on equity instruments. At 31 December 2020, the Group has concentration of price risk in relation to financial assets at FVTPL, amounting to HK$4,034,720,000 (2019: HK$1,038,072,000), being the Group's equity investment in one company. The investee company is principally engaged in technology research and development, production and sales of new energy vehicles as well as health management businesses including "Internet+" community health management, international hospitals, elderly care and rehabilitation. This investment accounted for approximately 99% (2019: 71%) of the Group's financial assets at FVTPL at 31 December 2020. During the year ended 31 December 2020, the Group also invested in different categories of companies including conglomerate and property (2019: banking, conglomerate and property). In addition, the Group was also exposed to the price risk of listed debt investments issued by issuers listed on the Stock Exchange which operating in the property sector (2019: aircraft leasing, banking or property sector). The management manages the price risk exposure by closely monitoring the portfolio of these financial instruments. The Group will consider hedging the price risk exposure should the need arise.

The sensitivity analyses have been determined based on the exposure to equity price risk at the reporting date. For sensitivity analysis purpose, the sensitivity rate is 20% (2019: 20%) in the current year.

If the prices of the respective listed debt instruments and equity securities had been 20% (2019: 20%) higher/lower:

- profit after tax for the year ended 31 December 2020 would increase/decrease by HK$680,244,000 (2019: loss after tax would decrease/increase by HK$242,834,000) as a result of the changes in fair values of listed equity securities included in financial assets at FVTPL; and

- total comprehensive income for the year ended 31 December 2020 would increase/decrease by HK$67,103,000 (2019: total comprehensive expense would decrease/increase by HK$159,879,000) as a result of the changes in fair values of listed debt instruments at FVTOCI.

The overall increase of the Group's sensitivity to equity price risk during the year was mainly due to the increase in carrying value of the Group's listed equity securities portfolio.

In management's opinion, the above sensitivity analysis is for illustrative purpose only and is unrepresentative of the inherent price risk facing the Group as the exposure at the year end does not reflect the exposure during the year.

35. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risk (continued)

(iii) Foreign currency risk management

Most of the Group's transactions are denominated in the group entities' functional currency, which is either US$ or HK$.

The Group is mainly exposed to foreign currency risk in relation to US$ arising from foreign currency bank balances and cash and debt instruments at FVTOCI.

The carrying amounts of the major foreign currency denominated monetary assets at the reporting date are as follows:

	Assets	
	2020	2019
	HK$'000	*HK$'000*
US$	**737,420**	1,048,918

Under the pegged exchange rate system, the financial impact on the exchange difference between HK$ and US$ is insignificant as most of the US$ denominated monetary assets are held by the group entities having HK$ as their functional currency, and therefore no sensitivity analysis has been prepared.

The Group has not formulated a policy to hedge the foreign currency risk. No sensitivity analysis is prepared since the management considers the amount involved is not significant.

35. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to loan receivables of the money lending business which could be mitigated by the security over properties, equity securities and/or debt securities pledged to the Group. The maximum exposure to credit risk without taking into account of collateral held or other credit enhancement is represented by the carrying amount of the loan receivables. The Group also held significant amount of debt instruments at FVTOCI which are also exposed to credit risk.

Except for the majority of loan receivables of the money lending business and trade receivables of margin clients of the securities brokerage business, the Group does not hold any collateral or other credit enhancements to cover the credit risks associated with other financial assets. The carrying amount of the other financial assets best represent their maximum exposure to credit risk.

Loan receivables

At 31 December 2020, the carrying amount of loan receivables, which were granted to both corporate entities and individuals, was HK$1,448,295,000 (2019: HK$2,421,150,000). The Group had concentration of credit risk as 45% (2019: 46%) of the total loan receivables at 31 December 2020 was due from four (2019: six) borrowers. Before granting these loans, the Group conducted internal credit assessment process to assess the potential borrowers' credit quality. The Group seeks to maintain strict control over its outstanding loan receivables on an individual basis to minimise credit risk. The management has a credit policy in place and the exposures to the credit risk are monitored on an ongoing basis. The policy includes evaluation of collectability and ageing analysis of loan receivables based on management's judgement on creditworthiness, collateral and past collection history of each individual and corporate borrower.

A majority of loan receivables are secured with collaterals, the borrowers of unsecured loans comprise individuals with good reputation and unsecured loans granted are supported by the borrowers' creditworthiness. In addition, the Group may require an unsecured loan be covered by a third party guarantee, depending on the borrower's credit status and credit risk perceived by the management.

Each borrower is assigned a risk grading under internal credit ratings to calculate ECL, taking into consideration of the estimates of expected cash shortfalls which are driven by estimates of possibility of default and the cash inflow that are expected from foreclosure of the collaterals (if any) less the costs of selling the collaterals. In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument as at the reporting date with the date of initial recognition.

35. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Loan receivables (continued)

In determining the recoverability of loan receivables, the Group will consider the change in the credit quality of loan receivables, if any, from the date the loans were initially granted up to the reporting date. This includes assessing the credit history of the borrowers, such as past due information or default in payments, and the fair value of the collaterals pledged to the Group.

The Group also takes into account forward-looking information that is reasonably and supportably available to the Group without undue cost or effort, including information such as GDP growth rate and unemployment rate.

At 31 December 2020, loan receivables with carrying amount of HK$1,436,779,000 (2019: HK$2,189,142,000) were secured by collaterals such as properties, listed equity and debt securities. These collaterals are taken into account when determining the loss given default and the loss rate for the loan receivables. There has been no significant changes in the quality of collaterals held for the loan receivables during the year.

During the current year, loan receivables with a gross carrying amount of HK$1,217,137,000 (2019: HK$1,216,073,000) are determined to be credit-impaired because they are overdue for more than 90 days. Of this amount, HK$1,092,331,000 (2019: HK$1,094,822,000) was secured by securities and properties with an aggregate fair value of approximately HK$1,125,994,000 (2019: HK$1,429,966,000), and accumulated ECL of HK$234,466,000 (2019: HK$31,207,000) has been provided after considering the adjustment to loss given default based on the expected realisation of collaterals. The loan receivables with the remaining carrying amount of HK$124,806,000 (2019: HK$121,251,000) are not secured by any collateral or credit enhancement and have been fully impaired accordingly. The Group closely monitors the credit quality of the loan receivables. Before extending the loans to borrowers, the Group's management reviews and assesses each borrower individually based on evaluation of collectability and ageing analysis on the loan account and on management's judgement, including the current creditworthiness and the past collection statistics of each borrower, the realisation value of securities or collaterals from the borrower and the guarantor. The Group considers various actions for recovery of the credit-impaired loan including regular collateral reviews and interviews with the borrower to update the credit risk of the borrower. In the event of default, the Group might take possession of assets held as collateral through court proceeding or voluntary delivery of possession by the borrower. The credit quality review process enables the Group to assess the potential loss as a result of the risk to which it is exposed and take appropriate corrective actions.

35. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Debt instruments at FVTOCI

During the year ended 31 December 2020, the Group's debt instrument at FVTOCI portfolio comprising debt instruments issued by issuers listed on the Stock Exchange which operating in the property sector (2019: operating in the aircraft leasing, banking or property sector). The Group had concentration of credit risk as 95% (2019: 50%) of the total debt instruments at FVTOCI at 31 December 2020 was due from one (2019: one) issuer.

The Group closely monitors the changes in the credit ratings of the issuers and follows their market news for taking immediate actions if there is an indication of a deterioration of the repayment ability of the issuers.

The Group determines individually whether the issuers of the debt instruments have suffered from significant increase in credit risk since initial recognition by comparing the credit rating and other qualitative benchmarks that affect the credit quality of the issuers at initial recognition and at the end of the reporting period. As there are no downgrading in the credit rating of the debt instruments, the credit loss allowances on individual debt instrument are measured on 12m ECL basis as the credit risk on financial instruments have not increased significantly since initial recognition.

The Group had engaged an independent professional valuer to perform ECL assessment on the debt instruments by taking into consideration the historical data from an international rating agency. The Company's management works closely with the qualified external valuer to establish the appropriate valuation techniques and inputs to the model. In making that evaluation, the Group assesses ECL for debt instruments at FVTOCI by reference to the credit rating of the debt instruments announced by the recognised rating agency, the macroeconomic factors affecting each issuer, and the probability of default and loss given default of each debt instrument. For debt instruments with no public ratings, the Group has referred to the implied effective interest rate and credit spread to assign the credit rating. The Group also takes into account forward-looking information that is reasonably and supportably available to the Group without undue cost or effort, including information such as GDP growth rate and unemployment rate.

During the year ended 31 December 2020, ECL on debt instruments at FVTOCI of HK$18,873,000 (2019: HK$859,000) was recognised in profit or loss.

35. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Trade receivables

The Group has trade receivables arising from securities brokerage business. It is the Group's policy that all margin clients are subject to credit assessment procedures. The trade receivables of margin clients are secured by marketable securities pledged with fair values higher than the amounts of advance to the margin clients by certain pre-determined ratios. The advance to customers under margin financing are regularly reviewed by the management to determine the impairment allowances which involves an evaluation of collectability based on management's judgement, including the current creditworthiness of margin client, the past collection statistics of individual margin account and the collaterals held by the Group. The management first determines whether there is a significant increase in credit risk of the margin account since initial recognition based on a review of the credit quality of the margin client, the collateral to margin ratio, the margin shortfall (if any) and the marketable securities pledged that are specific to the margin client. This information is also used to determine ECL. Since there is no significant increase in credit risk since initial recognition, the Group recognises 12m ECL for trade receivables of margin clients and the amount is insignificant.

The Group considers the credit risk for accounts receivables from cash clients and securities clearing house is negligible, no loss allowance was recognised. The normal settlement terms are two days after trade date.

Pledged bank deposits and bank balances

Credit risk on pledged bank deposits and bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by international credit agencies, and the probability of default of the counterparty banks is insignificant, accordingly, no allowance for credit losses is provided as the amount of ECL is immaterial.

Other receivables

For other receivables, the management makes periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, quantitative and qualitative information that is reasonable and supportive, and forward-looking information available to the Group without undue cost or effort. The management has reviewed the latest financial position of the issuer of a note receivable and considered there is no significant increase in credit risk since initial recognition and the Group performed impairment based on 12m ECL. The amount involved is insignificant.

35. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

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

Internal credit rating	Description	Trade receivables from contracts with customers	Financial assets other than trade receivables from contracts with customers
Low risk	The counterparty has a low risk of default and does not have any past-due amounts and history of default.	Lifetime ECL - not credit-impaired	12m ECL
Medium risk	Overdue within 30 days or more than 30 days with reasonable and supportable information that demonstrates otherwise. Debtor frequently settle after due dates.	Lifetime ECL - not credit-impaired	12m ECL
High risk	Overdue more than 30 days but within 90 days without any reasonable and supportable information that demonstrates otherwise. There have been significant increases in credit risk since initial recognition through information developed internally or externally.	Lifetime ECL - not credit-impaired	Lifetime ECL - not credit-impaired
Loss	Overdue more than 90 days.	Lifetime ECL - credit-impaired	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.	Amount is written off	Amount is written off

35. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The table below details the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount 2020 HK$'000	Gross carrying amount 2019 HK$'000
Debt instruments at FVTOCI						
Investments in listed bonds*	21	B2 (2019: B3 to B1)	N/A	12m ECL	**380,571**	613,254
		A2	N/A	12m ECL	**-**	83,061
		N/A	*(Note (i))*	12m ECL	**21,242**	261,046
Financial assets at amortised cost						
Loan receivables *(Note (ii))*	22	N/A	Low risk	12m ECL	**440,959**	1,152,049
		N/A	Medium risk	12m ECL	**74,879**	114,058
		N/A	High risk	Lifetime ECL (not credit-impaired)	**88,574**	93,059
		N/A	Loss	Lifetime ECL (credit-impaired)	**1,217,137**	1,216,073
Other receivables	23	N/A	Low risk	12m ECL	**67,759**	81,740
Trade receivables	23	N/A	*(Note (iii))*	12m ECL	**103,094**	27,565
Pledged bank deposits *(Note (iv))*	25	AA- (2019: A+ to AA-)	N/A	12m ECL	**3,096**	32,067
Bank balances *(Note (iv))*	25	BBB	N/A	12m ECL	**20**	255
		A- to AA (2019: A- to AA+)	N/A	12m ECL	**2,277,250**	169,553

* For the purpose of ECL assessment, the Group considers the gross principal amount and the related contractual interests of the debt instruments. At 31 December 2020, the gross amount of these debt instruments amounted to HK$470,884,000 (2019: HK$1,023,392,000).

35. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Notes:

(i) Debt instruments at FVTOCI are listed bonds with credit loss allowance measured on 12m ECL basis as the credit risk on debt instruments have not increased significantly since initial recognition. The Group assessed ECL for debt instruments at FVTOCI by reference to exposures at default, recovery rate and adjustments for forward looking information. For debt instruments with no public ratings, the Group has made reference to implied effective interest rate and credit spread to arrive at the rating of B2 (2019: ranging from B1 to Ba2).

(ii) As part of the Group's credit risk management, the Group applies internal credit rating for its borrowers. The ECL rates are estimated based on the credit rating, the past and current default record and the current past due exposure of the borrower.

(iii) For trade receivables from contracts with customers, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance on lifetime ECL basis. For all other trade receivables, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. Trade receivables from margin clients are secured by marketable securities pledged to the Group for the margin financing facilities granted. The underlying collaterals of margin financing are mostly listed shares and the Group monitors the underlying collaterals on a timely basis. Trade receivables from cash clients are due on two days after the trade date.

(iv) Credit ratings of banks are with reference to ratings granted by international rating agency.

35. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The following table shows reconciliation of loss allowances that have been recognised for debt instruments at FVTOCI and loan receivables.

	Debt instruments at FVTOCI	Loan receivables			
	12m ECL	12m ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2019	15,682	11,800	–	–	27,482
Changes due to financial instruments recognised at 1 January 2019:					
– Impairment losses recognised	812	531	562	149,835	151,740
– Impairment losses reversed	(1,624)	(8,699)	–	–	(10,323)
– Transfer to lifetime ECL	–	(2,973)	350	2,623	–
New financial assets originated or purchased	1,671	60	–	–	1,731
At 31 December 2019 and 1 January 2020	16,541	719	912	152,458	170,630
Changes due to financial instruments recognised at 1 January 2020:					
– Impairment losses recognised	25,216	3,762	6,156	233,730	268,864
– Impairment losses reversed	(6,343)	(2,117)	–	(39,364)	(47,824)
– Transfer to lifetime ECL	–	(10)	–	10	–
– Unwinding of discount	–	2,009	1,795	12,438	16,242
New financial assets originated or purchased	–	756	–	–	756
At 31 December 2020	**35,414**	**5,119**	**8,863**	**359,272**	**408,668**

35. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

During the current year, the changes in loss allowance are mainly contributed by:

(i) debt instruments at FVTOCI with gross carrying amount totalling HK$401,813,000 (2019: HK$666,760,000) that continue to measure at 12m ECL, result in recognition of ECL of HK$25,216,000 (2019: HK$812,000).

(ii) debt instruments at FVTOCI with gross carrying amount totalling HK$523,645,000 (2019: HK$149,325,000) that are disposed of during the current year, result in reversal of ECL of HK$6,343,000 (2019: HK$1,588,000).

(iii) loan receivables with gross carrying amount totalling HK$20,000,000 (2019: HK$150,855,000) that are newly originated for which 12m ECL has been provided, result in recognition of ECL of HK$756,000 (2019: HK$60,000).

(iv) loan receivables with gross carrying amount totalling HK$181,726,000 (2019: HK$1,216,073,000) that have become credit-impaired for which lifetime ECL has been provided, result in recognition of ECL of HK$59,629,000 (2019: HK$149,835,000).

(v) loan receivables with gross carrying amount totalling HK$1,035,411,000 (2019: nil) that continue to be credit-impaired for which lifetime ECL has been provided, result in recognition of ECL of HK$174,101,000 (2019: nil).

The increase in loss allowance mainly reflected the credit-impaired status of the loan receivables during the current year. There are no significant changes to estimation techniques and assumptions made during the year.

Liquidity risk

For the management of 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 management monitors the utilisation of borrowings and ensures compliance with loan covenants.

The following table shows details of the non-derivative financial liabilities of the Group. For non-derivative financial liabilities, 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 interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate in effect at the end of the reporting period.

35. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Liquidity table

	Weighted average effective interest rate %	Less than 1 month HK$'000	1 to 3 months HK$'000	3 months to 1 year HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
At 31 December 2020								
Non-derivative financial liabilities								
Trade and other payables	–	60,587	–	–	–	–	60,587	60,587
Borrowings	6.9	357,085	–	–	–	–	357,085	355,000
Notes payable	7.4	14,849	9,945	1,225,596	527,500	–	1,777,890	1,648,877
		432,521	9,945	1,225,596	527,500	–	2,195,562	2,064,464
Lease liabilities	3.1	812	1,624	7,308	9,744	7,997	27,485	26,346
		433,333	11,569	1,232,904	537,244	7,997	2,223,047	2,090,810
At 31 December 2019								
Non-derivative financial liabilities								
Trade and other payables	–	74,009	–	–	–	–	74,009	74,009
Borrowings	4.8	466,585	–	–	–	–	466,585	464,698
Notes payable	9.7	–	10,076	1,364,958	–	–	1,375,034	1,253,171
		540,594	10,076	1,364,958	–	–	1,915,628	1,791,878
Lease liabilities	3.6	687	1,373	6,180	–	–	8,240	8,106
		541,281	11,449	1,371,138	–	–	1,923,868	1,799,984

The cash flow of variable interest rate instruments is based on the rate outstanding at the end of the reporting period.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those interest rates in effect determined at the end of the reporting period.

35. FINANCIAL INSTRUMENTS (continued)

c. Fair value measurements of financial instruments

Some of the Group's financial assets are measured at fair value for financial reporting purposes. The Board has delegated the valuation work to the management to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of a financial asset or liability, the Group uses market-observable data to the extent that they are available. Where market-observable data are not available, the Group engages third party qualified valuers to perform the valuation. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The management reports to the Board regularly to explain the cause of fluctuations in the fair value of the financial assets.

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value at		Fair value hierarchy	Valuation technique(s) and key input(s)
	31 December 2020	31 December 2019		
	HK$'000	*HK$'000*		
1) Financial assets at FVTPL				
Listed equity securities	**4,073,317**	1,454,098	Level 1	Quoted market closing prices in an active market
2) Debt instruments at FVTOCI				
Listed debt securities	**401,813**	957,361	Level 1	Quoted market closing prices in active markets

35. FINANCIAL INSTRUMENTS (continued)

c. Fair value measurements of financial instruments (continued)

Fair value hierarchy

	Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*	Total *HK$'000*
At 31 December 2020				
Financial assets at FVTPL				
Listed equity securities	**4,073,317**	**–**	**–**	**4,073,317**
Debt instruments at FVTOCI				
Listed debt securities	**401,813**	**–**	**–**	**401,813**
At 31 December 2019				
Financial assets at FVTPL				
Listed equity securities	1,454,098	–	–	1,454,098
Debt instruments at FVTOCI				
Listed debt securities	957,361	–	–	957,361

There was no transfer between Level 1, 2 and 3 for the year ended 31 December 2020. During the year ended 31 December 2019, the unlisted convertible securities under financial assets at FVTPL were matured on 31 December 2019 and thus transferred out of level 3.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities at amortised cost recognised in the consolidated financial statements approximate their fair values.

36. PLEDGE OF ASSETS

The fixed-rate borrowings were secured by two share charges each charging over the issued share of a wholly owned subsidiary of the Company and two debentures each incorporating a first floating charge over all the assets of a wholly owned subsidiary of the Company. At 31 December 2020, as disclosed in Notes 17, 20, 21, 23, 24, 25 and 27, assets subject to the first floating charge were property, plant and equipment of HK$17,042,000, club debentures of HK$1,453,000, debt securities of HK$380,571,000, trade and other receivables of HK$66,670,000, equity securities of HK$4,073,317,000 and bank balances and cash of HK$109,252,000.

At 31 December 2020, as disclosed in Notes 21 and 27, debt securities of HK$21,242,000 (2019: debt securities of HK$914,387,000 and equity securities of HK$1,352,744,000) were pledged for variable-rate borrowings.

In addition, as disclosed in Note 25, the Group's credit facility for settlement of the securities brokerage activities was secured by the Group's bank deposits of HK$3,096,000 (2019: HK$32,067,000 in aggregate to secure credit facilities for issuance of letters of credit and settlement of securities brokerage activities).

37. RELATED PARTY DISCLOSURES

Compensation of key management personnel

The remuneration of directors who are also identified as members of key management during both years were as follows:

	2020	2019
	HK$'000	*HK$'000*
Short-term benefits	**7,408**	7,182
Post-employment benefits	**183**	275
	7,591	7,457

The remuneration of directors and key executives are determined by the Remuneration Committee having regard to the competence, performance and experience of the individuals and prevailing market terms.

38. RETIREMENT BENEFIT SCHEME

The Group operates a MPF Scheme for all qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees.

The retirement benefit scheme contributions relating to the MPF Scheme charged to the consolidated statement of profit or loss and other comprehensive income represent contributions payable to the scheme by the Group at rates specified in the rules of the scheme.

The total costs charged to the statement of profit or loss and other comprehensive income of HK$1,030,000 (2019: HK$1,256,000) represent contributions payable to the scheme by the Group.

39. PRINCIPAL SUBSIDIARIES

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

Name	Place of incorporation/ registration and operation	Class of shares held	Issued and fully paid ordinary share capital	Percentage of equity interest and voting power attributable to the Company 31 December 2020 Direct %	31 December 2020 Indirect %	31 December 2019 Direct %	31 December 2019 Indirect %	Principal activities
Best Earning Limited	Seychelles	Ordinary	US$1	–	100	–	–	Investment holding
Best Gain Development Limited	Hong Kong ("HK")	Ordinary	HK$1	–	100	–	–	Investment holding
China Strategic Management Limited	HK	Ordinary	HK$1	–	100	–	100	Provision of management service
China Strategic Metal and Minerals Limited	HK	Ordinary	HK$1	–	100	–	100	Trading of metal minerals and coke products
CS Credit Limited	HK	Ordinary	HK$1	–	100	–	100	Money lending
CS Wealth Securities Limited	HK	Ordinary	HK$240,000,000 (2019: HK$40,000,000)	–	100	–	100	Securities brokerage
Guide Plus Investments Limited	HK	Ordinary	HK$1	–	100	–	100	Investment in securities
Max Talent Investments Limited	HK	Ordinary	HK$1	–	100	–	100	Sales of electronic components
U Credit (HK) Limited	HK	Ordinary	HK$1	–	100	–	100	Money lending

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

None of the subsidiaries had issued any debt securities subsisting at the end of the year or at any time during the year.

39. PRINCIPAL SUBSIDIARIES (continued)

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. The principal activities and places of business of these subsidiaries are summarised as follows:

Principal activities of business	Principal place of business	Number of subsidiaries 2020	2019
Investment holding	British Virgin Islands ("BVI")	**11**	11
Investment in securities	HK	**1**	1
Inactive	BVI	**1**	3
Inactive	HK	**6**	4
		19	19

40. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Borrowings *HK$'000*	Notes payable *HK$'000*	Interest payables *HK$'000*	Lease liabilities *HK$'000*	Total *HK$'000*
At 1 January 2019	703,271	1,500,325	13,022	15,926	2,232,544
Financing cash flows	(238,573)	(386,399)	(31,806)	(8,240)	(665,018)
Interest expenses	–	139,245	31,430	420	171,095
At 31 December 2019	464,698	1,253,171	12,646	8,106	1,738,621
Financing cash flows	(109,698)	320,542	(4,117)	(9,638)	197,089
Fair value adjustments	–	(71,447)	–	–	(71,447)
New lease entered	–	–	–	5,624	5,624
Lease modified	–	–	–	21,912	21,912
Interest expenses	–	146,611	11,687	342	158,640
At 31 December 2020	**355,000**	**1,648,877**	**20,216**	**26,346**	**2,050,439**

Five-Year Financial Summary

RESULTS

	For the year ended 31 December				
	2020	2019	2018	2017	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**256,347**	779,962	1,477,776	1,337,246	270,706
Profit (loss) before tax	**2,712,959**	(415,878)	805,708	178,185	(518,140)
Income tax (expense) credit	**(429,772)**	92,931	(96,918)	(51,992)	81,270
Profit (loss) attributable to owners of the Company	**2,283,187**	(322,947)	708,790	126,193	(436,870)

ASSETS AND LIABILITIES

	At 31 December				
	2020	2019	2018	2017	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**8,481,698**	5,195,291	6,062,383	5,240,895	4,563,197
Total liabilities	**(2,542,650)**	(1,825,502)	(2,416,401)	(2,168,738)	(1,641,970)
Equity attributable to owners of the Company	**5,939,048**	3,369,789	3,645,982	3,072,157	2,921,227