



China Development Bank International Investment Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1062)

Annual Report 2020



Contents

Corporate Information	2
Chairman’s Statement	4
Management Discussion and Analysis	6
Report of the Directors	16
Biographical Details of Directors and Senior Management	29
Corporate Governance Report	31
Risk Management and Internal Controls	40
Environmental, Social and Governance Report	43
Independent Auditor’s Report	60
Consolidated Statement of Profit or Loss and Other Comprehensive Income	65
Consolidated Statement of Financial Position	66
Consolidated Statement of Changes in Equity	67
Consolidated Statement of Cash Flows	68
Notes to the Consolidated Financial Statements	69
Five Year Financial Summary	110

Corporate Information

DIRECTORS

Executive Director

Mr BAI Zhe (*Chairman*)

Independent Non-executive Directors

Mr WANG Xiangfei (*Note 1*)

Mr SIN Yui Man

Mr FAN Ren Da, Anthony

Mr CHEUNG Ngai Lam (*Note 2*)

COMPANY SECRETARY

Mr FUNG Wing Kam Terence

AUDIT COMMITTEE

Mr WANG Xiangfei (*note 1*)

Mr. CHEUNG Ngai Lam (*Chairman*) (*Note 2*)

Mr SIN Yui Man

Mr FAN Ren Da, Anthony

REMUNERATION COMMITTEE

Mr SIN Yui Man (*Chairman*)

Mr WANG Xiangfei (*note 1*)

Mr FAN Ren Da, Anthony

Mr CHEUNG Ngai Lam (*note 2*)

NOMINATION COMMITTEE

Mr BAI Zhe (*Chairman*)

Mr WANG Xiangfei (*Note 1*)

Mr FAN Ren Da, Anthony

Mr CHEUNG Ngai Lam (*Note 2*)

REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 4506-4509

Two International Finance Centre

No. 8 Finance Street

Central, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited (Formerly known as SMP Partners (Cayman) Limited) (*Note 3*)

Suite 3204, Unit 2A, Block 3

Building D, P.O. Box 1586

Gardenia Court, Camana Bay

Grand Cayman, KY1-1100

Cayman Islands (*Note 4*)

Notes:

1. Resigned on 28 January 2021
2. Appointed on 28 January 2021
3. Changed since 4 September 2020
4. Changed since 1 March 2021

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Standard Limited

Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd.,
Hong Kong Branch
China Construction Bank (Asia) Corporation
Limited
China Minsheng Banking Corp., Ltd.,
Hong Kong Branch

AUDITOR

PricewaterhouseCoopers

22/F., Prince's Building
Central, Hong Kong

LEGAL ADVISERS TO THE COMPANY

As to Hong Kong Law

Freshfields Bruckhaus Deringer

As to Cayman Islands Law

Conyers Dill & Pearman

INVESTMENT MANAGER

HuaAn Asset Management **(Hong Kong) Limited**

Unit No. 4702, 47th
Floor Central Plaza
No. 18 Harbour Road
Wanchai
Hong Kong

CUSTODIAN

Vistra Management (Hong Kong) Limited

19/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

STOCK CODE

The Stock Exchange of Hong Kong Limited: 1062

WEBSITE

www.cdb-intl.com
www.irasia.com/listco/hk/cdbintl

Chairman's Statement

Dear Shareholders,

In 2020, China Development Bank International Investment Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) obtained satisfactory returns from the Group’s investment projects. Adversely affected by the trade disputes among major economies and financial deleveraging in China, the global economic growth trend in 2020 further slowed down, and the confidence of investors about the economic prospects continued to deteriorate, all imposed challenges for the economic development of China and other emerging markets in 2020. The COVID-19 outbreak in early 2020 (the “**COVID 19**”) further aggravated the global economy. Under such economic environment, the Company will kept using its best effort to pursue the best returns to the shareholders of the Company (the “**Shareholders**”).

In 2021, the Company believes that the investment in logistics industry will still possibly create the best returns to the Shareholders. Logistics is the key foundation of the global business flow, and also synergises with e-commerce transactions with increasing importance. The efficiency of logistics-related industries has a material influence on investment decisions of large and small companies, and thus affects the amount and location of job opportunities created around the world. During the “13th Five-Year” period, the National Development and Reform Commission announced that, based on the requirements of leading the new economic normality and implementing the new development concept, reducing cost and improving efficiency in the logistics industry and serving important national material-strategies should continue to be the key mission of “Reducing Cost, Reducing Deficiencies and Promoting Supply-side Structural Reforms” and the innovative development of the logistics industry will be supported with great efforts. On one hand, with the innovation of logistics industry systems and mechanisms, refinement of relevant policies, strengthening of the construction of critical segments of logistics industry, support of the development of new logistic modes such as third party logistics and multi-mode transportation and reduction of tax liabilities, reduction of costs and improvement of efficiency in the logistics industry will be promoted and the real economy will be strengthened with stable growth. On the other hand, the “Three Strategies” will be implemented by planning the establishment of a big international logistic channel, promoting reforms of the Beijing, Tianjin and Hebei agricultural products circulation system and accelerating the multi-mode transportation development along the Yangtze River golden waterway as a core and so forth. Meanwhile, the sustainable and healthy development of the logistic industry will be backed by basic work including organisation and implementation of major projects of modern logistics industry, demonstration of the logistic pilots and formulation and revision of industry standards. The Company will continue to seek for the best investment opportunities in the logistics industry, and actively explore the potential investment opportunities of information technology, advanced manufacturing, new energies, energy saving and environment protection sectors by comprehensively considering the national strategies such as China’s industrial upgrade, the Belt and Road initiatives, and Guangdong-Hong Kong-Macao Bay Area development, so as to create the best returns to the Shareholders.

In order to further improve the performance of the Group and deliver the best returns to the Shareholders, the Group will continue to look for investment opportunities to strengthen its profitability with acceptable portfolio risk. The management will continue to closely monitor the market situation and enhance the Group’s operations in all areas to raise the levels of financial discipline and improve profitability.

Finally, I would like to take this opportunity to extend my sincerest gratitude to the Shareholders for your support. I would also like to thank members of the Board, the management and the staff for your diligence. Despite the turmoil in the international economy in 2020 and the uncertainties in financial market brought by the COVID-19 outbreak in early 2020, we have worked hard to confront the challenges head on and achieve our goals. I am confident that we will be able to achieve long-term sustainable returns for the Shareholders by working together as a more mature and united team in the next year.

By the order of the Board

CHINA DEVELOPMENT BANK INTERNATIONAL INVESTMENT LIMITED

BAI Zhe

Chairman

Hong Kong, 30 March 2021

Management Discussion and Analysis

The board of directors (the “**Board**” or “**Directors**”) of the Company announces the audited consolidated results of the Group for the year ended 31 December 2020 (the “**Year**”). The audited consolidated results for the Year have been reviewed by the audit committee of the Company (the “**Audit Committee**”) and audited by the auditor of the Company, PricewaterhouseCoopers.

OVERALL PERFORMANCE

For the Year, the Group recorded a profit for the year attributable to equity holders of the Company of approximately HK\$53.16 million (2019: HK\$176.05 million) which is primarily attributable to the gain on disposal of financial asset at fair value through profit or loss and the gain on disposal of an associate for the Year. The finance income for the Year was approximately HK\$0.12 million (2019: HK\$0.07 million). Though the net valuation losses on fair value of financial assets at fair value through profit or loss amounted to approximately HK\$162.45 million (2019: net valuation gains on fair value of financial asset at fair value through profit or loss of HK\$214.61 million), the realised gain on disposal of financial assets at fair value through profit or loss amounted to approximately HK\$211.60 million (2019: Nil) and the gain on disposal of an associate amounted to approximately HK\$35.46 million (2019: Nil) was recorded in the Year. The general and administrative expenses of the Group for the Year were approximately HK\$18.95 million (2019: HK\$18.26 million). The increase was mainly resulted from the increase in employee benefits expenses and bank charges incurred during the Year. The finance expenses for the Year were approximately HK\$13.88 million (2019: HK\$21.44 million). The Group’s net asset value increased to approximately HK\$1,845.95 million (2019: HK\$1,798.48 million). Earnings per share for the Year was amounted to approximately HK\$1.83 cents (2019: HK\$6.07 cents).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

It is the Group’s policy to adopt a prudent financial management strategy. The Group’s treasury policies are designed to maintain a suitable level of liquidity facilities and minimise financial risks in order to meet operation requirements and pursue investment opportunities.

On 11 November 2016, a loan agreement was entered into between China Development Bank International Holdings Limited (“**CDBIH**”), the immediate controlling company of the Company as the lender and the Company as the borrower, pursuant to which CDBIH will provide a term loan to the Company in an amount of up to United States Dollars (“**US\$**”) 100 million, at an interest rate of 1.65% per annum over US\$3-month London Inter-Bank Offer Rate (“**LIBOR**”). The relevant loan will be repayable on the date falling twelve months after the date of first drawdown, which may be automatically extended for another twelve months unless notified by either CDBIH or the Company not to extend repayment.

On 3 April 2017, an uncommitted revolving loan facility agreement was entered into between China Minsheng Banking Corp., Ltd., Hong Kong Branch (“**CMBC HK**”) as lender and the Company as borrower, pursuant to which CMBC HK will provide an uncommitted revolving loan facility to the Company in the amount of up to US\$100,000,000.

On 6 January 2020, a new facility agreement was entered into between China Construction Bank (Asia) Corporation Limited (“**CCB Asia**”) as the lender, the Company as the borrower, and CDBIH as the guarantor, pursuant to which CDBIH will be the guarantor of the Company for an uncommitted term loan facility in the amount of up to US\$50,000,000 and an uncommitted revolving loan facility in the amount of up to US\$100,000,000 both granted by CCB Asia. CCB Asia is a licensed financial institution under the laws of Hong Kong and a wholly-owned subsidiary of China Construction Bank Corporation (“**China Construction Bank**”) (listed on the Shanghai Stock Exchange, stock code: 601939 and listed on the Stock Exchange of Hong Kong Limited, stock code: 939). CCB Asia is a third party independent of and not connected with the Company and its connected persons, despite that Central Huijin Investment Ltd., which owns directly and indirectly 57.31% interest in China Construction Bank, the controlling company of CCB Asia, also owns 34.68% interest in China Development Bank (“**CDB**”), the controlling shareholder of China Development Bank Capital Corporation Ltd. (“**CDBC**”) at the date of the Facility Agreement was entered into.

Moreover, CDBIH has confirmed its intention to provide financial support for the continuing operations of the Group so as to enable it to meet its liabilities as they fall due and carry on its business without a significant curtailment of operations in the twelve months from 31 December 2020. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

As at 31 December 2020, the Group had total borrowing of HK\$390 million (31 December 2019: HK\$546 million) and the debt-to-equity ratio (calculated as the borrowing to the total shareholder's equity) was approximately 21% (31 December 2019: approximately 30%), putting the Group in an advantageous position to realise its investment strategies and pursue investment opportunities.

As at 31 December 2020, the cash and cash equivalents of the Group was approximately HK\$192.59 million (31 December 2019: approximately HK\$20.14 million). As almost all the retained cash was denominated in US\$ and Hong Kong Dollars (“**HK\$**”) and placed in major banks in Hong Kong, the Group's exposure to exchange fluctuation risk is considered minimal. The Board believes that the Group still maintains a healthy financial position as at 31 December 2020.

Save as disclosed as above, there is no change to the Group's capital structure for the year.

CHARGE ON ASSETS, CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

As at 31 December 2020 and 31 December 2019, there were no charges on the Group's assets and the Group had no material capital commitment or any significant contingent liabilities.

As at 31 December 2020 and 31 December 2019, as far as the Directors are aware, the Group was not involved in any material litigation or arbitration and no material litigation or claim was pending or threatened or made against the Group.

DISPOSAL OF AN ASSOCIATED COMPANY

References are made to the announcements of the Company dated 24 September 2020, 3 December 2020, 15 December 2020 and 2 February 2021 (the “**Announcements**”) in relation to, among other things, the Disposal. Unless otherwise defined, capitalized terms used in this annual report shall have the same meanings as those defined in the Announcements.

On 3 December 2020, Pacific Equity Venture Inc., a wholly-owned subsidiary of the Group, entered into an equity transaction agreement (“**Equity Transaction Agreement**”) with BIC Tech to dispose of its 25% equity interests in Beijing Far East Instrument Company Limited (“**Beijing Far East**”), with effect from the date of the announcement. The consideration is the same as the base price disclosed in the Announcements, i.e. Renminbi (“**RMB**”) 81,321,225. For more details, please refer to the Announcements published by the Company.

Management Discussion and Analysis

PORTFOLIO REVIEW

Particulars of the investments of the Group as at 31 December 2020 are set out as follows:

	Cost/carrying book cost as at 31 December 2020	Market value/ carrying amount as at 31 December 2020	Market value/ carrying amount as at 31 December 2019	Unrealised gains/(losses) recognised for the year ended 31 December 2020	Accumulated unrealised gains/(losses) recognised as of 31 December 2020	Percentage to the Group's total assets as at 31 December 2020
	HK\$	HK\$	HK\$	HK\$	HK\$	%
Jade Sino Ventures Limited ("Jade Sino") (Note 1)	194,987,520	568,850,705	477,360,000	91,490,705	373,863,185	25.4%
Jolly Investment Limited ("Jolly") (Note 2)	195,000,000	288,600,000	273,000,000	15,600,000	93,600,000	12.9%
BEST Inc. ("Best Inc.") (Note 3)	234,000,000	52,780,263	143,852,093	(91,071,830)	(181,219,737)	2.4%
Spruce (Note 4)	200,460,000	569,400,000	538,200,000	31,200,000	368,940,000	25.4%
G7 Networks Limited ("G7") (Note 5)	195,000,000	296,400,000	287,040,000	9,360,000	101,400,000	13.2%
Wacai Holdings Limited ("Wacai") (Note 6)	195,000,000	-	202,800,000	(202,800,000)	(195,000,000)	-
Yimidida Supply Chain Group Co., Ltd. ("Yimidida") (Note 7)	153,260,180	178,223,469	194,456,228	(16,232,759)	24,963,289	7.9%
China Property Development (Holdings) Limited ("CPDH") (Note 8)	78,000,000	2,779,375	2,953,497	N/A	N/A	0.1%

Notes:

- Jade Sino is an investment holding company incorporated in the British Virgin Islands with limited liabilities. As at 31 December 2020, the proportion of the issued share capital of Jade Sino owned by the Group was approximately 23.81%. As at 31 December 2020, Jade Sino directly held approximately 11.78% of the equity interests of Jinko Power Technology Co., Ltd. ("Jinko Power"), a company incorporated in the People's Republic of China ("PRC") with limited liabilities. Jinko Power was successfully listed on the Shanghai Stock Exchange in May 2020. Jinko Power and its subsidiaries are principally engaged in developing, building and operating photovoltaic power stations in the PRC. No gain or loss on disposal was recorded during the Year. Cash dividends of HK\$2,325,204 were received during the Year.
- Jolly is an investment holding company incorporated in the Cayman Islands with limited liabilities. As at 31 December 2020, the proportion of the issued share capital of Jolly owned by the Group was approximately 23.04%. As at 31 December 2020, Jolly indirectly held approximately 20.91% of the equity interests of Guangzhou P.G. Investment Co., Ltd.* ("PG Investment"), a company incorporated in the PRC with limited liabilities. PG Investment is a logistics warehouse infrastructure operator in the PRC. No gain or loss on disposal was recorded during the Year. No dividend was received during the Year.
- Best Inc. was incorporated in the Cayman Islands with limited liabilities which is principally engaged in express delivery, freight delivery and supply chain service. Best Inc. was successfully listed on the New York Stock Exchange in September 2017. As at 31 December 2020, the proportion of its issued share capital owned by the Group was approximately 0.85%. No gain or loss on disposal was recorded during the Year. No dividend was received during the Year.
- Spruce is an investment holding company incorporated in the Cayman Islands and provides supply chain related services including ingredient procurement, warehousing and distribution to small-and-medium-sized restaurants in the PRC. As at 31 December 2020, the proportion of the issued share capital of Spruce owned by the Group was approximately 1.06%. No gain or loss on disposal was recorded during the Year. No dividend was received during the Year.
- G7 is a technology leader in the logistics sector in the PRC. Its services span each aspect of fleet management including order processing, short/long haul visibility, asset tracking, dispatch, route planning, financial settlement, accounting, safety management, etc. As at 31 December 2020, the proportion of the issued share capital of G7 owned by the Group was approximately 4.14%. No gain or loss on disposal was recorded during the Year. No dividend was received during the Year.
- Wacai is the earliest personal accounting and wealth management platform in the PRC. As at 31 December 2020, the proportion of Wacai's issued share capital owned by the Group was 3.08%. No gain or loss on disposal was recorded during the Year. No dividend was received during the Year.

* For identification purpose only

7. Yimidida is a company incorporated in the PRC with limited liabilities which is principally engaged in the operation of the less-than-truckload freight network and was jointly established by several regional leading less-than-truckload logistics enterprises, Yimidida, with the mode of direct operation in core areas and regional franchise, unified the branding, systems, clearing, services and management standards of its partners along the whole ecological chain, and rapidly established the country-wide freight franchise network. As at 31 December 2020, the proportion of its issued share capital owned by the Group was approximately 2.59%. No gain or loss on disposal was recorded during the Year. No dividend was received during the Year.
8. The investment in CPDH disclosed in the table above is accounted for in accordance with HKAS 28 (Amendments) Investment in Associates and Joint Ventures, for details please refer to Note 14 to the consolidated financial statements.

UNLISTED INVESTMENTS REVIEW

The Company has been committed to identifying and exploring high-quality investment opportunities and has established certain investment layout in areas including, but not limited to, logistics infrastructure and supply chain services, advanced manufacturing and new energy. The investments below in Yimidida, G7, Spruce, PG Investment and other investments as set out below are expected to create investment returns for the Shareholders and to further promote the Company's overall market advantage in sectors such as logistics, information technology, advanced manufacturing, medical, new energy, energy saving and environment protection. The Company will proactively leverage the resources of CDB in the areas of agriculture modernisation, logistics infrastructure and credit and will fully utilise the Company's extensive knowledge and experience in finance, management and relevant industries to assist Yimidida, Wacai, G7, Spruce, PG Investment and other investments in enhancing their efficiency, exploring business opportunities, optimising the decision-making and incentive mechanisms and continuously improving corporate governance practices.

PG Investment

On 15 December 2015, the Company had entered into a share subscription agreement with Jolly and an independent third party of the Company, pursuant to which Jolly agreed to issue an aggregate of 31,449 ordinary shares of Jolly and the Company as one of the investors agreed to subscribe for 7,245 ordinary shares of Jolly at a cash consideration of US\$25.00 million, representing approximately 23.04% of the enlarged issued share capital of Jolly. Jolly is an investment holding company incorporated in the Cayman Islands with limited liabilities. Jolly indirectly invested in PG Investment, a PRC company. PG Investment is a leading logistics warehouse infrastructure operator in the PRC, whose principal business includes investment, construction and operation of large scale logistics parks, business facilities and exhibition centers. Jolly and PG Investment are both independent third parties of the Group.

As of 31 December 2020, PG Investment had 9 projects in operation, the overall occupancy rate of which was 74%. The decline in occupancy rate is mainly affected by the COVID-19 pandemic. Some tenants have withdrawn their tenancies and the company has found new tenants to replace. The Company expects that PG Investment's operation in 2021 will be relatively stable.

Management Discussion and Analysis

Spruce

On 24 November 2016, the Company had entered into an investment agreement with Spruce pursuant to which the Company agreed to subscribe for the newly issued convertible preferred shares of Spruce at a cash consideration of US\$25.70 million, representing approximately 1.24% of the enlarged issued capital of Spruce. Spruce is a holding company incorporated in the Cayman Islands and provides supply chain related services including ingredient procurement, warehousing and distribution to small-and-medium sized restaurants in the PRC. It is the largest e-commerce platform in terms of gross merchandise volume in the area of supply chain for agricultural products in the PRC. By shortening the distribution process of agricultural products, improving the efficiency of agricultural products supply chain, and establishing large-scale warehousing and distribution system and the good quality control for the whole process, Spruce is able to provide economic and efficient services for farmers and restaurant customers in the PRC's agricultural products supply chain. Spruce is an independent third party of the Group.

The focus of Spruce in 2021 is to continue to boost the business coverage in cities where the market was newly exploited by it and to increase its market share. As a result of the multiple impacts of the Lunar New Year Holidays and the COVID-19 pandemic, the revenue of Spruce for the first quarter of 2020 fell significantly compared to the same period in 2019. However, as businesses in China gradually resumes, Spruce's business began to recover to normal in the second quarter, business basically returned to normal during the second half of the year, and annual revenue in 2020 declined slightly as compared to the corresponding period last year. In the future, Spruce will continue to increase its market share by shortening the distribution process of agricultural products, improving the efficiency of agricultural products supply chain, and providing economic and efficient services to farmers and restaurant customers in the agricultural supply chain industry in the PRC. The Company is confident that Spruce will continue its business expansion at a satisfactory growth rate, and become one of the leaders in the agricultural supply chain industry in the PRC.

G7

On 29 December 2016, a wholly-owned subsidiary of the Company entered into a convertible preferred share subscription agreement with G7 pursuant to which the Group, as one of the investors, agreed to subscribe for the newly issued preferred shares of G7 at a cash consideration of US\$25.00 million, representing approximately 5.59% of the enlarged issued share capital of G7. G7 is a leading logistics artificial intelligence service and intelligent equipment supplier in China with its business coverage spanning across China and its neighboring countries in Asia. G7 is connected to over 1,550,000 cargo vehicles from more than 70,000 customers. By installing smart devices on vehicles in the fleet, G7 utilizes real-time sensing technology to provide data services that span the entire logistic process, to connect the data of every single vehicle, consignor, fleet owner and driver, and thus to improve the efficiency of logistic service. Based on big data of the connected vehicles, G7 cooperates with premium partners from oil distribution, toll roads and bridges, insurance, banking and financial leasing industries to establish a one-stop service platform that integrates primary consumption of fleets. The platform enables safer, more economical, more efficient and more environmentally-friendly logistic services. G7 is an independent third party of the Group.

Despite the adverse impact of COVID-19, G7's business maintained sustaining development during the Year, with its business scales in security products, settlements, supply chain finance, insurance, oil products, asset lease, etc. recording certain growth as compared with last year, and its income level also increased. The Company expects that in the future, G7 will continue to use its own Internet of Things and artificial intelligence technology to help logistics customers to improve operational efficiency, reduce costs and potential safety hazards, thereby to further increase its market share and customer's recognition.

Wacai

On 8 April 2017, a wholly-owned subsidiary of the Company entered into a preferred share purchase agreement with Wacai, pursuant to which the Group, as one of the investors, agreed to subscribe for the newly issued preferred shares of Wacai at a consideration of US\$25.00 million, representing approximately 3.08% of the enlarged issued share capital of Wacai.

Wacai is the earliest personal accounting and wealth management platform in the PRC. With its devotion to providing one-stop online financial management tools, information and advisory services to its customers, Wacai has developed an ecosystem around personal financial planning, wealth management, credit management, and vertical online discussion forum. Based on the profound understanding of customer needs for wealth management, user-friendly product design, cutting edge finance technology, and rigorous risk management, Wacai has been providing consistent and high-quality online wealth management services to over 47.00 million registered users in the past eight years. Wacai is an independent third party of the Group.

During the Year, due to the sudden tightening of regulation on internet finance and the macro environment of large-scale de-leveraging, the business performance of Wacai was adversely and continuously affected, and its valuation has also been adversely affected, details of which are set out on P.8 (Particulars of the investments of the Group as at 31 December 2020) of this report. Wacai had gradually exited its highly regulated person to person business. The Company expects that Wacai will seek business diversification and identify new areas for growth in revenue and profit in the future.

Yimidida

On 30 November 2017, a wholly-owned subsidiary of the Company entered into a capital increment agreement with Yimidida, pursuant to which the Group, as one of the investors, agreed to subscribe for the shares newly issued by Yimidida at a consideration of RMB130.00 million in USD equivalent. Yimidida is principally engaged in the operation of the less-than-truckload freight network and was jointly established by several regional leading less-than-truckload logistics enterprises. Yimidida, with the mode of direct operation in core areas and regional franchise, unified the branding, systems, clearing, services and management standards of its partners along the whole ecological chain, and rapidly established the country-wide freight franchise network. Yimidida is an independent third party of the Group.

Yimidida completed its round-D2 equity financings during the Year, and the amount of the funds raised exceeded RMB2 billion, and complete the mergers and acquisitions of UC Express Limited* (優速物流有限公司) to form an integrated operation model of large parcel express and freight delivery. During the Year, despite the adverse impact of COVID-19, Yimidida continued to strengthen the direct operation and management of its major franchise member companies at primary regions, the business integration with UC Express Limited has been promoted in an orderly manner to form complementary advantages, reduce costs and increase efficiency, and expand the network coverage, with its first ranking in terms of overall cargo volume in the PRC continued to reinforce and revenue increased in a certain extent. The Company expects that based on its country-wide franchise freight network, Yimidida will continuously strengthen and optimization its transport network, and increase the density of its last-mile service stations, and upgrade the existing products and services, which will further improve its brand image and value-added service capability.

* For identification purpose only

Management Discussion and Analysis

Beijing Far East

Beijing Far East is a company incorporated in the PRC and is a leading industrial precision instrument manufacturer in the PRC. The principal business of Beijing Far East is to manufacture meters and precise measuring instruments. During the Year, the development of Beijing Far East was stable, and Beijing Far East has been transforming from a purely precision instrument manufacturer to an integrated industry solution provider. During the Year, the Company has completed the disposal of its 25% equity interests in Beijing Far East held by Pacific Equity Venture, through listing-for-sales on China Beijing Equity Exchange. For more details, please refer to the Announcements published by the Company.

CPDH

CPDH is a company incorporated in the Cayman Islands with limited liability and principally engaged in investment of residential development project. CPDH did not carry out any business during the Year and it is under litigation process. Its carrying value is accounted for using equity method. For details, please refer to Note 14 to the consolidated financial statements.

LISTED INVESTMENTS REVIEW

Securities

NIO

On 1 December 2017, a wholly-owned subsidiary of the Company entered into a preferred share purchase agreement with NIO, pursuant to which the Group, as one of the investors, agreed to subscribe for the preferred shares newly issued by NIO at a consideration of US\$25.00 million. NIO is an independent third party of the Group. In September 2018, NIO completed the initial public offering of 160,000,000 ADSs on the New York Stock Exchange. The issue price was US\$6.26 per ADS, and the total offering size was approximately US\$1.0 billion. Each ADS represents one Class A ordinary share of NIO.

NIO's second 5-seat high-end pure electric SUV model ES6 was delivered to consumers in June 2019. In February 2020, NIO announced that it completed the issuance of US\$435 million convertible bonds with various independent third parties. In April 2020, NIO entered into the agreement in relation to the investment to NIO China, a domestic subsidiary of NIO, with strategic investors, including Hefei City Construction and Investment Holding (Group) Co., Ltd., CMG-SDIC Capital Co., Ltd. and Anhui Provincial Emerging Industry Investment Co., Ltd., and reached an agreement with Hefei Economic & Technological Development Area in respect of the settlement of NIO's China headquarter. As at June 2020, NIO and the aforesaid investors have injected capital of RMB7.356 billion in NIO China as scheduled. In June 2020, NIO completed a placing of 72 million U.S. Depository Shares at a price of US\$5.95 per U.S. Depository Share and raised approximately US\$428 million.

On 6 March 2019, the Board approved the potential disposal of the NIO ADSs held by the Company on the New York Stock Exchange, which was also approved by CDBIH in written. Please refer to the relevant announcement published by the Company on 6 March 2019. During the Year, the Company completed the disposal of an aggregate of 4,670,362 ADSs of NIO Inc. with the average price of approximately US\$9.84 (equivalent to approximately HK\$76.28) per ADS. For more details, please refer to the announcement published by the Company on 9 July 2020.

BEST Inc.

On 18 January 2016, the Company entered into a convertible preferred shares purchase agreement with Best Logistics as well as the members of Best Logistics group, the existing holders of the securities of Best Logistics and investors of the new preferred shares of Best Logistics, pursuant to which the Company, as one of the investors of the new preferred shares, agreed to subscribe for certain new preferred shares at a cash consideration of US\$30.00 million, representing approximately 0.96% of the enlarged issued share capital of Best Logistics. In June 2017, the name of Best Logistics was changed to BEST Inc. In September 2017, BEST Inc. completed its initial public offering of 45,000,000 ADSs, each representing one of its Class A ordinary shares, at US\$10.00 per ADS for a total offering size of US\$450.00 million. Its ADSs commenced trading on the New York Stock Exchange on 20 September 2017. Now the symbol is “BEST”.

Combining the Internet, information technology and traditional logistics services, BEST Inc. is committed to creating a one-stop logistics and supply chain service platform to provide customers with efficient services and experience. It is one of the largest integrated logistics service providers in China. Its multisided platform combines technology, integrated logistics and supply chain services, last-mile services and value-added services. BEST Cloud, the proprietary technology platform of BEST Inc., which seamlessly connects its systems with those of its ecosystem participants, is the backbone that powers its integrated services and solutions. Its logistics, supply chain and last-mile services encompass B2B and B2C supply chain management, express and less-than-truckload delivery, cross-border supply chain management and a real-time bidding platform to source truckload capacity. In addition, it provides value-added services to support its ecosystem participants and help them grow.

As a result of multiple impacts of the COVID-19 epidemic and fierce price competition in the express delivery industry, the revenue of BEST Inc. in 2020 decreased 7.3% as compared with that in 2019, representing a gross profit margin of 0.8% and loss of RMB1,683 million. Following the announcement of BEST Inc. on strategic adjustments and organisational changes in November 2020, the Company estimates that BEST Inc. will reduce its investment in non-core businesses and quickly focus on logistics, its principal and core business. While its business is expected to resume rapid growth in 2021, an improvement in its profitability and financial positions is also expected.

JINKO POWER

On 29 September 2014, the Company entered into a share subscription agreement (the “**Jade Sino Subscription Agreement**”) with CDBIH and Jade Sino, pursuant to which the Company and CDBIH agreed to subscribe for 11,904 and 13,096 ordinary shares of Jade Sino, representing approximately 23.81% and 26.19% of the enlarged issued share capital of Jade Sino respectively.

The principal asset of Jade Sino was the 13,404 preferred shares of JinkoSolar Power Engineering Group Limited (“**JinkoSolar Power**”) out of the total 26,809 preferred shares subscribed on 11 August 2014 by CDBIH. Upon completion of Jade Sino Subscription Agreement, Jade Sino applied the amount of US\$52.50 million (equivalent to approximately HK\$409.50 million) contributed by the Company and CDBIH to completing the subscription of the remaining 13,405 preferred shares of JinkoSolar Power. The subscription of the remaining 13,405 preferred shares of JinkoSolar Power by Jade Sino was completed on 13 November 2014. In May 2020, Jinko Power completed its initial public offering of 594,592,922 A shares (“**A Shares**”) on the Shanghai Stock Exchange with the issue price of RMB\$4.37 per A share for a total offering size of approximately RMB2.60 billion. The A Shares listed and commenced trading on the Shanghai Stock Exchange on 19 May 2020, under stock code 601778.

Management Discussion and Analysis

During the Year, the performance of Jinko Power was similar as compared with that at the end of 2019, with the major sources of its income including sales of electricity and design, procurement and construction. The Company expects that the performance of Jinko Power in 2021 will be generally in line with our expectations and expects that Jinko Power can make a significant contribution to the Company's performance afterward.

EMPLOYEES

As at 31 December 2020, the Company had 7 employees (2019: 7 employees). The total staff costs of the Group (excluding Directors' fee) for the Year was approximately HK\$8.27 million (2019: HK\$6.73 million). The Company determines its staff remuneration in accordance with prevailing market salary scales, individual qualifications and performance. Remuneration packages of the Company's employees including basic salary, performance bonuses and mandatory provident fund are reviewed on a regular basis. The Company had no share option scheme during the Year. However, the Company provided training suitable to employees' needs and in accordance with the Company's development strategy.

GEARING RATIO

As at 31 December 2020, the Group had outstanding bank borrowing of HK\$390.00 million (2019: HK\$546.00 million). As at 31 December 2020, the Group's current ratio (current assets to current liabilities) was approximately 72% (2019: approximately 30%). The ratio of total liabilities to total assets of the Group was approximately 18% (2019: approximately 24%).

As at 31 December 2020, the Group had drawn down US\$50 million (equivalent to approximately HK\$390 million) under the new facility agreement with CCB Asia.

EXCHANGE EXPOSURE

The Group had an insignificant exchange risk exposure under review during the Year since almost all the retained cash was denominated in US\$ and HK\$ and placed in several major banks in Hong Kong. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

FUTURE PROSPECTS

The Company has been committed to identifying and exploring high-quality investment opportunities and has established certain investment layout in areas including, but not limited to, logistics infrastructure and supply chain services, advanced manufacturing and new energy. The Company expects that the logistics industry will maintain good growth, as it is a fundamental and strategic industry which supports the national economic development, synergises with e-commerce transactions with increasing importance and is also a key industry supported by CDB, the ultimate controlling shareholder of the Company. The Company will proactively leverage the resources of CDB in the areas of logistics infrastructure and credit based on its existing logistics network, and its extensive industry knowledge and experience in finance and management to assist the Company in continuously enhancing its efficiency, exploring business opportunities, optimising the decision-making process and incentive mechanism and improving corporate governance practices, and continue to be committed to identifying and exploring suitable investment opportunities in the logistics industry. The Company will continue to actively pursue opportunities to bring the best returns to the Shareholders and pave the way for its business growth.

Looking forward, the management believes that the business and operating environment for the Group is full of challenges and volatility. In order to improve the performance of the Group and deliver the best returns to the Shareholders, the Group will continue to look for investment opportunities which could strengthen profitability with acceptable risk of the portfolio of the Group by continuing to diversify its investments in different segments such as logistics, information technology, advanced manufacturing, medical, new energy, energy saving and environment protection.

Under the continuous and uncertain impacts brought by the COVID-19 on the performance of economic development and investment projects, the management will continue to enhance communication and pay close attention to the impact of COVID-19 on the industry, and actively assist the invested companies to resume normal operations by various means. The management will also continue to closely monitor the market situation and enhance its operation in all areas, to raise levels of financial discipline and improve profitability of the Group.

Report of the Directors

The Board presents this report to the Shareholders together with the audited consolidated financial statements of the Group for the Year.

PRINCIPAL ACTIVITIES

The Company is an investment company incorporated in the Cayman Islands. Its investment objective is to achieve medium-term to long-term capital appreciation of its assets primarily through investments in money market securities, equity and debt related securities in listed and/or unlisted companies or entities on a global basis. The activities of the subsidiaries are set out in Note 26 to the consolidated financial statements of this report.

SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

Particulars of the Group's principal subsidiaries and associate as at 31 December 2020 are set out in Notes 26 and 14, respectively, to the consolidated financial statements of this report.

RESULTS

The results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income as set out on page 65 of this report.

BUSINESS REVIEW

The business review of the Group for the Year is set out in the section headed "Management Discussion and Analysis" on page 6 of this report under the heading "Overall Performance" and the paragraphs below.

For the Year, the Group recorded a profit for the year attributable to equity holders of the Company of approximately HK\$53.16 million (2019: HK\$176.05 million) which is primarily attributable to the realised gain on disposal of financial asset at fair value through profit or loss and the gain on disposal of an associate during the Year. The finance income during the Year was approximately HK\$0.12 million (2019: HK\$0.07 million). Though the net valuation losses on fair value of financial assets at fair value through profit or loss amounted to approximately HK\$162.45 million (2019: net valuation gains on fair value of financial assets at fair value through profit or loss of HK\$214.61 million), the realised gain on disposal of financial asset at fair value through profit or loss amounted to approximately HK\$211.60 million (2019: Nil) and the gain on disposal of an associate amounted to approximately HK\$35.46 million (2019: Nil) was recorded in the Year. The general and administrative expenses of the Group for the Year were approximately HK\$18.95 million (2019: HK\$18.26 million). The increase was mainly resulted from the increase in employee benefits expenses and bank charges incurred during the Year. The finance expenses during the Year were approximately HK\$13.88 million (2019: HK\$21.44 million). The Group's net asset value increased to approximately HK\$1,845.95 million (2019: HK\$1,798.48 million). Earnings per share for the Year was amounted to approximately HK\$1.83 cents (2019: HK\$6.07 cents).

Financial key performance indicators (Notes)

	2020 HK\$	2019 HK\$	Change percentage
Net valuation (losses)/gains on fair value of financial assets at fair value through profit or loss	(162,453,884)	214,611,977	(176%)
Realised gain on disposal of financial asset at fair value through profit or loss	211,602,275	–	100%
Gain on disposal of an associate	35,464,033	–	100%
General and administrative expenses	(18,953,852)	(18,255,183)	4%
Finance costs, net	(13,762,287)	(21,369,603)	(36%)
Profit before income tax	55,599,355	176,101,120	(68%)
Earnings per share	0.018	0.061	(70%)
Cash and cash equivalents	192,585,995	20,136,301	856%
Net asset value per share	0.64	0.62	3%
Current ratio	0.72	0.30	140%

Note 1: Reason for choosing the financial key performance indicators and relationship with the Group's objective

The Company is an investment company incorporated in the Cayman Islands. Its investment objective is to achieve medium-term to long-term capital appreciation of its assets primarily through investments in money market securities and equity and debt related securities in listed and/or unlisted companies or entities on a global basis. Management of the Company closely monitors the financial key performance indicators on a regular basis.

Note 2: Trend represented by each financial key performance indicators

Please refer to the "Management Discussion and Analysis" for the trend analysis.

Note 3: Difference between the financial key performance indicators and financial statements

No difference is noted between the financial key performance indicators and the financial statements.

Key risks factors

The key risks factors of the Group are set out in the heading "Management Discussion and Analysis" on page 14 under a section headed "Exchange Exposure" and Note 3.1(i) to the consolidated financial statements in this report respectively. Besides, the following sections list out the key risks and uncertainties which the Group faces. It is a non-exhaustive list and there may be other risks and uncertainties in addition to the key risks factors outlined below. Besides, this report does not constitute a recommendation or advice for anyone to invest in the securities of the Company and investors are advised to make their own judgment or consult their own investment advisors before making any investment in the securities of the Company.

Currency risk

The Group is exposed to a variety of financial risks through its use of financial instruments in its ordinary course of operation and its investment activities. The Group will continue to closely monitor the financial risks by alleviating the currency risk through denominating its investments mainly in US\$. Since US\$ is pegged to the HK\$, the currency risk of the Group is not significant. Besides, the cash and bank deposit of the Group are deposited with authorised banks located in Hong Kong with high credit rating, therefore the related credit risk is minimal and no related significant impact is noted on the business operation of the Group.

Report of the Directors

Financing risk

The unfavorable global market conditions may adversely affect the ability of the Group to acquire financing, and any decline in the liquidity of the global capital markets may adversely affect the markets in Hong Kong and limit our ability to obtain funds. However, the Group strived to enhance its liquidity risk management through carefully monitoring the cash flows and financing strategies and no related significant impact is noted on the business operation of the Group.

Future development and important events after the end of the financial year

Looking ahead, the business environment remains very challenging as the downward pressure on economy of the PRC and the global financial and economic conditions are expected to remain unstable. Nevertheless, the Group will cautiously review and adjust the business strategies from time to time, and seek the best returns to maximise value of the Shareholders. The Group believes that the logistic industry will continue to grow and create a higher return.

Environmental policies and performance

The Group is committed to the long term sustainability of the environment and communities in which it operates. As an investment company, we pride ourselves as an environmental-friendly corporation. We are aware that, minimising the consumption of resources and adoption of best environmental practices in the business process of the Group to the extent practicable is our underlying commitment to preserving and improving the environment. Acting in an environmentally responsible manner, the Group endeavours to comply with laws and regulations regarding environmental protection and adopts effective measures to achieve the efficient use of resources, energy saving and waste reduction. Our green initiatives include recycling of used papers, energy saving and water saving. The Board is pleased to present you the environmental, social and governance report (the “**ESG Report**”) set out on pages 43 to 59 of this report which depicts the performance on the sustainability of the Group.

Relationship with suppliers, customers, employees and other stakeholders

The Group understands the importance of maintaining a good relationship with its suppliers, customers, employees and other stakeholders to meet the Group’s immediate and long-term goals. Although there are no major customers and suppliers during the Year, as disclosed in the section headed “Major Customers and Suppliers” on page 27 of this report, the Company creates a framework for motivating staff and a formal communication channel in order to maintain healthy relationships with its employees and other stakeholders.

Compliance with the relevant laws and regulations

In relation to human resources, the Group is committed to complying with the requirements of the ordinances relating to disability, gender, family status and racial discrimination, as well as the Employment Ordinance, the Minimum Wage Ordinance and ordinances relating to occupational safety of employees of the Group, so as to safeguard the interests and well-being of its employees. On the corporate level, the Group complies with the requirements under the Companies Law (Revised) under the laws of Cayman Islands, the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”), the Companies Ordinance (Chapter 622) and the Securities and Futures Ordinance (the “**SFO**”) under the laws of Hong Kong for, among other things, the disclosure of information and corporate governance, and the Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in the Appendix 10 to the Listing Rules. The Company uses the restricted word “Bank” as its company name under the approvals granted by Cayman Islands Monetary Authority (“**CIMA**”) and Hong Kong Monetary Authority (“**HKMA**”) in 2012. The Company complies with certain requirements and conditions under the approvals granted by CIMA and HKMA pursuant to the Banks and Trust Companies Law (2009 Revision) under the laws of Cayman Islands and Banking Ordinance under the laws of Hong Kong respectively.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is given on page 110 of this report.

DIVIDEND

The Directors do not recommend the payment of any dividend for the Year (2019: Nil).

ANNUAL GENERAL MEETING

The forthcoming annual general meeting (the “**AGM**”) will be held on Wednesday, 23 June 2021. For further details of the AGM, please refer to page 39 of this report or the notice of AGM to be despatched in due course.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the identity of the Shareholders who are entitled to attend and vote at the forthcoming AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar and transfer office, Tricor Standard Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, not later than 4:30 p.m. on Thursday, 17 June 2021. The register of members of the Company will be closed from Friday, 18 June 2021 to Wednesday, 23 June 2021 (both dates inclusive), during which period no share transfers will be registered. Shareholders whose names appear on the register of members of the Company on Wednesday, 23 June 2021 are entitled to attend and vote at the AGM.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment are set out in Note 13 to the financial statements.

SHARE CAPITAL

Details of the Company’s issued share capital during the Year are set out in Note 21 to the financial statements. Please also refer to the section headed “Management Discussion and Analysis” on page 6 of this report under the heading “Liquidity, Financial Resources and Capital Structure”.

SHARES ISSUED

The Company has not issued any share during the Year.

Report of the Directors

DEBENTURES ISSUED

The Company has not issued any debenture during the Year.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into the Group or existed during the Year.

RESERVES

Movements in the reserves of the Group and of the Company during the Year are set out in the consolidated statement of changes in equity in page 67 to the financial statements of this report.

DISTRIBUTABLE RESERVE

As at 31 December 2020, the aggregate amount of reserve available for distribution to equity shareholders of the Company was HK\$1,715,530,271 (2019: HK\$1,536,746,656).

DIRECTORS

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

Executive Director

Mr BAI Zhe (Chairman)

Independent Non-executive Directors

Mr WANG Xiangfei (Note 1)

Mr SIN Yui Man

Mr FAN Ren Da, Anthony

Mr CHEUNG Ngai Lam (Note 2)

Mr SIN Yui Man and Mr FAN Ren Da, Anthony will retire by rotation from the Board in accordance with Article 88 of the articles of association of the Company (the “**Articles**”) at the AGM. Further, Mr CHEUNG Ngai Lam, the newly appointed by the Board as the Director on 28 January 2021 will also retire from office in accordance with Article 87(3) of the Articles and, being eligible, will offer himself for re-election as Director of the Company at the AGM. Mr SIN Yui Man, FAN Ren Da, Anthony and CHEUNG Ngai Lam, all being eligible, offer themselves for re-election.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Company are set out on pages 29 to 30 of this report.

Notes:

1. Resigned on 28 January 2021
2. Appointed on 28 January 2021

DIRECTORS' SERVICE CONTRACT

There is no service contract, which is not determinable by the Company within one year without payment of compensation (other than statutory compensation), in respect of any Director proposed for re-election at the AGM.

EMOLUMENTS OF DIRECTORS

Please refer to Note 8 of the consolidated financial statements of this report for details of the emoluments of the Directors. The emoluments payable to the Directors are determined with reference to responsibilities, years of service and performance of each individual, the results of the Group and the prevailing market rate.

PERMITTED INDEMNITY PROVISION

Articles provide that every Director is entitled to be indemnified out of the assets and profits of the Company against all losses or liabilities which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto. The Company and its listed subsidiaries have taken out and maintained directors' liability insurance throughout the Year, which provides appropriate cover for the Directors and directors of the subsidiaries of the Company. Such provisions were in force during the course of the Year and remained in force as of the date of this report.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2020, none of the Directors or the chief executive of the Company or their respective associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required pursuant to Section 352 of the SFO, to be entered in the register required to be kept therein, or which were required, pursuant to Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

So far as is known to any Directors or chief executive of the Company, as at 31 December 2020, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which were recorded in the register required to be kept the Company under section 336 of the SFO:

Long positions in the shares and underlying shares of the Company

Name of Shareholder	Nature of Interests	Number of issued shares of the Company held	Approximate percentage of the existing issued share capital of the Company
CDB ^(Note 1) China Development Bank Capital Corporation Ltd. (國開金融有限責任公司) ("CDBC") ^(Note 1)	Corporate Interest	1,920,000,000	66.16%
CDBIH ^(Note 1)	Corporate Interest	1,920,000,000	66.16%
Mr LIU Tong ^(Note 2)	Corporate Interest	163,702,560	5.64%
Yoobright Investments Limited ("Yoobright") ^(Note 2)	Corporate Interest	163,702,560	5.64%

Notes:

1. CDBIH a wholly-owned subsidiary of CDBC. CDBC is a wholly-owned subsidiary of CDB. Thus, CDB and CDBC are deemed to be interested in the same percentage of shares held by CDBIH.
2. Yoobright is beneficially and wholly owned by Mr LIU Tong. Mr LIU Tong is therefore deemed to be interested in the same percentage of shares held by Yoobright.

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

PRE-EMPTIVE RIGHTS

There are no pre-emptive rights provisions in the Articles nor are there any pre-emptive rights provisions generally applicable under the law of the Cayman Islands.

TAXATION OF HOLDERS OF SHARES

(a) Hong Kong

Dealings in shares registered on the Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. The duty is charged at the current rate of 0.2% of the consideration or, if higher, the fair value of the shares being sold or transferred (the buyer and seller each paying half of such stamp duty). In addition, a fixed duty of HK\$5 is currently payable on any instrument of transfer of shares. Profits from dealings in the shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) Cayman Islands

Under present Cayman Islands law, transfer or other dispositions of shares are exempted from Cayman Islands stamp duty.

(c) Professional tax advice recommended

Shareholders and intending holders of shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in shares.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Year, Mr BAI Zhe held certain positions in CDB group, which engaged in the same businesses of investment in Hong Kong and overseas as the Company. The potential conflicts of interest may arise in the allocation of investment opportunities to the Company and the other entities under CDB group.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

None of the Directors or their connected entities is materially interested either directly or indirectly in any transaction, arrangement or contract entered into with any member of the Group which contract or arrangement is subsisting at any time during the Year or as at 31 December 2020 which is significant to the business of the Group taken as a whole.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

The Company had conducted review of their related party transactions as set out in Note 23 to the consolidated financial statements in this report and are satisfied that related party transactions which constitute connected transactions or continuing connected transactions were properly disclosed in accordance with the Listing Rules.

Investment Management Agreement

With the previous investment management agreement expired on 31 August 2020, on 25 August 2020, the Company renewed the investment management agreement (the “**Investment Management Agreement**”) with HuaAn Asset Management (Hong Kong) Limited (“**HuaAn**”), pursuant to which HuaAn has agreed to act as the investment manager of the Company and to provide investment management services to the Company for a period of three years commencing from 1 September 2020 and expiring on 31 August 2023, for a management fee payable of HK\$350,000 per annum. During the Year, the Company incurred a fee of HK\$350,000 to HuaAn. HuaAn is a connected person of the Company pursuant to Rule 14A.08 of the Listing Rules and the transactions contemplated under the Investment Management Agreement (together with the annual caps) constitute continuing connected transactions. Management fee payable by the Company is HK\$350,000 per annum, and the highest applicable percentage ratio on an annual basis exceeded 0.1% but was less than 5% on 25 August 2020. The transaction contemplated under the Investment Management Agreement thus constitutes a continuing connected transaction pursuant to Chapter 14A of the Listing Rules and are therefore subject to the reporting, announcement, annual review requirements but are exempt from the independent Shareholders’ approval requirements pursuant to Rule 14A.76 of the Listing Rules. HuaAn was a company incorporated on 10 June 2010 in Hong Kong with limited liability and is a corporation licensed to carry out Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO.

In accordance with Rule 14A.56 of the Listing Rules, the auditor of the Company has performed certain agreed upon procedures in respect of the continuing connected transactions and reported that the transactions entered into:

- (a) were approved by the Board of the Company;
- (b) were, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group;
- (c) were entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and
- (d) have not exceeded the relevant annual caps.

In accordance with Rule 14A.55 of the Listing Rules, the independent non-executive Directors of the Company have reviewed and approved the continuing connected transactions and confirmed that the continuing connected transactions were carried out in accordance with the following principles:

- (a) in the ordinary and usual course of business of the Group;
- (b) on normal commercial terms or better; and
- (c) according to the agreement governing them on terms that are fair and reasonable and in the interests of the Company's Shareholders as a whole.

Loan Agreement

On 11 November 2016, the Loan Agreement was entered into between CDBIH as lender and the Company as borrower, pursuant to which CDBIH will provide a term loan to the Company in an amount of up to US\$100,000,000, at an interest rate of 1.65% per annum over US\$ 3-month LIBOR. The loan will be repayable on the date falling twelve months after the date of first drawdown, which may be automatically extended for another twelve months unless notified by either CDBIH or the Company not to extend repayment. The Company has not utilised the loan during the Year. On 11 November 2016, CDBIH held approximately 66.16% of the issued share capital of the Company and is the controlling shareholder. Accordingly, CDBIH is a connected person of the Company, and entering into the Loan Agreement between the Company and CDBIH constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Since the Board considers that as (i) the Loan Agreement has been entered into after arm's length negotiations between the Company and CDBIH and determined on normal commercial terms or better, and (ii) the loan is not secured by any asset of the Group, the loan is fully exempted from the Shareholders' approval, annual review and all disclosure requirements under Rule 14A.90 of the Listing Rules. Save as disclosed above, during the Year, the Group did not enter into any connected transactions or continuing connected transactions which require the compliance with the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. A summary of significant related party transactions that did not constitute connected transactions made during the Year was disclosed in Note 23 to the financial statements of this report.

SHARE OPTION SCHEME

The share option scheme adopted by the Company on 7 February 2005 (the "**Share Option Scheme**") has been expired. No option had been granted by the Company since the adoption of the Share Option Scheme. There are no options outstanding as at 31 December 2020. None of the Directors or chief executive of the Company, or their respective associates had any right to subscribe for the securities of the Company or its associated corporations, or had exercised any such right during the Year.

ARRANGEMENTS TO PURCHASE SHARES BY DIRECTORS

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 debenture of the Company or any other body corporate.

CORPORATE GOVERNANCE

The Company's corporate governance practices are set out in the Corporate Governance Report on pages 31 to 39 in this report.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

INVESTMENTS

Details of the Group's investments as at 31 December 2020 are set out on pages 8 to 14 in this report.

BANK LOAN, OVERDRAFTS AND OTHER BORROWINGS

On 3 April 2017, the Company had entered into a Facility Agreement with CMBC HK as the lender and the Company as the borrower, pursuant to which CMBC HK will provide a Loan to the Company in the amount of up to US\$100.00 million. As at 31 December 2019 and 31 December 2018, the Group had drawn down US\$70.00 million (equivalent to approximately HK\$546.00 million) under the Facility Agreement. CMBC HK is a licensed financial institution under the laws of Hong Kong and a wholly-owned subsidiary of China Minsheng Banking Corp., Ltd. (listed on the Shanghai Stock Exchange, stock code: 600016, and listed on the Stock Exchange, stock code: 01988). CMBC HK is a third party independent of and not connected with the Company and its connected persons.

On 6 January 2020, a new facility agreement was entered into among China Construction Bank (Asia) Corporation Limited ("**CCB Asia**") as the lender, the Company as the borrower, and CDBIH as the guarantor, pursuant to which CDBIH will be the guarantor of the Company for an uncommitted term loan facility in the amount of up to US\$50,000,000 and an uncommitted revolving loan facility in the amount of up to US\$100,000,000 both granted by CCB Asia. CCB Asia is a licensed financial institution under the laws of Hong Kong and a wholly-owned subsidiary of China Construction Bank Corporation ("**China Construction Bank**") (listed on the Shanghai Stock Exchange, stock code: 601939 and listed on the Stock Exchange of Hong Kong Limited stock code: 939). CCB Asia is a third party independent of and not connected with the Company and its connected persons, despite that Central Huijin Investment Ltd., which owns directly and indirectly 57.31% interest in China Construction Bank, the controlling company of CCB Asia, also owns 34.68% interest in China Development Bank, the controlling shareholder of CDBC at the date of the Facility Agreement was entered into.

INTEREST CAPITALISED

There is no interest capitalised by the Group during the Year.

DONATIONS

There is no charitable and other donations made by the Group during the Year (2019: Nil).

MAJOR CUSTOMERS AND SUPPLIERS

As the Group is engaged in investment holding for medium to long-term capital appreciation purposes, and investment in listed and unlisted securities, there are no major customers and suppliers during the Year.

REVIEW OF THE ANNUAL RESULTS BY THE AUDIT COMMITTEE

As at 31 December 2020, all members of the Audit Committee are independent non-executive Directors. The Audit Committee acts in an advisory capacity and makes recommendations to the Board. The Group's 2020 annual results were reviewed and recommended to the Board for approval by the Audit Committee.

INDEPENDENT NON-EXECUTIVE DIRECTORS' INDEPENDENCE

The Company has received, from each of the independent non-executive Directors, an annual confirmation or a confirmation letter of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at the Latest Practicable Date prior to the issue of this report. The Company has maintained sufficient public float as required under the Listing Rule during the Year.

Report of the Directors

SUBSEQUENT EVENT

The Directors are not aware of any significant event requiring disclosure that had taken place subsequent to 31 December 2020 and up to the date of this report.

AUDITOR

The consolidated financial statements for the Year have been audited by PricewaterhouseCoopers who will retire and, being eligible, offer themselves for re-appointment.

By Order of the Board

China Development Bank International Investment Limited

BAI Zhe

Chairman

Hong Kong, 30 March 2021

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTOR

Mr BAI Zhe (*Chairman*)

Mr BAI Zhe, aged 44, has been appointed as an executive Director of the Company since 20 January 2014. He is also the chairman of the Board and the chairman of the nomination committee of the Company. He currently is the non-independent director of Jinko Power. Mr BAI joined the Company in July 2012 as the managing director of the Company. He served as the chief operating officer and deputy chief executive officer of CDBIH from January 2013 to May 2014 and from May 2014 to January 2021 respectively. Prior to that, Mr BAI served as the deputy division head of Direct Investment Division IV and the division head of International Business Division of CDBC from 2011 to 2014. From 1998 to 2011, Mr BAI had been working at, in chronological order, Tianjin Branch, a working mission of South America, Hong Kong Branch and International Finance Department of CDB. Mr BAI obtained a Bachelor's degree in Law from Xiamen University in 1998 and a Doctor's degree in Economics from Beijing Jiaotong University in 2017. Mr BAI has extensive experience in general corporate management, international banking, finance and investment management.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr WANG Xiangfei

Mr WANG Xiangfei, aged 69, has been appointed as an independent non-executive Director of the Company since 21 March 2012. He is also the chairman of the audit committee, a member of the remuneration committee and a member of nomination committee of the Company. Mr WANG is the vice chief financial officer of Sonangol Sinopec International Limited and the financial advisor of China Sonangol International Holding Limited. He is also an executive director of Nan Nan Resources Enterprise Limited (listed on the Stock Exchange, stock code:1229). Besides, Mr WANG is an independent non-executive director of Tianjin Capital Environmental Protection Group Company Limited (listed on Shanghai Stock Exchange and the Stock Exchange, A shares stock code: 600874; H shares stock code: 1065) ("**Tianjin Capital**"). He was also an independent non-executive director of Tianjin Capital for the period from April 2002 to April 2008. Mr WANG has worked in senior management teams of a couple of companies engaging in banking and other financial services. Mr WANG is a senior accountant, graduated from Renmin University of China, majoring in finance and received a bachelor degree in economics. Mr WANG had worked in the Faculty of the Finance Department of Renmin University of China. In the last six years, Mr WANG was an external supervisor of Shenzhen Rural Commercial Bank and an independent non-executive director of China CITIC Bank Corporation Limited (listed on Shanghai Stock Exchange and the Stock Exchange, A shares stock code: 601998; H shares stock code: 998), Shandong Chenming Paper Holdings Limited (listed on Shanghai Stock Exchange, Shenzhen Stock Exchange and the Stock Exchange, A shares stock code: 000488; B shares stock code: 200488; H shares stock code: 1812) and SEEC Media Group Limited (listed on the Stock Exchange, stock code: 205) for three years. Mr. Wang Xiangfei has resigned as an independent non-executive Director of the Company, the chairman of audit committee and a member of remuneration committee and nomination committee of the Board, with effect on 28 January 2021.

Biographical Details of Directors and Senior Management

Mr SIN Yui Man

Mr SIN Yui Man, aged 63, has been appointed as an independent non-executive Director of the Company since 1 September 2014. He is also the chairman of the remuneration committee and a member of the audit committee of the Company. Mr SIN has over 30 years of experience in treasury and corporate banking. Prior to joining the Company, Mr SIN served in Ping An Bank Co., Ltd., (listed on the Shenzhen Stock Exchange, stock code: 000001), Hong Kong Representative Office as the Chief Representative; Agricultural Bank of China Limited (listed on the Stock Exchange, stock code: 1288) as Alternate Chief Executive in its Hong Kong Branch; as well as in senior management positions at Standard Chartered Bank and Société Générale S.A. (SocGen) in Hong Kong. In 2011, Mr SIN was elected as a member of the Chief Executive Election Committee in Hong Kong. He is currently serving as a member in the Committee on Shopping-Related Practices of the Travel Industry Council of Hong Kong. Mr SIN is a graduate of the Social Sciences Faculty of the University of Hong Kong, and possesses a post-graduate degree in Master of Business Administration from INSEAD.

Mr FAN Ren Da, Anthony

Mr FAN Ren Da, Anthony, aged 60, has been appointed as an independent non-executive Director of the Company since 21 March 2012. He is also a member of the audit committee, a member of the remuneration committee and a member of the nomination committee of the Company. Mr FAN holds a Master's Degree in Business Administration from the United States of America. He is the chairman and managing director of AsiaLink Capital Limited. Mr FAN is also the independent non-executive director of Technovator International Limited (listed on the Stock Exchange, stock code: 1206), Raymond Industrial Limited (listed on the Stock Exchange, stock code: 229), Shanghai Industrial Urban Development Group Limited (listed on the Stock Exchange, stock code: 563), China Dili Group (listed on the Stock Exchange, stock code: 1387), Tenfu (Cayman) Holdings Company Limited (listed on the Stock Exchange, stock code: 6868), CITIC Resources Holdings Limited (listed on the Stock Exchange, stock code: 1205), Uni-President China Holdings Ltd. (listed on the Stock Exchange, stock code: 220), Hong Kong Resources Holdings Company Limited (listed on the Stock Exchange, stock code: 2882), Neo-Neon Holdings Limited (listed on the Stock Exchange, stock code: 1868) and Semiconductor Manufacturing International Corporation (listed on the Stock Exchange, stock code: 981).

Mr. CHEUNG Ngai Lam

Mr. CHEUNG Ngai Lam, aged 51, is a member of the American Institute of Certified Public Accountants and is a Certified Practising Accountant of Australia. Mr. CHEUNG currently serves as an independent non-executive director of Guoan International Limited (listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), stock code: 143), New Provenance Everlasting Holdings Limited (listed on the Stock Exchange, stock code: 2326) and Boyaa Interactive International Limited (listed on the Stock Exchange, stock code: 434), and the chief financial officer of China Zenix Auto International Limited (OTC: ZXAIY). Mr. CHEUNG served as an independent non-executive director of Asia Television Holding Limited (listed on the Stock Exchange, stock code: 707) from 2016 to 2019, and an independent non-executive director of China Huishan Dairy Holdings Company Limited 2 (listed on the Stock Exchange and delisted in 2019, stock code prior to the delisting: 6863) in 2017. Mr. CHEUNG obtained a bachelor's degree in social science from the University of Hong Kong in 1991, a master's degree in accounting from the Curtin University of Technology (currently known as Curtin University) in 1997 and a master degree in science (Investment Management) from the Hong Kong University of Science and Technology in 2002. Mr. CHEUNG has been appointed as an independent non-executive Director of the Company, the chairman of audit committee and a member of remuneration committee and nomination committee of the Board, with effect from 28 January 2021.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

Throughout the Year, the Directors believe that the Company has complied with all the code provisions of the Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules for the Year.

The Board will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision-making processes are regulated in a proper and prudent manner.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct regarding Directors’ securities transactions. Having made specific enquiries by the Company, the Directors have confirmed that they have complied with the required standards as set out in the Model Code during the Year.

BOARD OF DIRECTORS

As at the date of this report, the Board comprised four Directors, including one executive Director, namely Mr BAI Zhe and three independent non-executive Directors, namely Mr SIN Yui Man, Mr FAN Ren Da, Anthony and Mr CHEUNG Ngai Lam. Each Director possesses expertise and experience and provides checks and balances for safeguarding the interests of the Group and the Shareholders as a whole. Mr CHEUNG Ngai Lam, one of the three independent non-executive Directors, possesses appropriate professional accounting qualifications and financial management expertise. The independent non-executive Directors, as equal Board members, gave the Board and the Board committees on which they serve the benefit of their skills, expertise and various backgrounds and qualifications through regular attendance and active participation. The independent non-executive Directors had attended the general meetings of the Company and developed a fair understanding of the views of Shareholders. The biographical details of the current Directors are set out on pages 29 to 30 of this report.

Diversity policy

The Company has adopted a Board diversity policy (the “**Diversity Policy**”) which became effective in August 2013. This Diversity Policy aims to set out the approach to achieve diversity on the Board of Directors. All Board appointments are based on merits, and have paid due regard for the benefits of diversity on the Board in selecting candidates. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates may bring to the Board. The Board’s composition (including gender, ethnicity, age and length of service) will be disclosed in the Corporate Governance Report annually.

As at the date of this annual report, the Board comprises four Directors. Three of them are independent non-executive Directors, thereby promoting critical review and control of the management process. In terms of the factors mentioned above, especially, professional experience, skills and knowledge, the Board is characterised by significant diversity.

Responsibilities of Directors

The Board is responsible for formulating the overall strategic development, reviewing and monitoring the business performance of the Group, approving investment proposals as well as approving the financial statements of the Group. The independent non-executive Directors, with a wide range of expertise and a balance of skills, bring independent judgment on issues of strategic direction, development, performance and risk management through their contribution at Board meetings. The independent non-executive Directors also serve the important function of ensuring and monitoring the basis for an effective corporate governance framework. The Company has received annual confirmation from each independent non-executive Director that they have met all the independence requirements set out in Rule 3.13 of the Listing Rules, the Board considers these independent non-executive Directors to be independent. Every newly appointed director of the Company should receive a comprehensive, formal and tailored induction covering the summary of the responsibilities and liabilities of a director of a Hong Kong listed Company on appointment. Subsequently, all Directors should have access to the professional development opportunities necessary to ensure that they have a proper understanding of the Company's operations and business and is fully aware of his responsibilities under statute and common law, the Listing Rules, legal and other regulatory requirements and the Company's business and governance policies. Besides, the Company had arranged a professional training to the Directors to develop and refresh their knowledge and skills relevant to the directors' duties during the Year. Mr BAI Zhe, Mr WANG Xiangfei, Mr SIN Yui Man and Mr FAN Ren Da, Anthony participated in a training provided by the legal adviser to the Company, Freshfields Bruckhaus Deringer. During the Year, the Company had arranged the directors and officers liability insurance cover in respect of legal action against the Directors.

Board composition

During the Year, the names of the Directors had been disclosed in all corporate communications of the Company with the independent non-executive Directors identified. Besides, the Company had maintained on the websites of the Company and the Stock Exchange an updated list of the Directors identifying their roles and functions and whether they are independent non-executive Directors. The Board had determined regularly the disclosure in relation to each Director for any change, the number and nature of offices held in public companies or organisations and other significant commitments.

The Board

The Board meets regularly throughout the Year to review the overall strategy and to monitor the operation of the Group. The Company holds four regular Board meetings for a year at approximately quarterly intervals. Notice of at least 14 days for each of the regular meetings is given to the Directors. The Directors can include matters for discussion in the agenda if necessary. Agenda and accompanying Board papers in respect of regular Board meetings are sent out in full to all Directors at least 3 days before the meetings. Draft and final versions of minutes of all Board meetings are circulated to Directors for comment and records respectively within a reasonable time after the Board meeting is held. Minutes of Board meetings and meetings of Board committees are kept by duly appointed secretaries of the respective meetings and all Directors have access to board papers and related materials, and are provided with adequate information on a timely manner, which enable the Board to make an informed decision on matters placed before it. During the Year, five board meetings (of which four were regular quarterly meetings) were held and the individual attendance of each director during his tenure is set out below:

Name of Director	Number of entitled board meetings attended	Attendance rate
Executive Director		
Mr BAI Zhe	5	100%
Independent Non-executive Directors		
Mr WANG Xiangfei <i>(note 1)</i>	5	100%
Mr SIN Yui Man	5	100%
Mr FAN Ren Da, Anthony	5	100%
Mr CHEUNG Ngai Lam <i>(note 2)</i>	–	–

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under the Code Provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. During the Year, Mr BAI Zhe was the chairman of the Company. The roles of the chairman and chief executive officer are segregated with a clear division of responsibilities and are not exercised by the same individual. The chairman of the Board, Mr BAI Zhe, is an executive Director who is responsible for the leadership and effective running of the Board. During the Year, the chairman of the Board, Mr BAI Zhe, had ensured that all Directors are properly briefed on issues arising at Board meeting. He was responsible for ensuring that all Directors receive, in a timely manner, adequate information regarding the operation and governance of the Company which must be accurate, clear, complete and reliable. The Board has been making its best endeavours to identify an appropriate person for appointment as an executive director and the chief executive officer of the Company to maintain its good corporate governance practice and will continue to do so.

RE-ELECTION OF DIRECTORS

Each of the executive Directors of the Company has entered into a service contract with the Company for a term of three years. However, such term is subject to his re-appointment by the Company at the Shareholders' general meeting upon retirement by rotation pursuant to the Articles. In accordance with the relevant provisions in the Articles, the appointment of Directors is considered by the Board and they must stand for election by Shareholders at the relevant annual general meeting.

NON-EXECUTIVE DIRECTORS

The non-executive Director (if any) and independent non-executive Directors of the Company are appointed for a specific term but are subject to retirement by rotation and re-election at the Shareholders' annual general meetings in accordance with the provisions of the Articles.

Note:

1. Resigned on 28 January 2021
2. Appointed on 28 January 2021

AUDIT COMMITTEE

As at 31 December 2020, the Audit Committee comprised three members, namely, Mr WANG Xiangfei, Mr SIN Yui Man and Mr FAN Ren Da, Anthony. During the Year, all members of the Audit Committee were independent non-executive Directors. The chairman of the Audit Committee is Mr WANG Xiangfei, an independent non-executive Director of the Company. The Board considers that each Audit Committee member has broad commercial experience and there is a suitable mix of expertise in business, accounting and financial management on the Audit Committee. The composition and members of the Audit Committee complies with the requirements under Rule 3.21 of the Listing Rules. The members of the Audit Committee meet regularly to review the financial report and other information submitted and reported to the Shareholders, the system of internal control, and the effectiveness and objectivity of risk management and audit process. The Audit Committee acts in an advisory capacity and makes recommendations to the Board. The terms of reference of the Audit Committee which explained the role and the authority delegated to the Audit Committee by the Board were revised in 2018 is available on the websites of the Company and the Stock Exchange. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the financial statements for the Year. Audit Committee had considered the matters in connection with the resignation and appointment of the independent auditors and agreed with the conclusions in arriving at the resignation and appointment of the independent auditors.

During the Year, two Audit Committee meetings were held and the individual attendance of each member during his tenure is set out below:

Name of Director	Number of Audit Committee meetings attended	Attendance rate
Mr WANG Xiangfei <i>(Note 1)</i>	2	100%
Mr SIN Yui Man	2	100%
Mr FAN Ren Da, Anthony	2	100%
Mr CHEUNG Ngai Lam <i>(Note 2)</i>	–	–

REMUNERATION COMMITTEE

As at 31 December 2020, the Remuneration Committee of the Company (the “**Remuneration Committee**”) comprised three members, namely Mr WANG Xiangfei, Mr SIN Yui Man and Mr FAN Ren Da, Anthony. During the Year, all members of the Remuneration Committee were independent non-executive Directors. The chairman of the Remuneration Committee is Mr SIN Yui Man, an independent non-executive Director of the Company. The Remuneration Committee advises the Board on the Group’s overall policy and structure for the remuneration of Directors and senior management. The terms of reference of the Remuneration Committee which explained the role and the authority delegated to the Remuneration Committee by the Board were revised in 2018 and is available on the websites of the Company and the Stock Exchange. In determining the emolument payable to Directors, the Remuneration Committee takes into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors and employment conditions of the Group. During the Year, the Remuneration Committee had made recommendations to the Board on the Group’s overall remuneration policy, the remuneration packages of individual executive Directors and senior management. During the Year, two Remuneration Committee meetings were held and the individual attendance of each member during his tenure is set out below:

Note:

1. Resigned on 28 January 2021
2. Appointed on 28 January 2021

Name of Director	Number of Remuneration Committee meetings attended	Attendance rate
Mr SIN Yui Man	2	100%
Mr WANG Xiangfei <i>(Note 1)</i>	2	100%
Mr FAN Ren Da, Anthony	2	100%
Mr CHEUNG Ngai Lam <i>(Note 2)</i>	–	–

NOMINATION COMMITTEE

As at 31 December 2020, the nomination committee of the Company (the “**Nomination Committee**”) comprised three members, namely Mr BAI Zhe, Mr WANG Xiangfei and Mr FAN Ren Da, Anthony. During the Year, the majority members of the Nomination Committee were independent non-executive Directors. The chairman of the Board, Mr BAI Zhe is also the chairman of the Nomination Committee. The Nomination Committee reviews the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and to make recommendations on any proposed changes to the Board to complement the Company’s corporate strategy. The Nomination Committee also performs the duties to (a) identify individuals suitably qualified to become Board members and to select or to make recommendations to the Board on the selection of individuals nominated for directorship; (b) to assess the independence of independent non-executive directors; (c) to make recommendations to the Board concerning the appointment or reappointment of directors and succession planning for directors, in particular the chairman of the Board and the chief executive officer; and (d) to perform any other duties prescribed by law, regulation and rules, as amended from time to time, which set forth obligations for the Company to comply with.

During the process of selection, the Nomination Committee typically takes factors including but not limited to cultural and educational background, professional experience, knowledge, especially the capacity of individuals into consideration, pursuant to the Diversify Policy of the Company. The terms of reference of the Nomination Committee which explained the role and the authority delegated to the Nomination Committee by the Board were revised in 2018 and is available on the websites of the Company and the Stock Exchange. During the Year, the Nomination Committee had reviewed the progress of implementation of Diversity Policy and the structure, size and composition of the Board including the Directors’ skills, knowledge and experience and had made recommendations to the Board on the appointment of the individuals as the Director and chief executive of the Company.

During the Year, two Nomination Committee meetings were held and the individual attendance of each member during his tenure is set out below:

Name of Director	Number of Nomination Committee meeting attended	Attendance rate
Mr BAI Zhe	2	100%
Mr WANG Xiangfei <i>(Note 1)</i>	2	100%
Mr FAN Ren Da, Anthony	2	100%
Mr CHEUNG Ngai Lam <i>(Note 2)</i>	–	–

AMENDMENTS TO THE ARTICLES

For the year ended 31 December 2020, there was no change in the Articles of the Company.

Note:

1. Resigned on 28 January 2021
2. Appointed on 28 January 2021

AUDITOR'S REMUNERATION

PricewaterhouseCoopers was appointed by the Shareholders as the Company's auditor at the annual general meeting held on 24 June 2020 (the "2019 AGM"). The audit services engagement for 2019 had been reviewed and approved by the Audit Committee.

During the Year, the remuneration paid to PricewaterhouseCoopers for the audit and non-audit services rendered to the Group were as follows:

	HK\$
Annual audit services	1,091,170
Other non-audit services <i>(Note 1)</i>	371,960

Note:

1. PricewaterhouseCoopers had provided tax compliance services and other services in relation to the review on the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2020 and review on results announcement and continuing connected transaction for the Year.

COMPANY SECRETARY

Under the Code Provision F.1.3 of the CG Code, the company secretary should report to the board chairman and/or the chief executive. Mr FUNG Wing Kam Terence was the company secretary of the Company and directly reported to Mr BAI Zhe, the chairman of the Board. Pursuant to Rule 3.29 of the Listing Rules, in each financial year the company secretary of the Company must take no less than 15 hours of relevant professional training. Mr FUNG Wing Kam Terence, the company secretary of the Company confirmed that he had taken no less than 15 hours of relevant professional training in accordance with Rule 3.29 of the Listing Rules during the Year.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors acknowledge their responsibility to prepare financial statements for each half and full financial year which give a true and fair view of the financial state of the Group. The Directors also ensure the preparation of the financial statements of the Group is in accordance with statutory requirements and applicable accounting standards. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

DIVIDEND POLICY

The Board has approved and adopted a dividend policy (the "Dividend Policy") on 20 December 2019. Under the Dividend Policy, provided that the Group is profitable and without affecting the normal operations of the Group, the Company may consider to declare and pay dividends to the shareholders of the Company (the "Shareholders"). In deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, inter alia: (i) the actual and expected financial performance of the Group; (ii) the general financial and business condition of the Group; (iii) the capital and debt level of the Group; (iv) the Group's liquidity position and future cash requirements and availability for business operations, business strategies, future investment and development needs; (v) any restrictions on payment of dividends that may be imposed by the Group's lenders; (vi) the general market conditions; and (vii) any other factors that the Board deems appropriate.

There can be no assurance by the Company that a dividend will be proposed or declared in any specific periods. The payment of the dividend by the Company under the Dividend Policy shall remain to be determined at the sole discretion of the Board, subject to any other circumstances that Shareholders' approval is required, and any restrictions under all applicable laws, rules and regulations including but not limited to the Companies Law of the Cayman Islands, the Listing Rules, and the Articles of Association of the Company.

Depending on the financial conditions of the Group and the conditions and factors as set out above, dividends may be proposed and/or declared by the Board for a financial year or period as interim dividend, final dividend, special dividend and any distribution of net profits that appear to the Board to be justified by the profits of the Company available for distribution. The Company may declare and pay dividends by way of cash or in specie or by other means that the Board considers appropriate, subject to and in accordance with the procedures set out in the Articles of Association.

The Board will continue to review the Dividend Policy from time to time. The Dividend Policy shall in no way constitute a legally binding commitment by the Company that dividends will be paid in any particular amount and in no way obligate the Company to declare a dividend at any time or from time to time.

INVESTOR RELATIONSHIP AND COMMUNICATION

The Company endeavors to maintain a high level of transparency in communicating with Shareholders and the investment community at large. The Company is committed to maintaining an open and effective communication policy to update its Shareholders and investors on relevant information on its business through the annual general meetings, the annual and interim reports, notices, announcements, circulars as well as Company's website. The annual general meeting provides a useful forum for Shareholders to exchange views with the Board. Separate resolutions are proposed at the general meetings on each separate major issue, including the election of individual Directors.

Calling an extraordinary general meeting

Pursuant to the Article 58 of the Articles, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company at the principal place of business in Hong Kong, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisition(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisition(s) as a result of the failure of the Board shall be reimbursed to the requisition(s) by the Company. The requisition must (i) state the objects of the meeting: (ii) state the name(s) of the requisition(s); (iii) state the contact details of the requisition(s); (iv) state the number of ordinary shares of the Company held by the requisition(s); (v) be signed by the requisition(s) and (vi) be deposited at the Company's head office and principal place of business in Hong Kong at Suites 4506-4509, Two International Finance Centre, No. 8 Finance Street, Central, Hong Kong.

Putting enquiries to the Board

Shareholders may send their enquiries requiring the Board's attention to the company secretary of the Company at the Company's head office and principle office in Hong Kong. Questions about the procedures for convening or putting forward proposals at the annual general meeting or extraordinary general meeting may also be put to the company secretary by the same means.

Putting forward proposals at general meetings

Article 89 of the Articles provides that no person, other than a retiring Director of the Company at the meeting, shall be eligible for election to the office of Director of the Company at any general meeting unless:

- (i) such person is recommended by the Directors of the Company; or
- (ii) a notice signed by a Shareholder (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his/her intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the Registration Office (as defined in the Articles) provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven (7) days and that (if the notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

Accordingly, if a Shareholder wishes to nominate a person to stand for election as a Director of the Company at any general meeting, the following documents must be validly served on the company secretary of the Company within the abovementioned period at the head office or at the registered office of the Company, namely:

- (i) the Shareholder's signed notice of intention to propose a person for election as a Director of the Company at the general meeting;
- (ii) a notice signed by the nominated candidate indicated his/her willingness to be appointed;
- (iii) the candidate's information as required to be disclosed under Rule 13.51(2) of the Listing Rules; and
- (iv) the candidate's written consent to the publication of his/her personal information.

General meetings

On 24 June 2020, the Company had convened the 2019 AGM at PLAZA Room, Regus Conference Centre, 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong. At the 2019 AGM, the Shareholders had passed the ordinary resolutions in relation to:

- (i) receive and consider the audited consolidated financial statements together with the reports of Directors and auditor of the Company for the year ended 31 December 2019;
- (ii) re-elect the retiring Directors and authorise the Board to fix the remuneration of the Directors;
- (iii) re-appoint Messrs. PricewaterhouseCoopers, Certified Public Accountants, as the auditor of the Company and to authorise the Board to fix their remuneration;
- (iv) grant the general mandate to the Directors to exercise the powers of the Company to issue and repurchase shares of the Company; and
- (v) approve the extension of the general mandate for the issue of shares by addition of the shares repurchased.

The individual attendance of each Director at the general meeting of the Company during his tenure is set out below:

Name of Director	Number of entitled general meeting attended	Attendance rate
Executive Director		
Mr BAI Zhe	1/1	100%
Independent Non-executive Directors		
Mr WANG Xiangfei <i>(Note 1)</i>	1/1	100%
Mr SIN Yui Man	1/1	100%
Mr FAN Ren Da, Anthony	1/1	100%
Mr CHEUNG Ngai Lam <i>(Note 2)</i>	–	–

The forthcoming annual general meeting of the Company will be held on 23 June 2021 at 11:00 am at Suites 4506-4509, Two International Finance Centre, No. 8 Finance Street, Central, Hong Kong. As at the date of this report, the Company issued 2,902,215,360 ordinary shares of HK\$0.01 each in the share capital of the Company.

RISK MANAGEMENT AND INTERNAL CONTROL

The review on the risk management and internal control systems of the Company is set out in the section headed “Risk Management and Internal Controls” on pages 40 to 42 of this report.

Note:

1. Resigned on 28 January 2021
2. Appointed on 28 January 2021

Risk Management and Internal Controls

RESPONSIBILITY

The Board has the overall responsibility to ensure that sound and effective internal controls and risk management are maintained, while management is responsible to design and implement an internal controls system to manage risks. A sound and effective system of internal controls is designed to identify and manage the risk of failure to achieve business objectives. The Board acknowledges that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

OUR RISK MANAGEMENT FRAMEWORK

The Board is responsible for the Group's internal controls and risk management system and for reviewing its effectiveness on an annual basis. The Audit Committee supports the Board in monitoring our risk exposures, the design and operating effectiveness of the underlying risk management and internal controls systems. The Audit Committee, acting on behalf of the Board, oversees the following process:

- (i) regular reviews of the principal business risks, and control measures to mitigate, reduce or transfer such risks; the strengths and weaknesses of the overall internal controls systems and action plans to address the weaknesses or to improve the assessment process;
- (ii) regular reviews of the business process and operations reported by the Internal Audit Report, including action plans to address the identified control weaknesses and status update and monitor in implementing its recommendations; and
- (iii) regular reports by the external auditors of any monitoring issues identified in the course of their work and the discussion with the external auditors about their respective review scope and findings.

The Audit Committee will then report to the Board after due review of the effectiveness of the Group's system of internal controls. The Board considers the works and findings of the Audit Committee in forming its own view on the effectiveness of the system. For the Year, the Board through the Audit Committee has conducted a review of the effectiveness of the risk management system of the Company by conducting a formal risk assessment process to identify and priorities the key risks (classified by strategic risks/operational risks/financial reporting risks and compliance risks). Action plan for each key risk has also been confirmed. No significant areas of concern that may affect the risk management functions of the Company have been identified. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board considers that such system is effective and sufficient.

OUR INTERNAL CONTROL MODEL

Our internal controls model made reference to the Committee of Sponsoring Organisations of the U.S. Treadway Commission (“**COSO**”) for internal controls and it has five key components, namely Control Environment; Risk Assessment; Control Activities; Information and Communication; and Monitoring. The key elements of our internal controls model are as follows:

- **Control Environment** – The control environment is the set of standards, processes, and structures that provides the basis for carrying our internal control across the Company. The Board and senior management establish the tone at the top regarding the importance of internal control including expected standards of conduct. The management reinforces expectations at the various levels of the Company.
- **Risk Assessment** – Risk assessment involves a dynamic and iterative process for identifying and assessing risks to the achievement of objectives. Risks to the achievement of these objectives from across the Company are considered relative to established risk tolerances. Thus, risk assessment forms the basis for determining how risks will be managed.
- **Control Activities** – Control activities are the actions established through policies and procedures that help ensure that management’s directives to mitigate risks to the achievement of objectives are carried out. Control activities are performed at all levels of the Company, at various stages within business processes, and over the technology environment. The control activities may be preventive or detective in nature and may encompass a range of manual and automated activities such as authorizations and approvals, verifications, reconciliations, and business performance reviews. Segregation of duties is typically built into the selection and development of control activities. Where segregation of duties is not practical, management selects and develops alternative control activities.

Investment monitoring is also significant given the capital-intensive nature of our business. Depending on strategic importance, cost/benefit and the size of the projects, detailed analysis of expected risks and returns is submitted to management for consideration and approval. The criteria for assessment of financial feasibility are generally based on net present value, payback period and internal rate of return from projected cash flow.

- **Information and Communication** – Information is necessary for the entity to carry out internal control responsibilities to support the achievement of its objectives. The management obtains or generates and uses relevant and quality information from both internal and external sources to support the functioning of other components of internal control. Communication is the continual, iterative process of providing, sharing, and obtaining necessary information. Internal communication is the means by which information is disseminated throughout the Company, flowing up, down and across the entity. It enables personnel to receive a clear message from senior management that control responsibilities must be taken seriously. External communication is twofold: it enables inbound communication of relevant external information, and it provides information to external parties in response to requirements and expectations.
- **Monitoring** – the Board and Audit Committee oversee the process, assisted by our Internal Control Department. The management has enhanced its update reports to Audit Committee on movements on major risks and appropriate mitigating measures. There are at least two Audit Committee meetings annually, with one meeting mainly about internal controls and risk management systems.

Risk Management and Internal Controls

For the Year, the management of the Group has engaged an external internal control consultant to conduct an internal audit review over the Company's key business process. The internal audit report, with no material weakness found, was submitted to the Audit Committee for review. No significant areas of concern that may affect the internal control system of the Company have been identified. During the review, the Board also considered the resources, qualification/experience of staff of the Group's accounting and financial reporting function, and their training and budget were adequate.

INTERNAL AUDIT FUNCTION

Under the Code Provision C2.6 of the CG Code with effect from 1 January 2016, the Company should have an internal audit function. The Audit Committee is aware that the Company should have an internal audit function to process the effectiveness of the risk management and internal control system. During the Year, the Audit Committee had reviewed annually the need to establish internal audit function to improve the effectiveness of risk management, control and governance process. The Company will consider sharing the CDB groups resources to carry out the internal audit function of the Company.

INSIDE INFORMATION

The Board ensures the inside information is kept strictly confidential until the relevant announcement is made. The Directors are not aware of any significant areas which need to be brought to the attention of the Shareholders.

COMPLIANCE WITH LEGAL AND REGULATORY REQUIREMENTS

As part of the process of reviewing the financial statements, the Committee reviews the Group's compliance with applicable legal and regulatory requirements including the Listing Rules, the Companies Ordinance and the Securities and Futures Ordinance; the only notable exception is that the Group does not publish quarterly financial results.

COMPLIANCE MANUAL

The compliance manual of the Company applicable to the employees and the Directors was adopted in 2012. The Compliance Manual stated the policy of the Company in relation to the compliance responsibility, ethnical conduct, confidentiality, insider dealing, Chinese Walls, conflicts of interest, inducements, personal investment policy, anti-money laundering policy, complaints, criticisms and legal actions policy, whistleblowing policy and corporate governance policy. The Board determinates and reviews the policy for the corporate governance of the Company and is responsible for the compliance for such policy.

Environmental, Social and Governance Report

1. ABOUT THIS REPORT

China Development Bank International Investment Limited (Stock Code:1062) is delighted to issue its fifth “Environmental, Social and Governance Report” (“**this report**”). This report aims to showcase the environmental, social and governance (“**ESG**”) aspects of the Company’s sustainability performance during 2020. Through comprehensive disclosures of our visions, strategies and implementation of sustainability development in this report, we aim to endow stakeholders with more understanding and confidence of the Company and motivate us to continuously improve our ESG performance.

In addition to maintaining high ethical standards in strict compliance with corporate governance practices outlined in the Listing Rules, the Company is committed to operating as a responsible enterprise through its emphasis on responsible investment, legal and compliance operation, employee-orientated policies, environmental protection and care for community. We believe these sustainable development approaches will support our business strategies and create the best return for our stakeholders. To gain a comprehensive understanding of the Company’s ESG performance, this report shall be read together with the “Corporate Governance Report” section of the Annual Report.

1.1 Title Description

For the convenience of presentation and reading, “**CDB INT’L INV**”, “**Company**” or “**Us**” in this report refer to China Development Bank International Investment Limited.

1.2 Reporting Scope and Boundary

This report covers the reporting period from 1 January 2020 to 31 December 2020. For details of the company’s business, please refer to the Company’s “2020 Annual Report” (“**Annual Report**”). Unless otherwise defined, the terms used in this report would contain the same meaning as defined in the Annual Report released by the Company.

1.3 Reporting Basis

This report is prepared by the Company in strict accordance with the “Environmental, Social and Governance Reporting Guide” (“**ESG Reporting Guide**”) under Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange issued by the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Adhering to the principles of materiality, quantitative, balance and consistency, we strictly comply with the “Comply or explain” provisions in the “ESG Reporting Guide” and strives to fully reflect the Company’s environmental and social management policies, strategies and performance.

1.4 Stakeholder Engagement

For the Company, proactively responding to opinions of stakeholders is the key to promote its corporate sustainable development. Therefore, CDB INT'L INV has established a variety of communication channels in order to maintain a high level of transparency. We hold annual general meetings every year in which the Company representatives attend and meet in person with shareholders, investors and other stakeholders to understand their concerns and issues. For daily communication, our website's media center informs investors, shareholders and the public of the Company's latest activities, financial positions and investor documents. Additionally, the Company effectively communicates with stakeholders via annual reports, interim reports, notices, announcements, circulars, emails and telephones to continuously optimize its sustainability development strategy.

By collecting, organizing, measuring and analyzing the recommendations and concerns raised by various stakeholders during the reporting period, the Board of CDB INT'L INV have selected material issues to be disclosed in this report.

1.5 Data Source

The contents of this report are compiled from internal documents, statistical reports and publicly available materials.

1.6 Responding to This Report

We value the opinions of stakeholders as important drivers for our continuous improvement. If you would like to share your opinions or any matters in connection with this report, please contact us at:

Address: Suites 4506-4509, Two International Finance Centre, 8 Finance Street, Central, Hong Kong
Tel: (852) 3979 1500
Fax: (852) 3979 1599
Website: www.cdb-intl.com
Email: info@cdb-intl.com

2. MANAGEMENT EXCELLENCE

CDB INT'L INV operates as one of the investment platform designated by the China Development Bank to fully identify and implement overseas investment opportunities and integrate and manage China Development Bank's existing overseas asset investments. It serves the global strategies of China and the China Development Bank by supporting the international development of Chinese enterprises and promoting overseas investment businesses such as the "Belt and Road" initiative. CDB INT'L INV uses the client resources of the China Development Bank – its trillions of RMB assets and its status as China's largest foreign exchange lending bank – to explore high-quality investment opportunities and work closely with world-class investment institutions to provide equity capital support for related enterprises and facilitate obtaining loan support from the China Development Bank.

2.1 Responsible Investment

The Company believes that emphasis on ESG could create value for the society and the Company. Therefore, CDB INT'L INV focuses on fulfilling corporate social responsibility and taking social and environmental responsibility into the account of investment strategies. The Company's investment committee consists of experienced professionals and strictly screens investment opportunities. The investment committee also performs multi-dimensional assessments and monitoring of all investments to fully identify, assess and reduce relevant investment risks and achieve the target return. Through cautious investment procedures, we ensure investment decisions are responsible to various stakeholders.

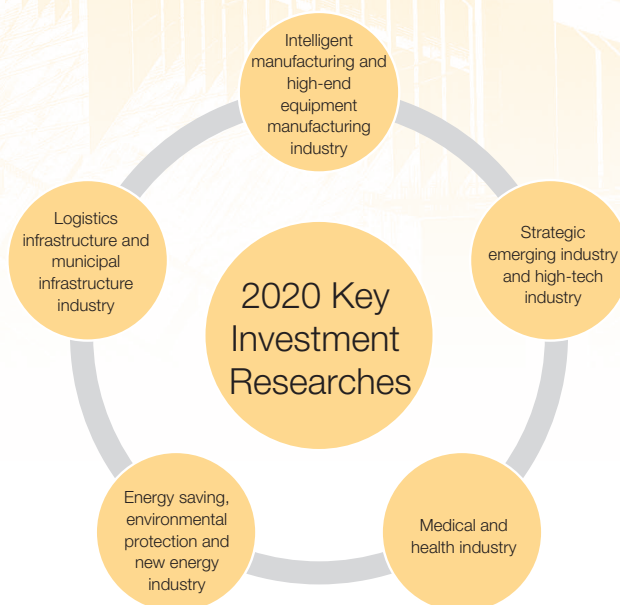
Investment Strategies		
Committed to identifying and exploring high-quality investment opportunities and has established certain investment layout in areas including, but not limited to, logistics infrastructure, new energy and supply chain services.	Proactively leverage the resources of China Development Bank in logistics infrastructure based on its existing logistics network with its extensive industry knowledge and experience in finance and management in order to assist the company in continuously enhancing its efficiency and exploring business opportunity.	Optimizing the decision-making process and incentive mechanism and improving corporate governance practices, continue to focus on identifying and exploring suitable investment opportunities in the logistics industry.

In order to achieve its responsible investment aims in all aspects of the business while minimizing investment risk, the Company has developed the following risk response strategies:

- Establishing and regularly reviewing the Company's risk management policies and frameworks to consistently guide its risk management practices;
- Establishing a formal risk appetite statement enabling employees to understand the level of risk acceptable to the Company, avoid unnecessary risks and reduce unnecessary losses;
- Embedding risk management into the Company's core operations and decision-making;
- Regularly evaluating whether the risks of current and emerging portfolios would jeopardize the Company's strategy and realization of annual plans and budgets, and establishing appropriate responses to the risks the Company may face; and
- Allocating appropriate resources to establish, maintain and continually improve risk management strategies and policies.

Environmental, Social and Governance Report

In accordance with our investment and risk management strategies, during the reporting period we conducted key investment researches, seized investment opportunities and promoted socially responsible investments in the following industries:



The Company will continue to search for and pursue high-quality investment opportunities, and actively explore potential investment opportunities in the fields of logistics, information technology, advanced manufacturing, medical, new energy, energy saving and environment protection, in combination with national strategies such as China’s industrial upgrading, the “Belt and Road” and the Guangdong-Hong Kong-Macao Greater Bay Area, delivering the best sustainable returns for investors.

Based on the internal control framework of the United States Committee of Sponsoring Organizations of the Treadway Commission (“**COSO**”), we have established a sophisticated internal control model, including environmental control, risk assessment, activities control, information and communication, and monitoring, and continued to regularly review the effectiveness of the risk management and internal control system.

2.2 Compliance Operation

A good reputation is the most important asset and foundation of a financial company. We highly emphasize on maintaining integrity and uphold the principle of legal and compliance operation. Based on honesty, trustworthiness, legal compliance, and integrity, the Company strictly complies the Hong Kong “Companies Ordinance” and with relevant laws and regulations as well as the code provisions in the “Corporate Governance Code” contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange. For more details about our corporate governance, please refers to the “Corporate Governance Report” section of the Annual Report.

The Company highly values the protection of intellectual property rights and ensures the use of copyright software and resources, preventing plagiarism, theft, tampering, illegal possession, counterfeiting or other forms of intellectual property rights infringement.

In terms of business operations and information security, we maintain strict compliance with the information separation measures in the “Compliance Manual” and the “Personal Data (Privacy) Ordinance” of Hong Kong and other relevant laws and regulations. Non-public material information is kept strictly confidential throughout our operations and activities, formulating relevant regulations and detailing the scope and level of confidential matters, regulations and requirements, handling accountability for breach and leak of confidential information to ensure confidentiality and accountability. All employees and major suppliers are required to sign confidentiality agreements with the Company. We have also established a strict customer information management system and implemented policies to further prevent disclosure and loss of confidential information.

During the reporting period, the Company did not receive any complaints or legal actions related to violations of intellectual property rights, advertising, labels and privacy matters.

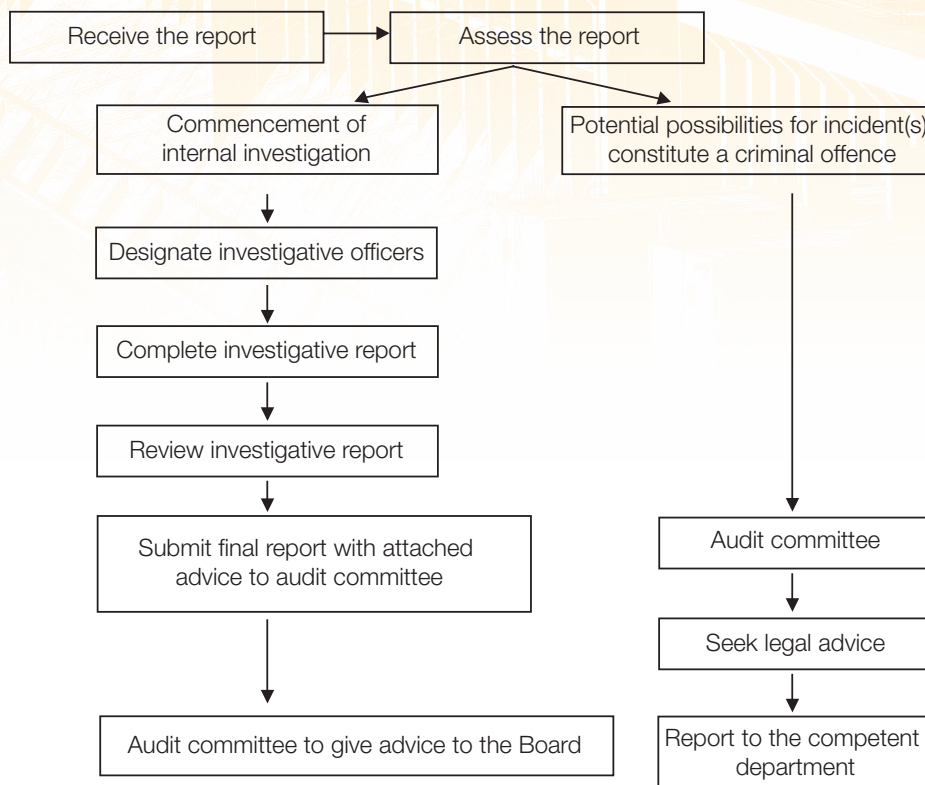
2.3 Professional Integrity

For financial companies, cultivating professional ethics of employees is an important cornerstone for achieving long-term sustainable development. While striving to deliver exceptional investment returns to investors, we uphold the highest standards of integrity and enhance the industry’s credibility by adopting a zero-tolerance attitude towards breaches of integrity. In addition to strictly complying with the “Anti-Money Laundering Law of the People’s Republic of China” and the “Anti-Unfair Competition Law of the People’s Republic of China”, we have also formulated management systems such as the “Compliance Manual”. It outlines the Company’s policies toward confidentiality, insider trading, conflict of interest, personal investment, bribery, extortion, money laundering, fraud, and other professional ethics standards, stipulates employees’ code of conduct and ethical standards and states that the Company regards any violations as a serious incident which would trigger disciplinary actions, including immediate dismissals and suspensions to raise employee vigilance against corruption.

CDB INT’L INV has established a systematic reviewing and reporting system to further enhance employees’ professional ethics. With its standardized reimbursement procedures, the Company regularly reviews reimbursement receipts from various departments to avoid any corruption behavior. In addition, the Company has formulated corresponding reporting procedures and its implementation and monitoring methods for violations in the “Compliance Manual”. We encourage employees to report any suspicious violations and initiate investigations within five working days of receiving the report, while protecting the identity and interests of the whistle-blower. The Company regularly reviews the operation of the whistle-blowing procedures and analyzes its implementation effect. Based on results of the review, specific regulations in the “Compliance Manual” is updated to ensure the effectiveness of CDB INT’L INV’s professional ethics management system.

Investigative procedure

For ease of reference, please refer to the following flowchart.



Upon employment, all new employees are required to sign a statement to signify their full understanding and agreement of the “Compliance Manual”. Current employees are also required to conduct self-assessment to declare themselves on the code of conduct with regard to avoiding misconduct, anti-corruption and conflict of interest every year.

During the reporting period, neither the Company nor any of its employees receive any judicial proceedings or lawsuits with regard to corruption, bribery, extortion, fraud or money laundering.

2.4 Supply Chain Management

Maintaining close collaborations with suppliers is an indispensable part of our business. To protect the Company’s vital interests, we have formulated and strictly implemented the “Procurement Management Measures” and the “Small Item Procurement Management Measures”, and selected suppliers with legal operation and good services based on the principles of transparency, openness, and fairness. The Company also attaches great value to communication with suppliers to enhance suppliers’ understanding and recognition of the Company’s value, consolidate cooperative relationship of mutual trust and assistance, and work together to promote the sustainable and stable development of the industry.

We also attach great importance to the extent which suppliers fulfill their environmental and social responsibilities. In the process of selecting suppliers, supplier’s sustainable development management, and professional ethics will be one of the factors to be considered for conducting a rigorous review. With regards to the Company’s suppliers, please also refer to the “Corporate Information” and the section “Major Customers and Suppliers” in this Annual Report.

3. TALENT SOLIDARITY

3.1 Talent Recruitment and Management

Talented employees are considered as the critical foundation and powerhouse of the Company's sustainable development. For employees' management, we strictly follow relevant laws and regulations of Hong Kong such as the "Employment Ordinance", the "Employee's Compensation Ordinance", the "Mandatory Provident Fund Schemes Ordinance", the "Sex Discrimination Ordinance" and the "Race Discrimination Ordinance" to establish a robust employee management system. As an equal opportunity employer, we adopt a fair, just and open approach to attract outstanding talents, and strive to create a non-discriminatory work environment. Our employment management system includes policies in employment, transfer, recruitment, training, promotion, discipline, remuneration and benefits, etc., to ensure equal opportunities and fair treatment for employees and candidates.

The Company strictly follows requirements of the "Employment Ordinance" of Hong Kong on the prevention of child labor and forced labor and adopts a zero-tolerance policy towards illegal labor. We strictly check the age of candidates when recruiting to avoid child labor, and enter into labor contracts with our employees to operate legally without involving forced labor.

We are committed to providing employees with a fair, diversified and non-discriminatory working environment where employees respect, cooperate and support each other, and work together. In order to improve employees' communication and understand their views and suggestions, we have set up various channels, such as employee activities, etc. to solicit employees' opinions. At the same time, we continuously improve the employees' management system of CDB INT'L INV to provide them with a comfortable, fair and promising working environment.

During the reporting period, the Company had 7 employees (2 males, 5 females) in total. The Company's relevant system operates well and has not received any complaints or lawsuits with regard to violations of recruitment, compensation, dismissal, promotion, performance evaluation, working hours, holidays, equal opportunities, diversity, anti-discrimination and other related matters.

3.2 Professional Training and Development

CDB INT'L INV is committed to providing employees with an exceptional professional training and development platform, encouraging employees to enhance their personal and professional capabilities, maintaining professional competitiveness and promoting steady development of the Company. The Company continuously improves its training system, integrates internal and external resources to provide diversified training programs and participates in lectures organized by relevant institutions to establish a decent learning exchange platform.

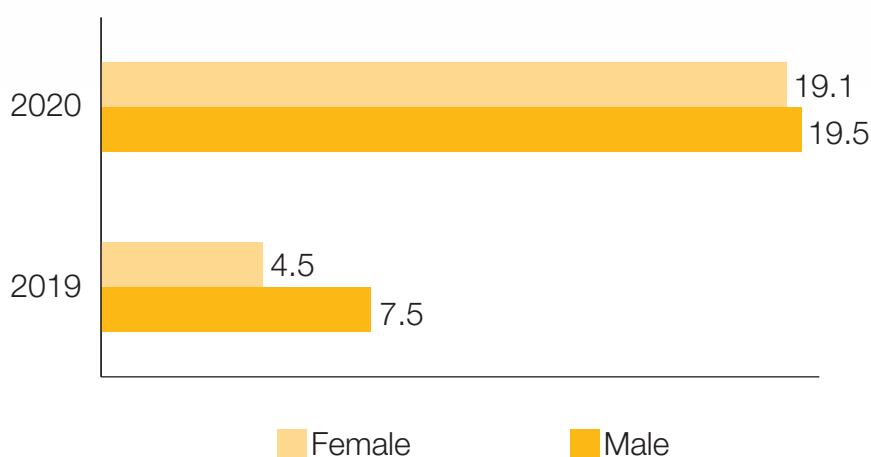
During the reporting period, the Company organized a series of internal and external training courses based on its development strategies and employees' characteristics. The topics of training cover financial market analysis, consumer behavior analysis, global market investment, and taxation to support CDB INT'L INV in more effectively carrying out its domestic and international investment projects, achieving sustainable business development.

The Company has not reduced the training resources during the reporting period. CDB INT'L INV carried out its virtual training through TED and departmental self-learning. The course content are practical and diverse, including laws and regulations, internal procedures, operation, regional and international trend and case studies. The training is carried out through cross-department, which also enhance internal communication.

The Company also encourages employees to enroll in external education opportunities and courses to further improve themselves by acquiring more advanced professional skills and qualifications.

During the reporting period, all seven employees of the Company participated in the training program.

Average training hours per employees



On the basis of strict compliance with the relevant employment laws, the Company has also formulated the “Employee Manual” according to its own circumstances, and referred to the “Measures for Promotion” of China Development International Holdings Limited (“**CBDIH**”) to determine the specific rank of employees based on their personal performance appraisal, work experience, personal ability and position.

3.3 Employee Health and Safety

Ensuring the health and safety of employees in workplace is our responsibility. The Company strictly complies with relevant laws and regulations such as the “Occupational Safety and Health Ordinance” and the “Fire Safety (Commercial Premises) Ordinance” of Hong Kong, and continuously improves the establishment and management of health and safety systems. By organizing safety activities and trainings, we endeavor to create a safe, healthy, and comfortable working environment, protect the physical and mental health of employees, and minimize the probability of occupational diseases. Starting in 2019, the Company offers reimbursement to employees for sports and fitness expenses, encouraging employees to exercise in their spare time.

The Company attaches great value to creating a safe and comfortable office environment for employees and adopts a number of measures to maintain the environmental hygiene of our office. We employ professional companies to disinfect phones, keyboards, computers and other office equipment; clean glass windows, walls, carpets and deworm periodically. We regularly conduct inspections of items in the office, and promptly clean or replace items those that fail to meet the hygiene standards.

The Company understands and appreciates employees' concern and needs during the pandemic by providing facemasks and sanitizing products. Home office policy is also arranged during the severe time to reduce infection risk during commuting.

To enhance employees' awareness of safety precautions, we also encourage employees to cooperate in fire drills organized by the building property management company, and learn how to deal with emergencies through drills.

During the reporting period, the Company did not have any cases of work-related death or injuries, nor was it monitored or complained for violating occupational health and safety related laws.

3.4 Employee Compensation and Welfare

In order to retain the best talents, CDB INT'L INV has established a compensation and welfare system in accordance with the law, and provided competitive compensation and benefits based on the employee's performance, experiences and industry average. In addition to basic salary and mandatory provident fund, performance bonuses are also provided to employees to motivate hard work. We regularly adjust salary with reference to industry salary levels and price changes to ensure that employees are provided with competitive compensation to strengthen the talent force.

We deeply understand the importance of work-life balance for employees, and strictly implement the "Holiday Management System" to standardize the management of employees' working hours, holidays and rest periods. In addition to statutory holidays, the Company also provides employees with paid holidays including annual leave, sick leave, maternity leave, wedding leave, funeral leave, and exam leave. Each employee is acknowledged through the New Employee Training for detailed welfare policies and specific implementation methods, protecting the employees' legitimate rights, interests and work-life balance, and improving work efficiency.

While complying with the "Employment Ordinance", we also offer a wide variety of employee benefits, including labour insurance, mandatory provident fund, medical and life insurance, communication fee, overtime subsidies, meal and transportation allowances, heatstroke prevention and labor protection subsidies.

The Company also organizes a wide range of social, cultural, recreational and health activities for company-wide employees every year, such as birthday celebration and film appreciation, as well as giving out festival gift and leisure activities benefit.

4. ENVIRONMENTAL PROTECTION

CDB INT'L INV has always considered its green development from strategy to implementation. It strictly complies with relevant laws and regulations such as the "Air Pollution Control Ordinance". Our environmental protection concepts are integrated into business development and daily operation management, striving to reduce the negative impact of operations on the environment.

4.1 Energy Saving and Emission Reduction

Energy saving and reducing emissions are important parts in fulfilling our environmental responsibility. As the Company's main business is investment, the direct impact on the environment and the use of natural resources are relatively insignificant. The impact mainly comes from electricity, water, paper and fuel consumption for business travel.

Although the Company is not a high water-consuming industry with water supply mainly from the government water supply system and there is no difficulty in sourcing water, we nonetheless remind employees to save water by placing water saving signs.

In response to the use of vehicles for business travel, we have established a management system for use of vehicle, adhering to the principles of economical and efficient use. It encourages reasonable use of vehicles and regular maintenance to reduce fuel consumption, and thus reduce air pollution and greenhouse gas emissions. The Company does not involve in any production activities, and therefore it does not emit any pollutants on land or water sources, nor does it generate hazardous waste or use packaging materials.

During the reporting period, our operating activities were in compliance with environmental laws and regulations, and we have not received any punishment for violations of environmental laws and regulations.

4.2 Environmental Performance¹

Resources type	Resources Consumption ²		2020	
	2019 Consumption	2019 Consumption per person	2020 Consumption	2020 Consumption per person
Water Consumption ³	1,482 L	212 L/person	420 L	60 L/person
Electricity Consumption ⁴	45,448 kWh	6,493 kWh/person	29,000 kWh	4,142 kWh/person
Gasoline	255 L	36 L/person	40 L	5.7 L/person

Non-hazardous waste	Waste Generation ⁵		2020	
	2019 Generation	2019 Generation per person	2020 Generation	2020 Generation per person
Paper	84 kg	12 kg/person	55 kg	7.9 kg/person

Air Pollutants ⁶ and Wastewater ⁷	Pollutant Emissions ⁵		2020	
	2019 Emission	2019 Emission per person	2020 Emission	2020 Emission per person
NOx	161.9 g	23 g/person	25.4 g	3.6 g/person
SO ₂	6.2 g	0.9 g/person	0.6 g	0.08 g/person
CO	1,454.3 g	208 g/person	228.1 g	32.6 g/person
PM2.5	3.8 g	0.5 g/person	0.6 g	0.09 g/person
Wastewater	1,482 L	212 L/person	420 L	60 L/person

¹ Due to COVID-19, employees have been working from home during the reporting period, therefore the environmental performance is comparatively lower than 2019.

² The resources used by the Company are mainly attributed to electricity, water and paper consumed at the office and fuel consumed by vehicles for business.

³ The Company's sole place of business is located in Hong Kong, and in the office area rented by CDBIH in the Hong Kong International Finance Centre (IFC). Given that no individual water and electricity meters are set up in the office area, the total water and electricity consumption are estimated. The Company's water consumption is approximately one litre per person per day.

⁴ With reference to Note 3, the Company's electricity consumption is specifically estimated as follows.

$$\text{The Company's Electricity Consumption} = \frac{\text{CDBIH's Electricity Consumption Calculated by IFC Property}}{\text{Total Numbers of Employees for the Company and CDBIH}} \times \text{Numbers of Employees}$$

⁵ During the reporting period, the Company did not produce any hazardous waste or packing materials.

⁶ Air pollution of the Company is mainly generated from exhaust emissions of its two business vehicles.

⁷ Domestic sewage generated by the Company office is piped from the IFC building sewage system to treatment plants for centralised disposal.

Greenhouse Gas indicators	Greenhouse gas emission		2020 Emission	
	2019 Emission	2019 Emission per person	2020 Emission	2020 Emission per person
CO ₂ e (scope 1) ⁸	678 kg	97 kg/person	106.4 kg	15.1 kg/person
CO ₂ e (scope 2) ⁹	35,904 kg	5,129 kg/person	23,300 kg	3,314.3 kg/person
CO ₂ e (scope 3) ¹⁰	403.2 kg	57.6 kg/person	264 kg	37.7 kg/person
Total CO ₂ e	36,985 kg	5,283.6 kg/person	23,570 kg	3,367.1kg/ person

5. GIVING BACK TO SOCIETY

While the Company and its employees jointly pursuing sustainable development, CDB INT'L INV has always attached great importance to collaborating with the community and proactively undertaking corporate social responsibility with gratitude. As an active promoter of community public welfare activities, we actively leverage our own resource advantages to encourage employees to participate in activities that have a positive impact on society in addition to daily operating activities by serving and contributing to the community, promoting and fulfilling social responsibility, and committing to promote harmony, prosperity and sustainable development of businesses and society.

⁸ Greenhouse gases (Scope 1) are generated from the exhaust emissions of the Company's two business vehicles. Greenhouse gases included in the calculation were CO₂, CH₄ and N₂O. Please refer to "Appendix II: Reporting Guidance on Environmental KPIs" of the SEHK for the specific calculation.

⁹ Greenhouse gases (Scope 2) are generated from the electricity consumed by the Company through the production processes of suppliers

¹⁰ Greenhouse gases (Scope 3) mainly include CO₂ and CH₄ generated from the disposal of Company office's waste paper in landfill sites of Hong Kong. Other gas emissions included in Scope 3 are not included in the calculation. Please refer to "Appendix II: Reporting Guidance on Environmental KPIs" of the SEHK for the specific calculation.

6. INDEX OF CONTENTS OF THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE

General disclosures and KPIs	Descriptions	Relevant section or other explanation of this report
Environment		
Aspect A1: Emissions		
General Disclosure	Information on:	4 Environmental Protection
	(a) the policies; and	4.1 Energy Saving and Emission Reduction
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	
KPI A1.1	The types of emissions and respective emissions data	4.2 Environmental Performance
KPI A1.2	Greenhouse gas emissions in total and, where appropriate, intensity	4.2 Environmental Performance
KPI A1.3	Total hazardous waste produced and, where appropriate, intensity	Not Applicable
KPI A1.4	Total non-hazardous waste produced and, where appropriate, intensity	4.2 Environmental Performance
KPI A1.5	Description of measures to mitigate emissions and results achieved	4.1 Energy Saving and Emission Reduction
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	4.2 Environmental Performance

Environmental, Social and Governance Report

General disclosures and KPIs	Descriptions	Relevant section or other explanation of this report
Aspect A2: Use of resources		
General Disclosure	Policies on the efficient use of resources	4.1 Energy Saving and Emission Reduction
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity	4.2 Environmental Performance
KPI A2.2	Water consumption in total and intensity	4.2 Environmental Performance
KPI A2.3	Description of energy use efficiency initiatives and results achieved	4.1 Energy Saving and Emission Reduction
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	4.1 Energy Saving and Emission Reduction
KPI A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced	Not Applicable
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources	4.1 Energy Saving and Emission Reduction
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	4.1 Energy Saving and Emission Reduction

General disclosures and KPIs

Descriptions

Relevant section or other explanation of this report

Social

Employment and Labor Practices

Aspect B1: Employment

General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare	3 Talent Solidarity
KPI B1.1	Total workforce by gender, employment type, age group and geographical region	3.1 Talent Recruitment and Management

Aspect B2: Health and Safety

General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	3.3 Employee Health and Safety
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Environmental, Social and Governance Report

General disclosures and KPIs	Descriptions	Relevant section or other explanation of this report
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	3.2 Professional Training and Development
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management)	3.2 Professional Training and Development
KPI B3.2	The average training hours completed per employee by gender and employee category	3.2 Professional Training and Development
Aspect B4: Labor Standards		
General Disclosure	Information on:	3 Talent Solidarity
	(a) the policies; and	3.1 Talent Recruitment and Management
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor	
Operating Practices		
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain	2.4 Supply Chain Management
Aspect B6: Product Responsibility		
General Disclosure	Information on:	2 Management Excellence
	(a) the policies; and	2.2 Compliance Operation
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	

General disclosures and KPIs

Descriptions

Relevant section or other explanation of this report

Aspect B7: Anti-corruption

General	Information (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering	2.3 Professional Integrity
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	2.3 Professional Integrity
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	2.3 Professional Integrity

Community

Aspect B8: Community Investment

General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests	5 Giving Back to Society
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Independent Auditor's Report



羅兵咸永道

To the Shareholders of China Development Bank International Investment Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of China Development Bank International Investment Limited (the “**Company**”) and its subsidiaries (the “**Group**”) set out on pages 65 to 110, which comprise:

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

Our opinion

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

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Independence

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.

Key Audit Matters

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

Key audit matter identified in our audit is related to the valuation of the Group's financial assets measured at fair value.

Key Audit Matter

How our audit addressed the Key Audit Matter

Valuation of the Group's financial assets at fair value through profit or loss classified as level 3.

With the involvement of our internal valuation team, we had performed the following procedures:

Refer to note 3.3 and 15 of the consolidated financial statements.

- We have understood, evaluated and validated the key controls and inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors, in particular those over the valuation of financial assets at FVPL classified as level 3.

The balance of the Group's financial assets at fair value through profit or loss ("FVPL") as at 31 December 2020 amounted to approximately HK\$1,901 million which were categorised as level 3 in the fair value hierarchy.

- We evaluated the competence, independence, capabilities and objectivity of the Group's external valuer;

The audit focused on the valuation of the financial assets at FVPL classified as level 3 in the fair value hierarchy due to the significance of the balance and the high degree of subjectivity and management judgement. Due to the fact that availability of information is limited for these financial assets at FVPL, management judgement is involved in determining the assumptions to the unobservable inputs that were considered to be approximate in their circumstances, including credit spread rate and volatility, and application of the valuation technique (i.e. option pricing model). These factors are all subject to a certain level of estimation uncertainty and inherent risk of subjectivity.

- We assessed the appropriateness for the selection of option pricing model as the valuation technique used by management based on the market practice and our knowledge on the nature of the financial assets;

- We evaluated the judgement made by management in determining the key assumptions, including credit spread rate and volatility, by comparing the supporting documentation to external market analysis, the market practice and our industry knowledge. We also performed an independent sensitivity analysis to evaluate those assumptions applied to the option pricing model for calculating the fair value of the financial assets; and

- We checked the mathematical accuracy of the option pricing model prepared by management via re-performance.

Based on the procedures we performed, we found the key assumptions used by management in the valuation of the financial assets are supported by the evidence that we gathered.

OTHER INFORMATION

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Audit Committee is responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

Independent Auditor's Report

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

The engagement partner on the audit resulting in this independent auditor's report is Cecilia, Lai Ting Yau.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 30 March 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

	Notes	2020 HK\$	2019 HK\$
Net valuation (losses)/gains on fair value of financial assets at fair value through profit or loss		(162,453,884)	214,611,977
Realised gain on disposal of financial asset at fair value through profit or loss		211,602,275	–
General and administrative expenses	7	(18,953,852)	(18,255,183)
Operating profit		30,194,539	196,356,794
Other gains, net		1,843,298	–
Dividend income from other investment		2,325,204	–
Gain on disposal of an associate		35,464,033	–
Share of (losses)/profits in associates	14	(465,432)	1,113,929
		39,167,103	1,113,929
Finance income	6	117,413	67,972
Finance costs	6	(13,879,700)	(21,437,575)
Finance costs, net		(13,762,287)	(21,369,603)
Profit before income tax		55,599,355	176,101,120
Income tax expense	10	(2,441,749)	(54,866)
Profit for the year attributable to equity holders of the Company		53,157,606	176,046,254
Other comprehensive loss			
Item that may be subsequently reclassified to profit or loss:			
Currency translation differences		3,647,042	(1,507,313)
Release of exchange reserve upon disposal of an associate		(9,327,522)	–
Other comprehensive loss for the year		(5,680,480)	(1,507,313)
Total comprehensive income for the year attributable to equity holders of the Company		47,477,126	174,538,941
Earnings per share			
– Basic (HK cents)	12	1.83	6.07
– Diluted (HK cents)	12	1.83	6.07

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

Consolidated Statement of Financial Position

As at 31 December 2020

	Notes	2020 HK\$	2019 HK\$
Assets			
Non-current assets			
Property, plant and equipment	13	–	–
Investments in associates	14	2,779,375	68,873,347
Financial assets at fair value through profit or loss	15	1,954,254,437	2,116,708,321
		1,957,033,812	2,185,581,668
Current assets			
Prepayments and other receivables	17	94,154,039	555,987
Financial asset at fair value through profit or loss	15	–	146,443,869
Cash and cash equivalents	18	192,585,995	20,136,301
		286,740,034	167,136,157
Total assets		2,243,773,846	2,352,717,825
Equity and liabilities			
Equity attributable to equity holders of the Company			
Share capital	21	29,022,154	29,022,154
Reserves		1,816,932,794	1,769,455,668
Total equity		1,845,954,948	1,798,477,822
Liabilities			
Non-current liability			
Deferred tax liabilities	20	–	1,896,419
Current liabilities			
Other payables and accruals	19	7,818,898	6,343,584
Borrowing	22	390,000,000	546,000,000
		397,818,898	552,343,584
Total liabilities		397,818,898	554,240,003
Total equity and liabilities		2,243,773,846	2,352,717,825
Net asset value per share	27	0.64	0.62

The consolidated financial statements on pages 65 to 110 were approved and authorised for issue by the Board of Directors on 30 March 2021 and were signed on its behalf:

BAI Zhe
Director

CHEUNG Ngai Lam
Director

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Attributable to owners of the Company						Total HK\$
	Share capital HK\$	Share premium HK\$	Special reserve HK\$ (Note)	Exchange reserve HK\$	Capital redemption reserve HK\$	Retained earnings HK\$	
Comprehensive income							
Profit for the year	-	-	-	-	-	176,046,254	176,046,254
Other comprehensive income							
Currency translation differences	-	-	-	(1,507,313)	-	-	(1,507,313)
Total comprehensive (loss)/income for the year	-	-	-	(1,507,313)	-	176,046,254	174,538,941
At 31 December 2019	29,022,154	1,043,800,995	382,880,958	5,680,480	270,200	336,823,035	1,798,477,822
Comprehensive income							
Profit for the year	-	-	-	-	-	53,157,606	53,157,606
Other comprehensive income							
Currency translation differences	-	-	-	3,647,042	-	-	3,647,042
Release of exchange reserve upon disposal of an associate	-	-	-	(9,327,522)	-	-	(9,327,522)
Total comprehensive (loss)/income for the year	-	-	-	(5,680,480)	-	53,157,606	47,477,126
At 31 December 2020	29,022,154	1,043,800,995	382,880,958	-	270,200	389,980,641	1,845,954,948

Note: Special reserve represents the difference between the amount recorded as share capital issued by the Company pursuant to a scheme of arrangement which became effective in April 2005 under section 166 of the Hong Kong Companies Ordinance in respect of ING Beijing Investment Company Limited ("**ING Beijing**") and the amount recorded for the share capital of ING Beijing acquired. ING Beijing was liquidated in November 2005.

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Notes	2020 HK\$	2019 HK\$
Cash flows from operating activities			
Profit before income tax		55,599,355	176,101,120
Adjustments for:			
Finance income		(117,413)	(67,972)
Finance costs		13,879,700	21,437,575
Share of losses/(profits) in associates	14	465,432	(1,113,929)
Gain on disposal of an associate		(35,464,033)	–
Realised gain on disposal of financial asset at fair value through profit or loss		(211,602,275)	–
Net valuation losses/(gains) in fair value of financial assets at fair value through profit or loss		162,453,884	(214,611,977)
Changes in working capital			
Changes in prepayments and other receivables		889,161	(555,987)
Changes in other payables and accruals		1,475,314	66,294
Cash used in operations		(12,420,875)	(18,744,876)
Income tax paid		(4,338,168)	(121,821)
Net cash used in operating activities		(16,759,043)	(18,866,697)
Cash flows from investing activities			
Interest received		117,413	67,972
Dividend received from an associate	14	924,880	1,218,206
Proceeds from disposal of financial assets at fair value through profit or loss		358,046,144	–
Net cash generated from investing activities		359,088,437	1,286,178
Cash flow from financing activities			
Interest paid		(13,879,700)	(21,437,575)
Repayments to bank borrowings		(780,000,000)	–
Proceeds from bank borrowings		624,000,000	–
Net cash used in financing activities		(169,879,700)	(21,437,575)
Net increase/(decrease) in cash and cash equivalents		172,449,694	(39,018,094)
Cash and cash equivalents at the beginning of the year	18	20,136,301	59,154,395
Cash and cash equivalents at the end of the year	18	192,585,995	20,136,301

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

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Its immediate controlling company is China Development Bank International Holdings Limited (“**CDBIH**”), a private limited company established in Hong Kong and its ultimate controlling company is China Development Bank (“**CDB**”), a wholly state-owned policy bank established on 17 March 1994 in the People’s Republic of China (“**PRC**”). CDB is a limited liability company owned by the Ministry of Finance (“**MOF**”) and Central Huijin Investment Ltd (“**Huijin**”). The MOF is one of the ministries under the State Council, primarily responsible for state fiscal revenue and expenditures, and taxation policies. Huijin was established to hold certain equity investments as authorised by the State Council and does not engage in other commercial activities. Huijin exercises legal rights and obligations on behalf of the PRC government. The address of the registered office and principal place of business of the Company are disclosed in the corporate information of the annual report. The principal activities of the Company and its subsidiaries (the “**Group**”) are to achieve medium-term to long-term capital appreciation of its assets primarily through its investments in money market securities, equity and debt related securities in listed and unlisted entities on a global basis. Details of the principal activities of the Company’s subsidiaries are set out in Note 26. The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is also the functional currency of the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”) and requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, which are carried at fair value.

In preparing the consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group. As at 31 December 2020, the Group had net current liabilities of approximately HK\$111,078,864, which included bank borrowing of HK\$390,000,000 with contractual repayment date beyond one year after 31 December 2020 that is classified as current liability as the bank has the overriding right to demand for repayment. The Directors consider the Group will be able to meet its financial obligations as they fall due for the foreseeable future after taking into account the continued availability of the Group’s existing banking facilities and the availability of the unutilised revolving credit facilities of US\$100,000,000 from CDBIH, the controlling shareholder of the Company (Note 23(a)). Moreover, CDBIH has confirmed its intention to provide financial support for the continuing operations of the Group and the Company so as to enable it to meet its liabilities as they fall due and carry on its business without a significant curtailment of operations in the twelve months from 31 December 2020. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The area involving a higher degree of judgement or complexity, or area where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(a) New standards, amended standards and interpretations adopted by the Group

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

HKAS 1 and HKAS 8 (Amendments)	Definition of Material
HKFRS 3 (Amendments)	Definition of a Business
HKFRS 9, HKAS 39 and HKFRS 7 (Amendments)	Interest Rate Benchmark Reform
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The adoption of the amendments listed above did not have material impact on the Group's accounting policies and consolidated financial statements.

(b) New standards, amendments to standards and interpretations not yet adopted

		Effective for accounting periods beginning on or after
HKFRS 16 (Amendments)	Covid-19-Related Rent Concessions	1 June 2020
HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform – Phase 2	1 January 2021
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
Annual Improvements Project (Amendments)	Annual Improvements to HKFRSs 2018–2020	1 January 2022
HKFRS 3, HKAS 16 and HKAS 37 (Amendments)	Narrow-scope Amendments	1 January 2022
Accounting Guideline 5 (Amendments)	Merger Accounting for Common Control Combinations	1 January 2022
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 17 (Amendments)	Insurance Contracts	1 January 2023
HK Interpretation 5 (Amendments)	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group has already commenced an assessment of the impact of these new standards, amendments and conceptual framework and none of those are expected to have material impact on the Group's accounting policies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Principles of consolidation and equity accounting

(a) Subsidiaries

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

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

(b) Associates

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

(c) Equity method

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

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

(d) Changes in ownership interests

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Principles of consolidation and equity accounting (continued)

(d) Changes in ownership interests (continued)

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

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

(e) Separate financial statements

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

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

2.3 Business combinations

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Business combinations (continued)

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

Acquisition-related costs are expensed as incurred.

The excess of the:

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

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

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

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

2.4 Segment reporting

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in the consolidated statement of profit or loss and other comprehensive income. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

All foreign exchange gains and losses are presented in the consolidated statement of profit or loss and other comprehensive income within 'other gains/(losses)'.

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

(c) Group companies

The results and financial position of all the Group's entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Foreign currency translation (continued)

(c) Group companies (continued)

- (ii) income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

2.6 Property, plant and equipment

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

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

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

- | | |
|--------------------------|---------|
| – Leasehold improvements | 3 years |
| – Furniture and fixtures | 3 years |

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

Gains and losses on disposals are determined by comparing the proceeds with carrying amount. These are included in 'general and administrative expenses' in the consolidated statement of profit or loss and other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Impairment of non-financial assets

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

2.8 Investments and other financial assets

(i) Classification

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

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

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

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

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

(ii) Recognition and derecognition

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Investments and other financial assets (continued)

(iii) Measurement

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

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

Debt instruments

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

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains or losses together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of profit or loss and other comprehensive income.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the consolidated statement of profit or loss and other comprehensive income.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Investments and other financial assets (continued)

(iv) Impairment

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

2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.10 Other receivables

Other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the other receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 17 for further information about the Group's accounting for other receivables and Note 2.7 for a description of the Group's impairment policies.

2.11 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with financial institutions.

2.12 Share capital

Ordinary shares are classified as equity.

2.13 Other payables and accruals

These amounts represent liabilities for services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the consolidated statement of profit or loss and other comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in consolidated statement of profit or loss and other comprehensive income as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.15 Borrowing costs

All borrowing costs are expensed in consolidated statement of profit or loss and other comprehensive income in the period in which they are incurred.

2.16 Current and deferred income tax

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

(a) Current income tax

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Current and deferred income tax (continued)

(b) Deferred income tax

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

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

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

2.17 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position.

(b) Pension obligations

The Group operates a defined contribution plan in Hong Kong and pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(c) Bonus plan

The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the Company's shareholder. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Provisions

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

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

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

2.19 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

(a) Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

(b) Dividend income

Dividends are received from financial assets measured at FVPL. Dividends are recognised as other income in consolidated statement of profit or loss and other comprehensive income when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment.

2.20 Dividend distribution

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance. Current year profit and loss information has been included where relevant to add further context.

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, other price risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group does not use derivative financial instruments to hedge its financial risks.

Risk management is carried out by the management under policies approved by the Board of Directors. The management identifies and evaluates financial risks in close co-operation within the Group. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, other price risk, cash flow and fair value interest rate risk, credit risk and liquidity risk.

(i) Market risk

Foreign exchange risk

Foreign currency risk refers to the risk that the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group mainly operates in Hong Kong with most of the operating costs denominated and settled in HK\$. The Group's exposure to foreign currency risk primarily arises from investments denominated in US\$ against HK\$ as functional currency. During the year, the Group did not have foreign currency hedging policy but management continuously monitors the foreign exchange exposure. As HK\$ is pegged to US\$, the Group does not expect any significant movements in the US\$/HK\$ exchange rates. No sensitivity analysis in respect of the Group's financial assets denominated in US\$ is presented as in the opinion of the Directors, such sensitivity analysis does not give additional value in view of insignificant movement in the US\$/HK\$ exchange rates at the reporting dates.

Other price risk

The Group is exposed to price risk through its investments in financial assets at FVPL. In order to mitigate such risk, the Group would diversify its investment portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group. At 31 December 2020, if the price of the Group's financial assets at FVPL had been 10% higher/lower with all other variables held constant, the profit for the year would have increased/decreased by approximately HK\$195.43 million (2019: approximately HK\$226.32 million).

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(i) Market risk (continued)

Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from borrowing with variable rates, which expose the Group to cash flow interest rate risk. During 2020 and 2019, the Group's borrowing at variable rate were mainly denominated in HK\$.

As at 31 December 2020, with all other variables held constant, if the interest rate had increased/decreased by 10 basis point, the Group's post-tax profit would have been HK\$325,650 (2019: HK\$455,910) lower/higher.

(ii) Credit risk

Credit risk arises from cash and cash equivalents, contractual cash flows of debt instruments carried at FVPL and other receivables. The carrying amount of these balances represent the Group's maximum exposure to credit risk in relation to financial assets.

(i) Risk management

Credit risk is managed on a Group basis. For other receivables, the Group has policies in place to monitor the credit expose of the relevant parties. The Group will assess the financial capabilities of the relevant parties including its financial position, repayment histories, and its abilities to obtain financial support when necessary. Management also regularly reviews the recoverability of these receivables and follow up the disputes of amounts overdue, if any.

(ii) Impairment of financial assets

Other financial assets at amortised cost

Other financial assets at amortised cost include other receivables. Management is of the opinion that the risk of default by the counterparties are low and thus the loss allowances for these balance was insignificant as at 31 December 2020 (2019: same).

Cash and cash equivalent

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was insignificant.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(iii) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities. In management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group's policy is to regularly monitor current and expected liquidity requirements in the short and long term.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity grouping based on the remaining period at as 31 December 2020 to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year HK\$	Total contractual cash flows HK\$	Carrying amount HK\$
As 31 December 2020			
Other payables and accruals	5,618,898	5,618,898	5,618,898
Borrowing	398,510,529	398,510,529	390,000,000
	404,129,427	404,129,427	395,618,898

As at 31 December 2019, all the Group's financial liabilities are categorised to mature within 12 months. Balances due within 12 months equal their carrying balances as impact of discounting is not significant.

3 FINANCIAL RISK MANAGEMENT (continued)

3.2 Capital management

The Group's objectives when managing capital are to:

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders; and
- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowing less cash and bank balances. Total capital is calculated as "Equity" as shown in the consolidated statements of financial position plus net debt.

The gearing ratio as at 31 December 2020 and 2019 are as follows:

	2020 HK\$	2019 HK\$
Total borrowing	390,000,000	546,000,000
Less: cash and cash equivalents	(192,585,995)	(20,136,301)
Net debt	197,414,005	525,863,699
Total equity	1,845,954,948	1,798,477,822
Total capital	2,043,368,953	2,324,341,521
	10%	23%

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2020 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value	Sensitivity
	31 December 2020	31 December 2019					
i) Listed equity securities of Jade Sino Ventures Limited ("Jade Sino")	HK\$568,850,705	HK\$477,360,000	Level 3	Quoted bid prices in an active market with an adjustment of discount rate for lack of marketability calculated by option pricing model. (2019: Option-Pricing model. The key inputs are credit spread rate and volatility.)	Discount rate for lack of marketability of 15% (2019: Credit spread rate, determined by reference with credit analysis of the issuer and the market rate with similar credit ratio, of 5.73%. Volatility, determined by reference to the average annualised standard deviation of the continuously compounded rates of return on the daily average adjusted share price of the comparable companies, of 48.42%.)	The higher the discount rate for lack of marketability, the lower the fair value. (2019: The higher the credit spread rate, the lower the fair value. The higher the volatility, the higher the fair value.)	If the discount rate for lack of marketability is 2.5% higher/lower with all other variables were held constant, the fair value would increase/decrease by HK\$16,730,903. (2019: If the credit spread rate is 2.5% higher/lower, while all other variables were held constant, the fair value would decrease by HK\$1,117 and increase by HK\$1,151 respectively. If the volatility is 10% higher/lower, while all other variables were held constant/the fair value would increase by HK\$19,612 and decrease by HK\$12,029 respectively.)
ii) Unlisted ordinary shares of Jolly Investment Limited	HK\$288,600,000	HK\$273,000,000	Level 3	Option Pricing model The key inputs are credit spread rate and volatility	Credit spread rate, determined by reference with credit analysis of the issuer and the market rate with similar credit ratio, of 11.68% (2019: 8.29%). Volatility, determined by reference to the average annualized standard deviation of the continuously compounded rates of return on the daily average adjusted share price of the comparable companies, of 40.16% (2019: 34.95%).	The higher the credit spread rate, the lower the fair value (2019: The higher the credit spread rate, the lower the fair value). The higher the volatility, the higher the fair value (2019: The higher the volatility, the higher the fair value).	If the credit spread rate is 2.5% higher/lower, while all other variables were held constant, the fair value would decrease by HK\$163,862 (2019: HK\$855,024) and increase by HK\$168,363 (2019: HK\$898,679), respectively. If the volatility is 10% higher/lower, while all other variables were held constant/the fair value would increase by HK\$188 (2019: HK\$282,187) and decrease by HK\$137 (2019: HK\$86,960), respectively.
iii) Listed equity securities of BEST Inc.	HK\$52,780,263	HK\$143,852,093	Level 1	Quoted bid prices in an active market	N/A	N/A	N/A

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value	Sensitivity
	31 December 2020	31 December 2019					
iv) Unlisted convertible preferred shares with put option of Spruce	HK\$569,400,000	HK\$538,200,000	Level 3	Option-Pricing model The key inputs are credit spread rate and volatility	Credit spread rate, determined by reference with credit analysis of the issuer and the market rate with similar credit ratio, of 8.60% (2019: 8.44%). Volatility, determined by reference to the average annualized standard deviation of the continuously compounded rates of return on the daily average adjusted share price of the comparable companies, of 45.89% (2019: 44.76%).	The higher the credit spread rate, the lower the fair value (2019: The higher the credit spread rate, the lower the fair value). The higher the volatility, the higher the fair value (2019: The higher the volatility, the higher the fair value)	If the credit spread rate is 2.5% higher/lower, while all other variables were held constant, the fair value would decrease by HK\$322,505 (2019: HK\$430,003) and increase by HK\$354,180 (2019: HK\$486,169), respectively. If the volatility is 10% higher/lower, while all other variables were held constant/ the fair value would increase by HK\$648,129 (2019: HK\$834,691) and decrease by HK\$522,705 (2019: HK\$511,734), respectively.
v) Unlisted convertible preferred shares with put option of G7 Networks Limited	HK\$296,400,000	HK\$287,040,000	Level 3	Option-Pricing model The key inputs are credit spread rate and volatility	Credit spread rate, determined by reference with credit analysis of the issuer and the market rate with similar credit ratio, of 11.68% (2019: 8.29%). Volatility, determined by reference to the average annualized standard deviation of the continuously compounded rates of return on the daily average adjusted share of the comparable companies, of 42% (2019: 31.31%).	The higher the credit spread rate, the lower the fair value (2019: The higher the credit spread rate, the lower the fair value). The higher the volatility, the higher the fair value (2019: The higher the volatility, the higher the fair value).	If the credit spread rate is 2.5% higher/lower, while all other variables were held constant, the fair value would decrease by HK\$1,472,452 (2019: HK\$1,923,054) and increase by HK\$1,610,472 (2019: HK\$2,032,145), respectively. If the volatility is 10% higher/lower, while all other variables were held constant/ the fair value would increase by HK\$1,450,844 (2019: HK\$1,527,977) and decrease by HK\$1,409,656 (2019: HK\$1,640,888), respectively.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value	Sensitivity
	31 December 2020	31 December 2019					
vi) Unlisted convertible preferred shares with put option of Wacai Holdings Limited	-	HK\$202,800,000	Level 3	Option-Pricing model The key inputs are credit spread rate and volatility	No credit spread rate for 2020. (2019: Credit spread rate, determined by reference with credit analysis of the issuer and the market rate with similar credit ratio, of 15.50%). No volatility for 2020. (2019: Volatility, determined by reference to the average annualized standard deviation of the continuously compounded rates of return on the daily average adjusted share of the comparable companies, of 59.57%).	The higher the credit spread rate, the lower the fair value (2019: The higher the credit spread rate, the lower the fair value). The higher the volatility, the higher the fair value (2019: The higher the volatility, the higher the fair value).	N/A N/A
vii) Unlisted convertible preferred shares with put option of Yimidida Logistics Management Limited	HK\$178,223,469	HK\$194,456,228	Level 3	Option-Pricing model The key inputs are credit spread rate and volatility	Credit spread rate, determined by reference with credit analysis of the issuer and the market rate with similar credit ratio, of 13.60% (2019: 11.04%). Volatility, determined by reference to the average annualized standard deviation of the continuously compounded rates of return on the daily average adjusted share of the comparable companies, of 40.06% (2019: 45.19%).	The higher the credit spread rate, the lower the fair value (2019: The higher the credit spread rate, the lower the fair value). The higher the volatility, the higher the fair value (2019: The higher the volatility, the higher the fair value).	If the credit spread rate is 2.5% higher/lower, while all other variables were held constant, the fair value would decrease by HK\$5,592,351 (2019: HK\$7,141,134) and increase by HK\$6,055,013 (2019: HK\$7,929,518), respectively. If the volatility is 10% higher/lower, while all other variables were held constant/ the fair value would increase by HK\$7,132,737 (2019: HK\$9,591,593) and decrease by HK\$6,726,531 (2019: HK\$9,536,247), respectively.

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value	Sensitivity
	31 December 2020	31 December 2019					
viii) Listed equity securities of NIO INC.	-	HK\$146,443,869	Level 1	Quoted bid prices in an active market	N/A	N/A	N/A

The fair values of the financial assets are determined in accordance with option-pricing model which is a generally accepted pricing models.

Fair value hierarchy

	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
2020				
Financial assets				
Financial assets at FVPL	52,780,263	-	1,901,474,174	1,954,254,437
2019				
Financial assets				
Financial assets at FVPL	290,295,962	-	1,972,856,228	2,263,152,190

The fair values of the financial assets included in the level 3 category above have been determined in accordance with option-pricing model, with the most significant inputs being the credit spread rate that reflects the credit risk of counterparties and the volatility. The following table presents the changes in level 3 instruments for the year ended 31 December 2020 and 2019.

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

Reconciliation of level 3 fair value measurements

	Financial assets at FVPL HK\$
At 1 January 2019	1,710,151,900
Total gains recognised in profit or loss – change in fair value of financial assets at FVPL	262,704,328
At 31 December 2019 and 1 January 2020	1,972,856,228
Total losses recognised in profit or loss – change in fair value of financial assets at FVPL	(71,382,054)
At 31 December 2020	1,901,474,174

Of the total losses for the year included in profit or loss, HK\$71,382,054 (total gains of 2019: HK\$262,704,328) relates to financial assets at FVPL classified as level 3 held at the end of the reporting period. Fair value losses (2019: gains) on financial assets at FVPL are included in 'net valuation losses (2019: gains) on fair value of financial assets at FVPL'. There was no disposal of financial assets at FVPL classified as level 3 during the year ended 31 December 2020 (2019: same).

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Fair value of financial instruments and investments in associates measured at FVPL

The Group selects appropriate valuation techniques for financial instruments and investments in associates measured at FVPL for financial reporting purposes. The Director has delegated the valuation work to finance division, which is headed up by the vice president of finance division of the Company, to determine the appropriate valuation techniques and inputs for fair value measurements. In estimating the fair value of assets, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The finance division works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The vice president of finance division of the Company reports the finance division's findings to the Directors of the Company regularly to explain the cause of fluctuations in the fair value of the assets and liabilities. 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. Note 3.3 provides detailed information about the valuation techniques and inputs used in the determination of the fair value of various assets.

5 SEGMENT INFORMATION

The chief operating decision-maker ("**CODM**") has been identified as the Company's executive director. The Group's principal activity is investment in equity instruments and other financial instruments. For the purpose of resources allocation and assessment of performance, the CODM regularly reviews the Group's investment portfolio, including financial assets at FVPL. Information provided to the CODM includes fair value of the respective investees. The Group's financial assets at FVPL portfolio are managed and evaluated on a total return basis. No other discrete financial information was provided to the CODM. Therefore, the Group has identified only one operating segment-investment holding, and no separate segment information is disclosed. Management determines the Group is domiciled in Hong Kong, which is the location of the Group's principal office. The Group's non-current assets (other than financial assets at FVPL and property, plant and equipment) are located in the PRC, which is based on the operations of an associate. The Group's revenue was all derived from the Group's operation which is located in Hong Kong. Given that the nature of the Group's operation is investment holding, there was no information regarding major customers as determined by the Group.

6 FINANCE COSTS, NET

	2020 HK\$	2019 HK\$
Finance income		
Bank interest income	117,413	67,972
Finance costs		
Interest expense of borrowing	(13,879,700)	(21,437,575)
Finance costs, net	(13,762,287)	(21,369,603)

7 EXPENSES BY NATURE

	Notes	2020 HK\$	2019 HK\$
Employee benefits expenses (Note)	9		
– Directors' emoluments	8	300,000	300,000
– Basic salaries and other benefits		7,901,689	6,413,850
– Retirement benefits contribution		366,140	318,402
Auditor's remuneration			
– Audit services		1,091,170	1,078,800
– Non-audit services		371,960	361,120
Investment management fees		350,000	350,000
Legal and professional fees		3,897,444	5,836,760
Others		4,675,449	3,596,251
Total of general and administrative expenses		18,953,852	18,255,183

Note: During the year ended 31 December 2020, the Group paid HK\$873,422 (2019: HK\$940,683) services fee to a personnel services company which provided staffs to the Group. Such amounts are excluded from the total staff costs as mentioned above.

8 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES)

Directors' and deputy chief executive officer's emoluments

The remuneration of every Director and deputy chief executive officer for the year ended 31 December 2020 and 2019 is set out below:

	Directors' fee HK\$	Basic salaries and other benefits HK\$	Retirement benefits contributions HK\$	Total HK\$
For the year ended 31 December 2020				
Mr BAI Zhe	-	-	-	-
Mr WANG Xiangfei (Independent Non-executive Director) (resigned on 28 January 2021)	100,000	-	-	100,000
Mr FAN Ren Da, Anthony	100,000	-	-	100,000
Mr SIN Yui Man	100,000	-	-	100,000
	300,000	-	-	300,000

	Directors' fee HK\$	Basic salaries and other benefits HK\$	Retirement benefits contributions HK\$	Total HK\$
For the year ended 31 December 2019				
Mr BAI Zhe	-	-	-	-
Mr ZHANG Jielong (Deputy Chief Executive Officer) (resigned on 29 March 2019)	-	-	-	-
Mr WANG Xiangfei	100,000	-	-	100,000
Mr FAN Ren Da, Anthony	100,000	-	-	100,000
Mr SIN Yui Man	100,000	-	-	100,000
	300,000	-	-	300,000

Other than the Directors' emoluments disclosed above, Mr BAI Zhe received emoluments from its immediate controlling company, amounting to HK\$1,207,956 (2019: HK\$1,769,118), part of which is in respect of their services to the immediate controlling company and its subsidiaries.

No apportionment has been made as the Directors consider that it is impracticable to apportion this amount between their services to the Group and their services to the Company's immediate controlling company.

8 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES) (continued)

Directors' and deputy chief executive officer's emoluments (continued)

(a) Directors' retirement and termination benefits

None of the Directors received or will receive any retirement and termination benefits during the year (2019: Nil).

(b) Consideration provided to third parties for making available Directors' services

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

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

As at 31 December 2020, there is no loan, quasi-loan and other dealing arrangement in favour of the Directors, controlled bodies corporate and connected entities of such Directors (2019: Nil).

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

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

9 EMPLOYEE BENEFITS EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS

Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year do not include any Director whose emoluments is reflected in the analysis shown in Note 8 (2019: same). The emoluments payable to the five (2019: five) individuals during the year are as follows:

	2020 HK\$	2019 HK\$
Basic salaries, bonus and other benefits	5,903,000	5,168,959
Retirement benefits contributions	90,000	90,000
	5,993,000	5,258,959

The five highest paid individuals fell within the following bands:

	No. of individuals	
	2020	2019
Emolument bands		
Nil to HK\$1,000,000	1	2
HK\$1,000,001 to HK\$1,500,000	3	3
HK\$1,500,001 to HK\$2,000,000	1	–
	5	5

No incentive was paid by the Group to the above individuals as inducements to join, or upon joining the Group.

10 INCOME TAX EXPENSE

Hong Kong profits tax is calculated at 16.5% (2019: 16.5%) of the estimated assessable profit. No provision for Hong Kong profits tax has been made in the consolidated financial statements as the Group did not generate any assessable profits arising in Hong Kong during the year ended 31 December 2020 (2019: Nil).

Pursuant to the Corporate Income Tax Law, 10% (2019: 10%) withholding tax is levied on the PRC sourced income on foreign entities without establishments or places of business in the PRC.

	Note	2020 HK\$	2019 HK\$
Current income tax		4,245,680	–
Withholding tax		92,488	121,821
Deferred income tax	20	(1,896,419)	(66,955)
		2,441,749	54,866

10 INCOME TAX EXPENSE (continued)

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2020 HK\$	2019 HK\$
Profit before income tax	55,599,355	176,101,120
Calculated at domestic tax rates applicable to profits in the respective countries	6,584,836	29,056,685
Expenses not deductible for tax purposes	59,230,231	4,089,444
Income not subject to tax	(64,345,379)	(35,410,978)
Associates' results reported net of tax	46,543	(183,798)
Tax losses for which no deferred income tax asset was recognised	2,821,937	2,448,647
Tax effect of undistributed earnings of associates	(1,896,419)	(66,955)
Withholding tax on dividend income received from an associate	-	121,821
Income tax expense	2,441,749	54,866

11 DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2020, nor has any dividend been proposed since the end of the reporting period (2019: Nil).

12 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year.

	2020 HK\$	2019 HK\$
Profit for the year attributable to equity holders of the Company	53,157,606	176,046,254

	2020 No. of shares	2019 No. of shares
Weighted average number of shares in issue	2,902,215,360	2,902,215,360
Basic earnings per share (in HK cents)	1.83	6.07
Diluted earnings per share (in HK cents)	1.83	6.07

12 EARNINGS PER SHARE (continued)

(b) Diluted

Diluted earnings per share was the same as the basic earnings per share as there were no potential dilutive ordinary shares in existence during both years presented.

Basic earnings per share is calculated by dividing the profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year. The calculation of diluted earnings per ordinary share is based on the profit for the year attributable to equity holders of the Company and the weighted average number of ordinary shares used, which is the same for calculating basic earnings per ordinary share above, as the Company did not have any dilutive potential ordinary shares arising from share options for the year ended 31 December 2020 and 2019.

13 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$	Furniture and fixtures HK\$	Total HK\$
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020			
Cost	401,733	357,522	759,255
Accumulated depreciation	(401,733)	(357,522)	(759,255)
Net book amount	–	–	–

As at 31 December 2020 and 31 December 2019, the Group had gross carrying amount of fully depreciated property, plant and equipment of HK\$759,255 that is still in use.

14 INVESTMENTS IN ASSOCIATES

	2020 HK\$	2019 HK\$
At 1 January	68,873,347	70,484,937
Share of (losses)/profits	(465,432)	1,113,929
Dividend from an associate	(924,880)	(1,218,206)
Disposal of an associate	(68,350,702)	–
Currency translation difference	3,647,042	(1,507,313)
At 31 December	2,779,375	68,873,347

14 INVESTMENTS IN ASSOCIATES (continued)

The Group's principle associates accounted for using the equity method are as

Beijing Far East Instrument Company Limited ("BJFE") and China Property Development (Holdings) Limited ("CPDH")

Name of associate	Place of incorporation/ establishment	Place of operation	Equity interest attributable to the Group		Proportion of voting power held		Principal activities
			31 December 2020	31 December 2019	31 December 2020	31 December 2019	
Beijing Far East Instrument Company Limited	PRC	PRC	-	25%	-	25%	Manufacture of electronic and electrical instruments
China Property Development (Holdings) Limited	The Cayman Islands	PRC	33.42%	33.42%	20.49%	20.49%	Investment holding

The Group lost significant influence over BJFE during the year ended 31 December 2020 due to a disposal of equity interest through listing-for-sale on 3 December 2020. As the result, BJFE ceased to be an associate of the Group on 3 December 2020 in accordance with Hong Kong Accounting Standard 28 Investments in Associates and Joint Ventures ("HKAS 28"). Accordingly, the investment in BJFE at the date when significant influence is lost was recognised in consolidated statement of profit or loss and other comprehensive income.

Immediately after the loss of significant influence over BJFE, it was accounted for as a disposal of the entire interest in BJFE, with a resulting gain of approximately HK\$35,464,033 on disposal of an associate recognised in consolidated statement of profit or loss and other comprehensive income during the year ended 31 December 2020. The following table illustrates the summarised financial information of the associate up to the date of disposal during the prior year:

	From 1 January 2020 to date of disposal HK\$
Revenue	509,913,610
Loss for the period	(1,165,239)
Other comprehensive loss	(86,029)
Total comprehensive loss	(1,251,268)

14 INVESTMENTS IN ASSOCIATES (continued)

Summarised financial information for associate

Set out below is the summarised financial information for CPDH which is accounted for using the equity method.

Summarised statement of financial position

	CPDH	
	2020 HK\$	2019 HK\$
Current		
Total current assets	29,132,745	29,914,911
Total current liabilities	(20,816,242)	(21,077,396)
Net assets	8,316,503	8,837,515

Summarised statement of profit or loss and other comprehensive income

	CPDH	
	2020 HK\$	2019 HK\$
(Loss)/profit before income tax	(521,012)	1,633,724
(Loss)/profit for the year	(521,012)	1,633,724
Total comprehensive (loss)/income	(521,012)	1,633,724

The information above reflects the amounts presented in the financial statements of the associate adjusted for differences in accounting policies between the Group and the associate.

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its investment in associate:

	CPDH	
	2020 HK\$	2019 HK\$
Opening net assets as at 1 January	8,837,515	7,203,791
(Loss)/profit for the year	(521,012)	1,633,724
Closing net assets as at 31 December	8,316,503	8,837,515
Investment in associate	33.42%	33.42%
Carrying value as at 31 December	2,779,375	2,953,497

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 HK\$	2019 HK\$
Financial assets at FVPL (Note i)	1,665,654,437	1,990,152,190
Investment in an associate measured at FVPL (Note ii)	288,600,000	273,000,000
	1,954,254,437	2,263,152,190
Analysed to reporting purpose as		
Non-current assets	1,954,254,437	2,116,708,321
Current assets	–	146,443,869
	1,954,254,437	2,263,152,190

Certain financial assets of the Group are designated at FVPL because the relevant financial assets constitute a group that is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management and investment strategy, and information about the Group is provided internally on that basis to the Group's key management personnel. Changes in fair values of financial assets at FVPL are recorded in the consolidated statement of profit or loss and other comprehensive income. The information of the fair values of financial assets at FVPL is disclosed in Note 3.3.

Note i

- (a) On 29 September 2014, the Group entered into a share subscription agreement with Jade Sino Ventures Limited (“**Jade Sino**”). Pursuant to the agreement, the Group subscribed 11,904 ordinary shares of Jade Sino for an aggregate amount of US\$24,998,400 (equivalent to HK\$194,987,520), representing approximately 23.81% of the issued share capital of Jade Sino.

Jade Sino is an investment holding company incorporated in the British Virgin Islands with limited liabilities. It directly holds 20% of the equity interests of Jinko Power Technology Co., Ltd. (“**Jinko Power**”), a company incorporated in the PRC with limited liabilities. Jinko Power and its subsidiaries are principally engaged in developing, building and operating photovoltaic power stations in the PRC.

Shares of Jinko Power were successfully listed for trading on Shanghai Stock Exchange in May 2020.

As at 31 December 2020, the fair value of the ordinary shares of Jade Sino held by the Group was approximately HK\$568,851,000 (2019: HK\$477,360,000). As at 31 December 2020, Jade Sino directly held approximately 11.78% of the equity interests of Jinko Power.

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

Note i (continued)

- (b) On 18 January 2016, the Group entered into a shares subscription agreement with Best Inc. (“**Best Inc.**”). Pursuant to the agreement, the Group subscribed 3,317,010 convertible preferred shares of Best Inc. for an aggregate amount of US\$30,000,000 (equivalent to HK\$234,000,000), representing 0.96% of the issued share capital of Best Inc..

Shares of BEST Inc. were successfully listed for trading on New York Stock Exchange in September 2017.

BEST Inc. (“**BEST**”) (NYSE: BSTI) is principally engaged in express delivery, freight delivery and supply chain service. As at 31 December 2020, the fair value of the shares held by the Group was HK\$52,780,000 (2019: HK\$143,852,000). As at 31 December 2020, the proportion of its issued share capital of BEST Inc. owned by the Group was approximately 0.85% (2019: 0.85%).

- (c) On 24 November 2016, the Group entered into a shares subscription agreement with Spruce. Pursuant to the agreement, the Group subscribed 34,441,169 convertible preferred shares of Spruce for an aggregate amount of US\$25,700,000 (equivalent to HK\$200,460,000), representing 1.24% of the issued share capital of Spruce. The convertible preferred shares may, at the option of the Group, be converted into fully paid ordinary shares of Spruce.

Spruce is an investment holding company incorporated in the Cayman Islands with limited liabilities. It provides supply chain related services including ingredient procurement, warehousing and distribution to small-and-medium-sized restaurants in the PRC.

As at 31 December 2020, the fair value of the preferred shares with the put option of Spruce held by the Group was HK\$569,400,000 (2019: HK\$538,200,000). As at 31 December 2020, the proportion of the issued share capital of Spruce owned by the Group was approximately 1.06%.

- (d) On 29 December 2016, Excellent Fleet Limited, a wholly owned subsidiary of the Company, entered into a share subscription agreement with G7 Networks Limited (“**G7**”). Pursuant to the agreement, the Group subscribed 1,986,008 convertible preference shares of G7 for an aggregate amount of US\$25,000,000 (equivalent to HK\$195,000,000), representing 5.59% of the issued share capital of G7.

The convertible preferred shares may, at the option of the Group, be converted into fully paid ordinary shares of G7. In addition, the preferred shares are redeemable at the option of the Group if a qualified IPO has not occurred on or prior to 31 December 2023, with an annual return of 12% on the principal.

G7 was incorporated in the Cayman Islands with limited liabilities and engages in fleet logistic management services.

As at 31 December 2020, the fair value of the preferred shares with the put option of G7 held by the Group was HK\$296,400,000 (2019: HK\$287,040,000). As at 31 December 2020, the proportion of the issued share capital of G7 owned by the Group was approximately 4.14%.

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

Note i (Continued)

- (e) On 8 April 2017, Excellent Fortune Limited, a wholly-owned subsidiary of the Company entered into a preferred share purchase agreement (the "**Wacai Investment Agreement**") with Wacai Holdings Limited ("**Wacai**"). Pursuant to the agreement, the Group subscribed 3,317,010 preferred shares of Wacai for an aggregate amount of US\$25,000,000 (equivalent to HK\$195,000,000), representing 3.09% of the issued share capital of Wacai.

The preferred shares may, at the option of the Group, be converted into fully paid ordinary shares of Wacai. In addition, the convertible preferred shares are redeemable at the option of the Group if a qualified IPO has not occurred on or prior to 27 April 2021, with an annual return of 10%.

Wacai operates an online comprehensive financial planning and wealth management platform in the fin-tech industry in the PRC. Due to the tightening of regulation on internet finance, the business performance of Wacai was adversely and continuously affected. The Group considered the carrying amount of Wacai to be of no significant value and hence recognised a total loss on fair value of financial assets at fair value through profit or loss of approximately HK\$202,800,000 for the year ended 31 December 2020.

As at 31 December 2020, the fair value of the preferred shares with the put option of Wacai held by the Group was written down to zero due to the irrecoverability of Wacai investment (2019: HK\$202,800,000). As at 31 December 2020, the proportion of the issued share capital of Wacai owned by the Group was approximately 3.08%.

- (f) On 30 November 2017, Excellent Graticule Limited, a wholly-owned subsidiary of the Company entered into a capital increment agreement with Yimidida Logistics Management Limited ("**Yimidida**") ("**Yimidida Capital Increment Agreement**"). Pursuant to the agreement, the Group subscribed for the shares of Yimidida for an aggregate amount of RMB130,000,000, representing 7.39% of the issued share capital of Yimidida.

Yimidida is principally engaged in the operation of the less-than-truckload freight network and was jointly established by several regional leading less-than-truckload logistics enterprises, Yimidida, with the mode of direct operation in core areas and regional franchise, unified the branding, systems, clearing, services and management standards of its partners along the whole ecological chain, and rapidly established the country-wide freight franchise network.

As at 31 December 2020, the fair value of the issued share capital owned by the Group was approximately HK\$178,223,000 (2019: HK\$194,456,000). As at 31 December 2020, the proportion of the issued share capital of Yimidida owned by the Group was approximately 3.76%.

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

Note i (Continued)

- (g) On 1 December 2017, Star Azure International Limited, a wholly-owned subsidiary of the Company entered into a share subscription agreement with NIO INC. (“NIO”) (“NIO Investment Agreement”). Pursuant to the agreement, the Group subscribed 4,670,362 convertible preferred shares of NIO for an aggregate amount of US\$25,000,000 (equivalent to HK\$195,000,000). The convertible preferred shares may, at the option of the Group, be converted into fully paid ordinary shares of NIO. NIO, an investment holding company incorporated in the Cayman Islands with limited liabilities, is principally engaged in the research and development, manufacturing, sales and aftersales service of high-end luxury smart electric vehicles. On 12 September 2018, shares of NIO were successfully listed for trading on the New York Stock Exchange.

On 6 March 2019, the Board approved the potential disposal of the NIO ADSs held by the Company on the New York Stock Exchange, which was also approved by CDBIH in written. From 1 July 2020 to 8 July 2020, the Company completed the disposal of an aggregate of 4,670,362 ADSs of NIO Inc. with the average price of approximately US\$9.84 (equivalent to approximately HK\$76.28) per ADS.

Note ii

On 15 December 2015, the Group entered into a share subscription agreement with Jolly Investment Limited (“Jolly”). Pursuant to the agreement, the Group subscribed 7,245 ordinary shares of Jolly for an aggregate amount of US\$25,000,000 (equivalent to HK\$195,000,000), representing 23.04% of the enlarged issued share capital of Jolly. Jolly is an investment holding company incorporated in the Cayman Islands with limited liabilities. As at 31 December 2020, it indirectly holds 20.91% (2019: 20.91%) of the equity interests of Guangzhou P.G. Investment Co., Ltd. (廣州寶供投資有限公司) (“PG Investment”), a company incorporated in the PRC. PG Investment is a logistics warehouse infrastructure operator in the PRC, the fair value of the ordinary shares of Jolly held by the Group was HK\$288,600,000 (2019: HK\$273,000,000).

16 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

	Notes	2020 HK\$	2019 HK\$
Financial assets			
Financial assets at amortised cost			
Other receivables	17	93,813,515	–
Cash and cash equivalents	18	192,585,995	20,136,301
Financial assets at FVPL	15	1,954,254,437	2,263,152,190
		2,240,653,947	2,283,288,491
Financial liabilities			
Financial liabilities at amortised cost			
Other payables and accruals	19	5,618,898	6,343,584
Borrowing	22	390,000,000	546,000,000
		395,618,898	552,343,584

17 PREPAYMENTS AND OTHER RECEIVABLES

	2020 HK\$	2019 HK\$
Prepayments	340,524	555,987
Other receivables	93,813,515	–
	94,154,039	555,987

The carrying amounts of the other receivables approximate their fair values.

The carrying amounts of the other receivables are denominated in the following currencies:

	2020 HK\$	2019 HK\$
HK\$	340,524	555,987
Renminbi (“RMB”)	93,813,515	–
	94,154,039	555,987

The Group does not hold any collateral as security, information about the impairment of other receivables and the Group’s exposure to credit risk can be found in Note 3.1 (ii).

18 CASH AND CASH EQUIVALENTS

	2020 HK\$	2019 HK\$
Cash at banks and on hand	192,585,995	20,136,301

The carrying amounts of cash and cash equivalents are denominated in the following currencies:

	2020 HK\$	2019 HK\$
US\$	185,011,839	7,161,126
HK\$	6,757,028	12,735,735
RMB	817,128	239,440
	192,585,995	20,136,301

19 OTHER PAYABLES AND ACCRUALS

	2020 HK\$	2019 HK\$
Accrued operating expenses	7,818,898	6,343,584

The carrying amounts of the other payables approximate their fair values.

The carrying amounts of the other payables are denominated in the following currencies:

	2020 HK\$	2019 HK\$
US\$	1,341,756	975,000
HK\$	4,424,681	4,055,084
RMB	2,052,461	1,313,500
	7,818,898	6,343,584

20 DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognised and movements thereon during the year:

	Note	Undistributed profit of an associate HK\$
At 1 January 2019		1,963,374
Charged to the consolidated statement of profit or loss and other comprehensive income	10	(66,955)
At 31 December 2019		1,896,419
Charged to the consolidated statement of profit or loss and other comprehensive income	10	(1,896,419)
At 31 December 2020		–

At the end of the year, the Group had unused tax losses of HK\$45,340,969 (2019: HK\$111,728,169) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams in prior year. These tax losses have no expiry date.

21 SHARE CAPITAL

	Number of shares	Nominal value of shares HK\$
Ordinary shares, issued and fully paid:		
At 1 January 2019, 31 December 2019 and 2020	2,902,215,360	29,022,154

22 BORROWING

	2020 HK\$	2019 HK\$
Bank borrowing	390,000,000	546,000,000

The borrowing will be matured on 24 March 2023 and the bank has the overriding right to demand for repayment.

The carrying amount of borrowing of the Group approximates its fair value and is denominated in US\$. The bank borrowing carried floating rates at London Interbank Offered Rate plus 1.6%. Total bank borrowing of HK\$390,000,000 (2019: HK\$546,000,000) is unsecured and the bank has the overriding right to demand for repayment.

The Group has utilised the loan facilities from China Construction Bank (Asia) Corporation Limited by drawing down loans of US\$50,000,000 on 25 March 2020. The bank borrowing of HK\$546,000,000 (equivalent to US\$70,000,000) from China Minsheng Banking Corp., Ltd. Hong Kong Branch as at 31 December 2019 was fully settled on 30 March 2020.

23 RELATED PARTY TRANSACTIONS

The Company's immediate controlling company is CDBIH, a private limited company established in Hong Kong and its ultimate controlling company is CDB, a wholly state-owned policy bank established on 17 March 1994 in the PRC. CDB is a limited liability company owned by the MOF and Huijin. The MOF is one of the ministries under the State Council, primarily responsible for state fiscal revenue and expenditures, and taxation policies. Huijin was established to hold certain equity investments as authorised by the State Council and does not engage in other commercial activities. Huijin exercises legal rights and obligations on behalf of the PRC government.

In addition to those disclosed elsewhere in the financial statements, the following transactions were carried out with related parties:

- (a) On 11 November 2016, the Company entered into a loan facility agreement with its immediate controlling company which its immediate controlling company will provide term loans to the Company with amount up to US\$100,000,000. The term loans are unsecured, interest bearing at LIBOR + 1.65% per annum, and repayable at twelve months after the date of withdrawal. As at 31 December 2020, the Company has not utilised any of the loan facility (2019: same).

23 RELATED PARTY TRANSACTIONS (continued)

(b) Key management personnel compensation

Key management includes Directors and senior management. The compensation paid or payable to key management for employee services is shown below:

	2020 HK\$	2019 HK\$
Short term benefits	3,949,750	3,180,648
Post-employment benefits	54,000	54,000
	4,003,750	3,234,648

Note: Certain directors' compensation was borne by the immediate controlling company of the Group.

(c) The Group shared the office premises with its immediate controlling company and the rental expense was borne by its immediate controlling company.

24 CASH FLOW INFORMATION

Net debt reconciliation

This section sets out analysis of net debt and the movements in net debt for each of the periods presented.

Net debt	2020 HK\$	2019 HK\$
Cash and cash equivalents	192,585,995	20,136,301
Borrowing – with overriding right to demand for repayment	(390,000,000)	(546,000,000)
Net debt	(197,414,005)	(525,863,699)
Cash and liquid investments	192,585,995	20,136,301
Gross debt – variable interest rates	(390,000,000)	(546,000,000)
Net debt	(197,414,005)	(525,863,699)

	Liabilities from financing activities	
	Borrowing HK\$	Total HK\$
Net debt as at 1 January 2019, 31 December 2019 and 1 January 2020	546,000,000	546,000,000
Cash flows	(156,000,000)	(156,000,000)
Net debt as at 31 December 2020	390,000,000	390,000,000

25 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

Note	2020 HK\$	2019 HK\$
Assets		
Non-current assets		
Property, plant and equipment	–	–
Investments in subsidiaries	18	33
Financial assets at fair value through profit or loss	1,479,630,968	1,432,412,093
Amounts due from subsidiaries	561,890,574	758,693,565
	2,041,521,560	2,191,105,691
Current assets		
Prepayments and other receivables	2,665,728	555,987
Cash and cash equivalents	190,879,899	19,246,326
Total assets	2,235,067,187	2,210,908,004
Equity and liabilities		
Liabilities		
Current liabilities		
Other payables and accruals	7,643,956	6,268,388
Borrowing	390,000,000	546,000,000
Amounts due to subsidiaries	92,600,606	92,600,606
	490,244,562	644,868,994
Equity		
Capital and reserves		
Share capital	29,022,154	29,022,154
Reserves	1,715,800,471	1,537,016,856
	1,744,822,625	1,566,039,010
Total equity and liabilities	2,235,067,187	2,210,908,004

(b) Reserve movement of the Company

	Share premium HK\$	Capital redemption reserve HK\$	Retained earning HK\$	Total HK\$
1 January 2019	1,043,800,995	270,200	288,794,501	1,332,865,696
Profit for the year	–	–	204,151,160	204,151,160
At 31 December 2019	1,043,800,995	270,200	492,945,661	1,537,016,856
Profit for the year	–	–	178,783,615	178,783,615
At 31 December 2020	1,043,800,995	270,200	671,729,276	1,715,800,471

26 SUBSIDIARIES

The following is a list of the subsidiaries at 31 December 2020 and 2019:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Paid up issued ordinary share capital	Proportion of ordinary share capital directly held by the controlling company (%)	
				2020	2019
Pacific Equity Venture Inc.	British Virgin Islands, limited liability company	Investment holding in Hong Kong	1 share of HK\$1	100%	100%
Kencheers Investments Ltd.	British Virgin Islands, limited liability company	Investment holding in Hong Kong	1 share of HK\$1	100%	100%
Excellent Fleet Limited	British Virgin Islands, limited liability company	Investment holding in Hong Kong	1 share of US\$1	100%	100%
Ample Excess Limited	British Virgin Islands, limited liability company	Investment holding in Hong Kong	1 share of US\$1	-	100%
Excellent Fortune Limited	British Virgin Islands, limited liability company	Investment holding in Hong Kong	1 share of US\$1	100%	100%
Star Azure International Limited	British Virgin Islands, limited liability company	Investment holding in Hong Kong	1 share of US\$1	-	100%
Excellent Graticule Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	1 share of HK\$1	100%	100%

None of the subsidiaries had issued any debt securities at the end of the year (2019: Nil).

27 NET ASSET VALUE PER SHARE

Net asset value per share is computed based on the consolidated net assets of HK\$1,845,954,948 (2019: HK\$1,798,477,822) and 2,902,215,360 ordinary shares in issue as at 31 December 2020 and 2019.

28 EVENT AFTER THE BALANCE SHEET DATE

The Directors are not aware of any significant event requiring disclosure that had taken place subsequent to 31 December 2020 and up to the date of this report.

Five Year Financial Summary

For the five year ended 31 December 2020

The consolidated results and assets and liabilities of the Group for the past five years:-

Results

	2020 HK\$	2019 HK\$	2018 HK\$	2017 HK\$	2016 HK\$
Profit before income tax	55,599,355	176,101,120	139,738,316	176,547,163	85,072,530
Assets and liabilities					
Non-current assets					
Property, plant and equipment	-	-	-	-	-
Investments in associates	2,779,375	68,873,347	70,484,937	73,892,455	67,112,795
Financial assets at fair value through profit or loss	1,954,254,437	2,116,708,321	1,816,488,607	1,874,231,337	1,139,242,814
	1,957,033,812	2,185,581,668	1,886,973,544	1,948,123,792	1,206,355,609
Current assets					
Financial asset at fair value through profit or loss	-	146,443,869	232,051,606	-	-
Other receivables, prepayments and deposits	94,154,039	555,987	-	49,196	343,809
Cash and cash equivalents	192,585,995	20,136,301	59,154,395	92,873,839	108,751,139
	286,740,034	167,136,157	291,206,001	92,923,035	109,094,948
Current liabilities					
Other payables and accruals	(7,818,898)	(6,343,584)	(6,277,290)	(5,486,625)	(6,264,274)
Borrowing	(390,000,000)	(546,000,000)	(546,000,000)	(546,000,000)	-
Net current (liabilities)/assets	(111,078,864)	(385,207,427)	(261,071,289)	(458,563,590)	102,830,674
Total assets less current liabilities	1,845,954,948	1,800,374,241	1,625,902,255	1,489,560,202	1,309,186,283
Non-current liability					
Deferred tax liabilities	-	(1,896,419)	(1,963,374)	(1,891,654)	(2,325,834)
Net assets	1,845,954,948	1,798,477,822	1,623,938,881	1,487,668,548	1,306,860,449
Capital and reserves					
Share capital	29,022,154	29,022,154	29,022,154	29,022,154	29,022,154
Reserves	1,816,932,794	1,769,455,668	1,594,916,727	1,458,646,394	1,277,838,295
Total equity	1,845,954,948	1,798,477,822	1,623,938,881	1,487,668,548	1,306,860,449