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HAO WEN HOLDINGS LIMITED

皓文控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8019)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020**

The board (“**Board**”) of directors (“**Directors**”) of Hao Wen Holdings Limited (“**Company**”, together with its subsidiaries, the “**Group**”) is pleased to announce the annual results of the Group for the year ended 31 December 2020. This announcement, containing the full text of the 2020 annual report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (“**GEM Listing Rules**”) in relation to information to accompany preliminary announcements of annual results.

By Order of the Board
Hao Wen Holdings Limited
TSUI Annie
Chairperson

Hong Kong, 30 March 2021

As at the date hereof, the Board comprises Ms. TSUI Annie and Mr. FENG Keming as executive Directors, and Mr. CHAN Kwan Yiu, Ms. MA Sijing and Ms. HO Yuen Ki as independent non-executive Directors.

This announcement, for which the Directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the GEM website at <http://www.hkgem.com> on the “Latest Company Announcements” page for at least 7 days from the date of its posting and on the Company’s website at <http://www.tricor.com.hk/web/service/008019>.



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2020

ANNUAL REPORT



CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this annual report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this annual report.

This annual report, for which the directors (the “Directors”) of Hao Wen Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this annual report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this annual report misleading.

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CORPORATE INFORMATION

Directors

Executive Directors

Ms. TSUI Annie
Mr. FENG Keming (appointed on 6 January 2020)
Ms. WANG Ziyi (resigned on 6 January 2020)

Independent Non-Executive Directors

Mr. CHAN Kwan Yiu
Ms. MA Sijing
Ms. HO Yuen Ki

Company Secretary

Mr. CHAK Chi Shing (appointed on 2 January 2020)
Ms. WONG Man Yi (resigned on 2 January 2020)

Assistant Company Secretary

Conyers Trust Company (Cayman) Limited

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

Level 12, Infinitus Plaza
199 Des Voeux Road Central
Sheung Wan
Hong Kong

Auditors

McMillan Woods (Hong Kong) CPA Limited
3/F., Winbase Centre,
208 Queen's Road Central,
Hong Kong

Compliance Officer

Ms. TSUI Annie

Authorised Representatives

Ms. TSUI Annie
Mr. CHAK Chi Shing (appointed on 2 January 2020)
Ms. WONG Man Yi (resigned on 2 January 2020)

Legal Advisor on Cayman Islands Laws

Conyers Dill & Pearman
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Principal Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar and Transfer Office

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

Principal Banker in Hong Kong

The Hongkong and Shanghai Banking
Corporation Limited

GEM Stock Code

8019

CHAIRPERSON'S STATEMENT

For and on behalf of the board of directors (the "Board") of the Company together with its subsidiaries (collectively, the "Group"), I am pleased to present to all shareholders of the Company (the "Shareholders") the annual report of the Group for the year ended 31 December 2020 (the "Year").

Revenue for the year was approximately RMB52,824,000, which represented a decrease of approximately 16.2% as compared with that of 2019. The decline was mainly contributed by the downturn in the business of processing and trading of electronic parts which being partially offset by the burial business. The Group recorded a loss of approximately RMB25,588,000 for the year mainly due to the impairment loss on interest in associates, impairment loss on goodwill and the allowance for expected credit losses.

Looking forward, the Group would devote more resources on the burial business while keeping steady in the money lending business and the processing and trading of electronic parts business. The Group would also explore other potential investment opportunities in order to broaden our income sources.

On behalf of the Board, I would like to extend my appreciation to Shareholders for their continued support and to our staff for their dedication and diligence. I also wish to take this opportunity to express my sincere gratitude to the Group's customer, suppliers, bankers, lawyers and auditors for their trust and support to the Group.

TSUI Annie
Chairperson

Hong Kong, 30 March 2021

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

During the Year, the Group continued to focus on the money lending business and processing and trading of electronic parts business and commenced engaging in the burial business. The Group engaged in money lending business by providing both secured and unsecured loans to individuals and corporate customers. We provide personal loans, mortgage loans and corporate loans. Interest income earned from the money lending business was approximately RMB30,833,000 during the Year, which represented approximately 58.4% of the total revenue. Meanwhile, the Group engaged in sourcing, processing, and sales of computer-related and smartphone-related electronic parts and components, such as CPU, LED screen panel, hard-disk, and smartphone chipsets and lens. Revenue earned from the processing and trading of electronic parts business was approximately RMB16,882,000 during the Year, which represented 32.0% of the total revenue. In 2020, the Group captured business opportunities to expand into the death care service industry which has increasing demand in recent years in the PRC. The Group commenced the burial business which included the sale of burial plots and cemetery maintenance services. Revenue earned from the burial business was approximately RMB5,109,000 during the Year, which represented 9.6% of the total revenue.

Financial review

During the Year, the Group recorded an audited consolidated revenue of approximately RMB52,824,000 (2019: RMB63,065,000), which represented a decrease of approximately 16.2% as compared with that of 2019.

The decrease of turnover was primary attributable to the drop in revenue from the processing and trading of electronic parts business. The income from processing and trading of electronic parts business has dropped by approximately RMB14,396,000 or 46.0% to approximately RMB16,882,000 (2019: RMB31,278,000). The decrease was due to the lower demand from customers given the unfavourable economic conditions in the PRC due to the outbreak of Novel Coronavirus ("COVID-19") and China-US trade war. During the Year, the demand in the loan market remained stable, the Group recorded a slightly decrease of approximately RMB954,000 or 3.0% in revenue from money lending business as compared with the corresponding period in 2019. The Group has derived interest income from our loan portfolio of approximately RMB30,833,000 for the Year (2019: RMB31,787,000). Meanwhile, the drop of turnover being partially offset by the burial business of approximately RMB5,109,000 during the Year.

The fair value of financial assets at fair value through profit or loss were turnaround from a net loss of approximately RMB879,000 to net gain of approximately RMB543,000 which comprised a net unrealised gain of approximately RMB1,615,000 from the listed securities portfolio held by the Group for the Year and partially offset by the loss on fair value on early redemption of convertible bonds of approximately RMB1,072,000.

The general and administrative expenses for the Year decreased by approximately RMB2,452,000 or 8.6% from approximately RMB28,459,000 to approximately RMB26,007,000. The decrease was mainly attributed to less corporate exercises incurred during the Year.

The finance costs for the Year has increased by approximately RMB717,000 or 18.2% from approximately RMB3,940,000 to RMB4,657,000. The finance costs for the Year mainly represented the interest expenses on the unsecured bonds.

Loss attributable to owners of the Company for the Year amounted to RMB25,571,000 (2019: RMB25,050,000), which represented approximately RMB521,000 or 2.1% increase as compared with the corresponding year. The loss incurred was mainly attributable to the decrease in turnover, the increase in allowance for expected credit losses and the decrease in impairment loss on interest in associates and impairment loss on goodwill.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

The allowance for expected credit losses of approximately RMB22,138,000 (2019: RMB12,859,000) was recognised for the Year. Due to the large-scale impact of the outbreak of novel coronavirus pneumonia and its anticipated impact on the economy, the expected credit losses on the trade and loan receivables are higher as compared to last year, which lead to the increase in the allowance of expected credit losses recorded during the Year.

The impairment loss on interest in associates of approximately RMB3,367,000 (2019: RMB10,774,000) was recognised for the Year. The valuation method of discounted cash flow ("DCF") was adopted for the calculation of the value in use of the CGU of the associate. The income approach in the form of DCF methodology was adopted as it is judged to be most appropriate for the purpose and scope of the analysis. The cost approach was not applied for the valuation of the associate as it tends to understate the value of an income-generating business. Market approach was not considered due to the fact that the associate has a business plan on the operation which direct comparison with public comparable companies is not appropriate. Moreover, the key assumptions used in the calculations, i.e. the cash flow forecast, future revenue and gross profit growth, were based on historical data of the previous year adjusted by forward-looking information. There have been no changes in the valuation method used for the year ended 31 December 2020 and 2019.

As at 31 December 2020, the Group had trade, loan and other receivables, prepayments and deposit of approximately RMB339,414,000 (2019: RMB375,722,000). The balance primarily represented trade receivables of approximately RMB10,261,000, loan receivables of approximately RMB300,161,000 and prepayments of approximately RMB19,539,000 which were mainly paid to the suppliers of processing and trading electronic parts business and the burial business.

LIQUIDITY AND FINANCIAL RESOURCES

	2020	2019
Current ratio	33.3 times	20.9 times
Gearing (Total Liabilities/Total Assets)	15.4%	14.2%

The Group generally finances its operations through internally-generated cash flows, issued unsecured bonds to independent third parties and shareholder's equity.

As at 31 December 2020, the Group had current assets of approximately RMB228,270,000 (2019: RMB289,171,000) and liquid assets comprising cash and short-term securities investments totalling approximately RMB14,723,000 (2019: RMB4,847,000). The Group's current ratio, calculated based on current assets of approximately RMB228,270,000 (2019: RMB289,171,000) over the current liabilities of approximately RMB6,850,000 (2019: RMB13,814,000), was at a healthy level of approximately 33.3 times as at 31 December 2020 (2019: 20.9 times).

As at 31 December 2020, the Group's gearing ratio, being the ratio of total liabilities to total assets, was approximately 15.4% (2019: 14.2%).

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

With the amount of liquid assets and short-term securities investments on hand, the management is of the view that the Group has sufficient financial resources to meet its ongoing operational requirements.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

MATERIAL ACQUISITION AND DISPOSAL

The Group had no material acquisition nor disposal of subsidiaries, associates and joint ventures during the Year.

BONDS

On 12 January 2018, the Company issued unsecured bonds to independent third parties with principal amount of HK\$30,000,000 and with effective interest rate of 11% per annum. The maturity date of which is 3 years. On 1 November 2020, the Company renewed the unsecured bonds with the same independent third parties with revised principal amount of HK\$42,500,000 and effective interest rate of 11% per annum and the maturing date is the fifth anniversary of the renewal date.

On 12 July 2019, the Company issued unsecured bonds to independent third parties with principal amount of HK\$15,000,000 and with effective interest rate of 11% per annum, the maturity date of which is 3 years.

SIGNIFICANT INVESTMENTS

The Group had no significant investments during the Year.

SHARE CONSOLIDATION

On 26 May 2020, the Company proposes to implement the share consolidation by consolidating every ten (10) issued and unissued shares of HK\$0.02 each in the share capital of the Company into one (1) consolidated share of HK\$0.2 each.

An extraordinary general meeting of the Company was held on 8 July 2020 and the resolution was duly passed by poll as an ordinary resolution. Accordingly, the share consolidation became effective on 10 July 2020. Details of the share consolidation were set out in the Company's circular dated 12 June 2020 and the Company's announcements dated 26 May 2020 and 8 July 2020.

CAPITAL REDUCTION AND SUB-DIVISION

On 3 September 2020, the Company proposes to implement the capital reduction involving the reduction of the par value of each issued share from HK\$0.20 to HK\$0.01 by cancelling the paid up share capital to the extent of HK\$0.19 per issued share so that following such reduction, each issued share with a par value of HK\$0.01 in the share capital of the Company shall become one new share.

An extraordinary general meeting of the Company was held on 5 October 2020 and the resolution was duly passed by poll as a special resolution. Accordingly, the capital reduction and sub-division became effective on 29 January 2021. Details of the capital reduction and sub-division were set out in the Company's circular dated 11 September 2020 and the Company's announcements dated 3 September 2020, 5 October 2020, 25 January 2021 and 28 January 2021.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

CAPITAL STRUCTURE

Authorised share capital

As at 31 December 2020, the authorised share capital of the Company ("Authorised Share Capital") was HK\$1,000,000,000 divided into 5,000,000,000 shares of HK\$0.20 each. The Authorised Share Capital had been reduced to HK\$0.01 as a result of the share consolidation effective on 10 July 2020.

Issued share capital

As at 31 December 2020, the number of shares in issue was 257,572,058 shares of HK\$0.20 each.

FOREIGN EXCHANGE EXPOSURE

Most of the Group's assets, liabilities and transactions are denominated in Hong Kong dollars and Renminbi. The Group has not implemented any hedging policy during the Year, but the Director will continue to monitor its foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

CHARGES ON GROUP ASSETS

As at 31 December 2020, none of the assets of the Group has been pledged to secure any loan granted to the Group (2019: Nil).

HUMAN RESOURCES

As at 31 December 2020, the Group had about 25 employees (2019: 38 employees) working in Hong Kong and the PRC. The staff costs, including directors' emoluments, were approximately RMB2,249,000 for the Year (2019: RMB6,266,000).

The emolument policy of the Directors are decided by the Board, taking into account recommendation from the remuneration committee of the Board, having regard to merit, qualification and competence of each Director. The Group remunerates its employees based on their performance, experience and the prevailing industrial practice. Benefits plans maintain by the Group including contribution to statutory mandatory provident fund scheme, medical insurance, the Share Option Scheme and discretionary bonus.

CONTINGENT LIABILITIES

As at 31 December 2020, the Group had no contingent liabilities (2019: Nil).

CAPITAL COMMITMENT

As at 31 December 2020, the Group did not have any material capital commitment (2019: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

USE OF PROCEEDS

The placing of convertible bonds under general mandate was completed on 14 October 2020 and the net proceeds of the placing were approximately HK\$8,370,000. The Group intended to use the net proceeds for the general working capital of the Group. Up to the reporting date, the net proceeds were fully utilized as intended. For details, please refer to the Company's announcement dated 25 September 2020 and 14 October 2020.

BUSINESS OUTLOOK AND PROSPECT

Since January 2020, the outbreak on COVID-19 has impacted the global business environment. Pending the development and spread of COVID-19 and the China-US trade war, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group. The Group will continue to monitor the development of the market and react actively to its impact on the financial position and operating results of the Group.

Despite the challenges ahead, the Group is pleased with the positioning of its loan portfolio and will continue to adopt a prudent but sensible risk management policy to maintain a balance risk reward.

Looking forward, the Group will continue to dedicate efforts on the processing and trading of electronics parts business with the view to achieving product upgrade and takes various cost-savings and quality improvement measures for the business. The Group has been seeing a surge in market interest in its burial business and continues to build a strong pipeline on burial business which will lead to new growth opportunities.

The Group is confident that it will be well positioned in facing the upcoming challenges and preserving long-term profitability growth for its shareholders. The Group would also explore other potential investment opportunities in order to broaden our income sources.



PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Ms. TSUI Annie (“Ms. Tsui”), aged 36, joined the Company in 2015 as an executive Director, and appointed as Chairperson of the Board and a member of the remuneration committee of the Board in 2016. She also serves as a director of certain subsidiaries of the Company. Ms. Tsui has over 8 years of experience in retail businesses. Ms. Tsui operated a chain fashion business of 7 shops in Hong Kong. She operates a jewellery retail store in Hong Kong. She has extensive management experience in corporate leadership, corporate development, strategic planning and business strategies as well as in critical business decisions. Ms. Tsui has passed Paper 12 of Licensing Examination for Securities and Futures Intermediaries organised by Hong Kong Securities and Investment Institute.

Mr. FENG Keming (“Mr. Feng”), aged 34, was graduated from 北京師範大學珠海分校 (Beijing Normal University Zhuhai*) with a Bachelor Degree in English in August 2011. Mr. Feng has more than 8 years of working experience in banking and financial industry. He has extensive experiences in providing financial services to the customers, including corporate clients and individual.

Independent Non-Executive Directors

Mr. CHAN Kwan Yiu (“Mr. Chan”), aged 38, joined the Company in 2017 as an independent non-executive Director, the Chairman of the audit committee, the remuneration committee and the nomination committee of the Board. Mr. Chan was graduated from the Hong Kong Baptist University with the Master of Science degree in Corporate Governance and Directorship in 2013. Mr. Chan is a member of the Hong Kong Institute of Certified Public Accountants and an Associate of The Institute of Chartered Accountants in England and Wales. He is a Certified Public Accountant (Practising) in Hong Kong. Mr. Chan has over 10 years of experience in auditing and accounting in professional firms. Mr. Chan was appointed as an independent non-executive director of Hong Kong Education (Int’l) Investments Limited (“HK Education”), a company listed on the Main Board of the Stock Exchange in October 2017 and the appointment was declared invalid on 3 November 2017 since the board meeting to approve the appointment was invalid for failure to give proper notice to all members of the board of HK Education.

Ms. MA Sijing (“Ms. Ma”), aged 49, joined the Company in 2014 as an independent non-executive Director, a member of the audit committee, the remuneration committee and the nomination committee of the Board. Ms. Ma graduated from 中央廣播電視大學 (China Central Radio and TV University*) specializing in social work and obtained the certificate of accounting profession issued by 深圳龍崗財政局 (Shenzhen Longgang Municipal Finance Bureau*) in the PRC in May 2005. Ms. Ma is currently the financial controller of a non-governmental organization primarily responsible for the financial and accounting matters in the PRC. Ms. Ma has over 20 years’ experience in financial and accounting in different sectors, such as biotech industries and social services in the PRC.

Ms. HO Yuen Ki (“Ms. Ho”), aged 39, joined the Company in 2016 as an independent non-executive Director, a member of the audit committee, the remuneration committee and the nomination committee of the Board. Ms. Ho was graduated from University of Salford with the degree of Bachelor of Science (Hons.) in Finance and Accounting in 2004. Ms. Ho is a member of the Association of Chartered Certified Accountants. Ms. Ho has over 10 years of experience in auditing and accounting in different sectors, such as apparels industry and accountant firms.

Senior Management

Mr. CHAK Chi Shing (“Mr. Chak”) was appointed as the company secretary of the Company in 2020. Mr. Chak obtained a bachelor’s degree of commerce in Accounting and Finance from Curtin University of Technology in March 2006. He is a certified public accountant of Hong Kong Institute of Certified Public Accountants and Certified Public Accountant Australia. Mr. Chak has over 13 years of experience in auditing, accounting, corporate finance and financial management and over three years of experience in company secretarial matter and corporate governance in listed companies.

* Translation of Chinese forms for reference only.

CORPORATE GOVERNANCE REPORT

Corporate Governance

The Company is committed to achieve and maintain the highest standard of corporate governance consistent with the needs and requirements of the business and its shareholders, and consistent with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the “CG Code”) contained in Appendix 15 to the GEM Listing Rules. The Group has considered the CG Code and has put in place corporate governance practices to meet the code provisions.

The corporate governance principles of the Company emphasise a quality board, sound internal controls, and transparency and accountability to all Shareholders.

Throughout the financial year ended 31 December 2020, except for deviations from code provisions A.4.1 and A.6.7 which are explained in paragraphs A.4 and F.1 below, the Group has complied with all code provisions.

A Directors

A.1 The Board

The Board assumes the responsibility for leadership and control of the Company. Our Directors are collectively responsible for promoting the success of the Company by developing the strategic direction of the Group and directing and supervising the affairs of the Company.

The Board is responsible for the management of the business and affairs of the Group with the objective of enhancing shareholder value and presenting a balanced, clear and understandable assessment of the Company’s performance, position and prospects in its annual, interim and quarterly reports, other inside information announcements, other financial disclosures as required under the GEM Listing Rules, reports to regulators, and information required to be disclosed pursuant to statutory requirements. The Board is also required to approve acquisitions or disposals and connected transactions within the meaning of Chapter 20 of the GEM Listing Rules that require notification or approval under the GEM Listing Rules.

The Board has a fiduciary duty and statutory responsibility towards the Group and is directly accountable to the Shareholders. Other responsibilities and matters reserved to the Board are set out in paragraph E.1 below.



CORPORATE GOVERNANCE REPORT *(Continued)*

The Board meets regularly, normally four times each year with a meeting scheduled at approximately three month intervals and additional meetings would be arranged if and when necessary. The dates of regular Board meetings for each year are normally made available to all Directors at the beginning of the year to provide sufficient notice to give all Directors an opportunity to attend. Regular meetings are for reviewing and approving the financial and operating performances of the Group as well as considering and approving the overall strategies and policies of the Group. Special Board meetings will be held when necessary. Matters on transactions where Directors are considered having a conflict of interest or material interests would not be dealt with by way of written resolutions and a separate Board meeting shall be held where independent non-executive Directors who have no interests should be present at the meeting. Directors having a conflict of interest or material interests in a transaction before the meeting of the Board will declare his/her interest therein in accordance with the articles of association of the Company ("Articles of Association"), shall abstain from voting on the resolution and shall not be counted in the quorum present at such Board meeting. Such declaration of interests will be duly noted in the minutes of the relevant Board meeting.

Notices are given to all the Directors for attending regular Board meetings approximately fourteen (14) days before the meetings. For other Board meetings, reasonable notices are generally given. Board papers, together with all appropriate information are sent to all Directors at least three (3) days before each Board meetings to the extent practicable.

Board meetings involve the active participation, either in person or through other electronic means of communication, by all of the Directors. The company secretary of the Company ("Company Secretary") assists in preparing the meeting agenda, and each Director may request the inclusion of items in the agenda. Directors are also consulted to suggest matters to be included in the agenda for all regular meetings of the Board.

Minutes of the Board meetings are recorded in detail and draft minutes are circulated within a reasonable time after the meeting to all Directors for their review and comments before being approved by the Board. All the minutes of the meetings are properly kept by the Company Secretary and are available for inspection by the Directors during normal office hours.

Participation of individual Directors at Board meetings in 2020 is as follows:

	Number of meetings
	13
Executive Directors:	
Ms. TSUI Annie	13/13
Mr. FENG Keming	11/13
Independent non-executive Directors:	
Mr. CHAN Kwan Yiu	13/13
Ms. MA Sijing	13/13
Ms. HO Yuen Ki	13/13

CORPORATE GOVERNANCE REPORT *(Continued)*

A.2 Chairperson and Chief Executive Officer

Pursuant to the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairperson and chief executive should be clearly established to ensure a balance of power and authority. Ms. TSUI Annie serves as the Chairperson of the Company and is responsible for the effective functioning and leadership of the Board.

A.3 Board composition

As at the date of this report, the Board comprises five Directors: two executive Directors and three independent non-executive Directors. The current composition of the Board is as follows:

Membership of Board Committees:

Executive Directors:

Ms. TSUI Annie

Member of the Remuneration Committee

Mr. FENG Keming

–

Independent non-executive Directors:

Mr. CHAN Kwan Yiu

Chairman of the Audit Committee

Chairman of the Remuneration Committee

Chairman of the Nomination Committee

Ms. MA Sijing

Member of the Audit Committee

Member of the Remuneration Committee

Member of the Nomination Committee

Ms. HO Yuen Ki

Member of the Audit Committee

Member of the Remuneration Committee

Member of the Nomination Committee

The GEM Listing Rules require every listed issuer to have at least three independent non-executive Directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. Mr. CHAN Kwan Yiu is a member of the Hong Kong Institute of Certified Public Accountants and an Associate of The Institute of Chartered Accountants in England and Wales. He is a Certified Public Accountant (Practising) in Hong Kong. Mr. Chan has over 10 years of experience in auditing and accounting in professional firms.

The Company has received from each of the independent non-executive Directors an annual confirmation of his/her independence pursuant to Rule 5.09 of the GEM Listing Rules. The Board has assessed the independence of all the independent non-executive Directors and is satisfied of their independence. None of the independent non-executive Directors of the Company has served the Company for 9 years or more.

The Board members do not have any family, financial or business relations with each other. The biographies of our Directors are set out on page 10 of this annual report.

CORPORATE GOVERNANCE REPORT *(Continued)*

The list of Directors is disclosed in all corporate communications issued by the Company pursuant to the GEM Listing Rules from time to time.

The Company has arranged appropriate insurance cover in respect of the legal action against the Directors.

A.4 Appointment, re-election and removal of Directors

Code provision A.4.1 of the CG Code stipulates that non-executive Directors should be appointed for a specific term, subject to re-election.

Code provision A.4.2 stipulates that all Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. Every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Each of the independent non-executive directors of the Company was appointed without a specific term of appointment. As the appointment of independent non-executive Directors are subject to the retirement by rotation provisions in the Articles of Association, the Board considers that it is not necessary to appoint the non-executive Directors for a specific term. At every annual general meeting of the Company ("AGM"), one-third of the Directors for the time being, or if their number is not three or in a multiple of three, the number nearest to but not less than one-third, shall retire from office by rotation according to article 84(1) of the Articles of Association. All Directors, including those appointed for a fixed term, are subject to the retirement by rotation provision in the Articles of Association.

Pursuant to article 83(3) of the Articles of Association, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of the Shareholders after his/her appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office until the next following AGM and shall then be eligible for re-election.

A.5 Nomination Committee

The Board has established a nomination committee (the "Nomination Committee") on 18 November 2009 with written terms of reference revised in January 2019. Currently, the Nomination Committee comprised of Mr. CHAN Kwan Yiu, Ms. MA Sijing and Ms. HO Yuen Ki, all are independent non-executive Directors.

CORPORATE GOVERNANCE REPORT *(Continued)*

The Nomination Committee is responsible for reviewing Board composition structure, size and diversity (including but not limited to gender, age, culture and educational background), identifying suitable candidates for directorship, assessing the independence of independent non-executive Directors, making recommendations to the Board regarding any proposed appointment or re-appointment. The Nomination Committee follows a formal, considered and transparent procedure for the appointment of new Directors to the Board. The appointment of a new Director is the collective decision of the Board, taking into consideration the recommendation of the Nomination Committee and the relevant candidate's qualification, expertise, experience, integrity and commitment to his/her responsibilities within the Group. In addition, all candidates to be selected and appointed as a Director must be able to meet the standards set out in Rules 5.01 and 5.02 of the GEM Listing Rules. A candidate who is to be appointed as an independent non-executive Director must also meet the independence criteria set out in Rule 5.09 of the GEM Listing Rules. Further appointment of independent non-executive Director who has served more than 9 years should be subject to a separate resolution to be approved by the Shareholders and the Board would consider and set out the reasons why such independent non-executive Director continues to be independent and should be elected.

Pursuant to article 84(1) of the Articles of Association, at each AGM, one-third of the Directors shall retire from office by rotation provided that every Director shall be subject to retirement at an AGM at least once every three years. Any Director who retires under article 83(3) of the Articles of Association shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation at such meeting pursuant to article 84(2) of the Articles of Association. In this regard, Ms. TSUI Annie, an executive Director and Ms. HO Yuen Ki, an independent non-executive Director, shall retire from office by rotation upon the conclusion of the forthcoming AGM and be eligible to offer themselves for re-election.

The Nomination Committee has held 2 meetings during 2020.

Attendance of individual members at the Nomination Committee meetings in 2020 is as follows:

	Number of meetings
	2
Mr. CHAN Kwan Yiu	2/2
Ms. MA Sijing	2/2
Ms. HO Yuen Ki	2/2

CORPORATE GOVERNANCE REPORT *(Continued)*

The summary of work performed by the Nomination Committee during 2020 is as follows:

- To review the existing Board's structure, size, composition, and diversity;
- To review the board diversity policy;
- To review the nomination policy;
- To review and assess the independence of the independent non-executive Directors; and
- To make recommendations on the retiring Directors at the 2020 AGM of the Company.

Board Nomination Policy

The Company adopted a nomination policy, which establishes written guidelines to the Nomination Committee to identify individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorships with reference to the formulated criteria. The Board is ultimately responsible for selection and appointment of new Directors.

The Board, through the delegation of its authority to the Nomination Committee, has used its best efforts to ensure that Directors appointed to the Board possess the relevant background, experience and knowledge in business, finance and management skills critical to the Group's business to enable the Board to make sound and well considered decisions. Collectively, they have competencies in areas which are relevant and valuable to the Group.

Nomination Process

The Nomination Committee shall assess whether any vacancy on the Board has been created or is expected on a regular basis or as required.

The Nomination Committee utilizes various methods for identifying director candidates, including recommendations from Board members, management, and professional search firms. All director candidates, including incumbents and candidates nominated by Shareholders are evaluated by the Nomination Committee based upon the director qualifications. While director candidates will be evaluated on the same criteria through review of resume, personal interview and performance of background checks. The Nomination Committee retains the discretion to establish the relative weighting of such criteria, which may vary based on the composition, skill sets, age, gender and experiences of the collective Board rather than on the individual candidate for the purpose of diversity perspectives appropriate to the requirement of the Company's business.

CORPORATE GOVERNANCE REPORT *(Continued)*

Selection Criteria

The Nomination Committee will take into account whether a candidate has the qualifications, skills, experience and gender diversity that add to and complement the range of skills, experience and background of existing Directors by considering the highest personal and professional ethics and integrity of the director candidates, proven achievement and competence in the nominee's field and the ability to exercise sound business judgment, skills that are complementary to those of the existing Board, the ability to assist and support management and make significant contributions to the Company's success and such other factors as it may deem are in the best interests of the Company and the Shareholders.

The Company shall review and reassess the nomination policy and its effectiveness on a regular basis or as required.

Board Diversity Policy

The composition of the Board is reviewed on an annual basis by the Nomination Committee to ensure that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competence for informed decision-making and effective functioning. The Company adopted its own board diversity policy and recognises the benefits of having diversity in the composition of the Board.

The Company noted that that people from different background and with different professional and life experience are likely to approach problems in different ways and accordingly, members of the Board with diverse background will bring different concerns and questions to the table, and allow the Board to consider a wider range of options and solutions when deciding on corporate issues and formulating policies for the Group. In determining the Board's composition and selection of candidates to the Board, the Nomination Committee will consider factors including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, industry knowledge and length of service.

All Board appointments will be based on meritocracy, and candidates will be considered against the selection criteria, having regard for the benefits of diversity on the Board, the business model and specific needs of the Group. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

CORPORATE GOVERNANCE REPORT *(Continued)*

Composition of the Diversified Board

As at the date of this annual report, the Board comprises five Directors, two of which are male, three are female. The following table further illustrate the composition and diversity of the Board in terms of gender, age, length of service with the Group, educational background and professional experience as of the date of this annual report:

Name of Director	Age Group		Length of Service	
	30 to 39	40 to 49	less than 4 years	more than 4 years
Ms. TSUI Annie	✓			✓
Mr. FENG Keming	✓		✓	
Mr. CHAN Kwan Yiu	✓		✓	
Ms. MA Sijing		✓		✓
Ms. HO Yuen Ki	✓			✓

Name of Director	Educational Background			Professional Experience		
	Law	Accountancy	Others	Law	Accounting and Finance	Management
Ms. TSUI Annie			✓			✓
Mr. FENG Keming			✓		✓	✓
Mr. CHAN Kwan Yiu		✓			✓	✓
Ms. MA Sijing		✓			✓	✓
Ms. HO Yuen Ki		✓			✓	

A.6 Responsibilities of Directors

Each newly appointed Director is provided with a package of orientation materials setting out the required duties and responsibilities of Directors under the GEM Listing Rules and other relevant statutory requirements of Hong Kong. An orientation as to a Director's duties and obligations under the GEM Listing Rules and relevant legislations will be arranged for all newly appointed Directors.

Newly appointed Directors will also receive an introduction on the Company's operation and business. Our Directors are kept informed from time to time on the latest development of any changes to the regulatory requirements and the progress of compliance of applicable rules and regulations by the Company. Our Directors will also be updated from time to time on the business development and operation plans of the Company. All our Directors are encouraged to participate in continuing professional development seminars and/or courses to update their skills and knowledge on the latest development or changes in the relevant statutes, GEM Listing Rules and corporate governance practices.

CORPORATE GOVERNANCE REPORT *(Continued)*

According to the records maintained by the Company, the current Directors received the following training with an emphasis on the roles, functions and duties of a director of a listing company in compliance with the Revised CG Code on continuous professional development during 2020.

	Corporate governance, rules and regulations (including directors' duties)	Financial, management and other business skills and knowledge
Executive Directors		
Ms. TSUI Annie	✓	✓
Mr. FENG Keming	✓	✓
Independent Non-executive Directors		
Mr. CHAN Kwan Yiu	✓	✓
Ms. MA Sijing	✓	✓
Ms. HO Yuen Ki	✓	✓

Every Director is aware that he/she should give sufficient time and attention to the affairs of the Company.

The Company has adopted the standard set out in Rules 5.48 to 5.67 (the "Model Code") of the GEM Listing Rules, in relation to the dealings in securities of the Company by the Directors.

Having made specific enquiry of all Directors, each Director has confirmed that he/she has complied with the standards set out in the Model Code during the Year.

The Company has also established written guidelines on terms no less exacting than the Model Code for securities transactions by employees of the Company, its subsidiaries and its holding company (including directors of the Company's holding company and its subsidiaries), who because of such office or employment, are likely to be in possession of unpublished inside information of the Company or its securities.

CORPORATE GOVERNANCE REPORT *(Continued)*

A.7 Supply of and access to information

With respect to regular Board meetings, and so far as practicable in all other cases, an agenda and accompanying board papers are sent in full to all Directors in a timely manner as permitted under the circumstances. Notices are given to all the Directors for attending regular Board meetings fourteen (14) days before the meetings. For other Board meetings, reasonable notices are generally given. It has been the practice of the Board and accepted by all members of the Board that relevant information of Board meetings will be sent to all Directors three (3) days in advance of the relevant meetings or any reasonable time before such meetings where it is not practicable to send out the information three (3) days in advance.

Members of the management have been reminded that they have an obligation to supply the Board and the Board committees with adequate information on a timely basis to enable each of them to make informed decisions. The Board and each Director have separate and independent access to the Group's senior management for information on the latest developments and financial position of the Company and other information and materials necessary to enable the Directors to make informed decisions of the matters to be considered at the Board meetings. The compliance officer of the Company ("Compliance Officer") and the Company Secretary meet the management of the Company and attend Board Meetings when necessary to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Company. Ms. TSUI Annie, the Chairperson and an executive Director, was appointed as Compliance Officer on 12 May 2016. Mr. CHAK Chi Shing was appointed as Company Secretary with effect from 2 January 2020.

All Directors are entitled to have access to Board papers, minutes and related materials.

B Remuneration of Directors and Senior Management

B.1 The level of remuneration and disclosure

The Remuneration Committee was established on 8 August 2006 in accordance with the CG Code.

The existing members of the Remuneration Committee are Mr. CHAN Kwan Yiu, Ms. MA Sijing and Ms. HO Yuen Ki, all are independent non-executive Directors, and Ms. TSUI Annie, an executive Director. The Terms of Reference of the Remuneration Committee are adopted with reference to the CG Code, including the specific duties set out in code provision B.1.2(a) to (h) of the CG Code.

CORPORATE GOVERNANCE REPORT *(Continued)*

The Remuneration Committee is responsible for making recommendations to the Board regarding the Group's policy and structure for remuneration of all Directors and senior management. The Remuneration Committee is authorised to seek any information it requires from any employee of the Group and has the power to request the executive Directors and other persons to attend its meetings.

The Remuneration Committee is also authorised to obtain outside professional advice and to secure the attendance of other persons with relevant experience and expertise if it considers as necessary.

The work performed by the Remuneration Committee during 2020 included reviewing and approving the remuneration package of the Directors (including the three independent non-executive Directors) and the senior management of the Company.

During the process of consideration, no individual Director will be involved in decisions relating to his/her own remuneration.

Full minutes of the Remuneration Committee meeting are kept by the Company Secretary. Draft and final versions of the minutes of the Remuneration Committee meetings are sent to all members of the Remuneration Committee for comments and approval.

The Remuneration Committee will make available its Terms of Reference, explaining its role and the authority delegated to it by the Board, on request. The Terms of Reference are also available on both of the website of the Company and the website of Hong Kong Exchanges and Clearing Limited ("HKEx").

During 2020, the Remuneration Committee has met 4 times.

Participation of individual Directors at Remuneration Committee meetings in 2020 is as follows:

	Number of meetings
	4
Executive Director:	
Ms. TSUI Annie	4/4
Independent non-executive Directors:	
Mr. CHAN Kwan Yiu	4/4
Ms. MA Sijing	4/4
Ms. HO Yuen Ki	4/4

CORPORATE GOVERNANCE REPORT *(Continued)*

C Accountability and Audit

C.1 Financial reporting

Management shall provide such explanation and information to the Board as will enable the Board to make an informed assessment of the financial and other matters put before the Board for approval.

The Directors are responsible for overseeing all financial aspects of the Company and for keeping proper accounting records and preparing financial statements for each financial period, that give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the financial statements for the Year, the Directors have:

- approved the adoption of all applicable International Financial Reporting Standards which are issued by the International Accounting Standards Board;
- selected and applied consistently appropriate accounting policies;
- made judgments and estimates that are prudent and reasonable; and
- prepared the accounts on a going concern basis.

The Board is accountable to its shareholders for a clear and balanced assessment of the Company's financial position and prospects. In this regard, the Directors' responsibility to present a balanced, clear and understandable assessment extends to annual and interim reports, other inside information announcements and other financial disclosures required under the GEM Listing Rules, reports to regulators, and information required to be disclosed pursuant to statutory requirements.

The financial statements for the Year were audited by McMillan Woods (Hong Kong) CPA Limited. The Audit Committee has recommended to the Board that McMillan Woods (Hong Kong) CPA Limited be nominated for re-appointment as the auditors of the Company at the forthcoming AGM.

For the year ended 31 December 2020, the audit fees paid or payable by the Company in relation to statutory audit amounted to approximately RMB534,000.

The statement of the Auditors about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditors' Report on pages 52 to 58 of this annual report.

C.2 Risk management and internal control

The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems. The internal control system includes safeguarding of the interest of shareholders and the Group's assets. It has been an important duty of the Board to conduct a review of internal control system to ensure the effectiveness and adequacy of the system of the Group annually or at any time necessary. The review covers all material controls, including financial, operational and compliance controls, as well as risk management functions.

CORPORATE GOVERNANCE REPORT *(Continued)*

The Group has engaged an independent internal control review advisor (the “Internal Control Advisor”) to conduct the annual review on the effectiveness of the internal control system. Review of the Group’s internal controls covered major operational, financial and compliance controls, as well as risk management functions of different systems has been performed on a systematic rotational basis on the risk assessments of the operations and controls. During the risk assessment process, the Internal Control Advisor interviewed the relevant personnel and identified the business objectives and significant risks of the Group. A risk management report prepared by the Internal Control Advisor which sets out the risks, issues and recommended action plan was presented to the Board for review and endorsement. The Board considered that significant risks of the Group were managed within the acceptable level and the management will continue to monitor the residual risks and report to the Board on ongoing basis.

For the year ended 31 December 2020, the Board have reviewed the effectiveness of the internal control system and they consider them effective and adequate.

C.3 Audit Committee

The Audit Committee was established on 5 July 2001 and a terms of reference was adopted. The Terms of Reference of the Audit Committee was revised in December 2015 and January 2019, and have included the duties set out in code provision C.3.3(a) to (n) of the CG Code. The Audit Committee comprised of three members and all of whom are independent non-executive Directors. Mr. CHAN Kwan Yiu who possess appropriate professional qualifications, accounting and related financial management expertise, is also appointed as the chairman of the Audit Committee. The Audit Committee does not have any member who is a former partner of the Group’s existing audit firm.

During 2020, the Audit Committee met on 6 occasions and discharged its responsibilities.

Attendance of individual members at Audit Committee meetings in 2020 is as follows:

	Number of meetings
	6
Mr. CHAN Kwan Yiu	6/6
Ms. MA Sijing	6/6
Ms. HO Yuen Ki	6/6

The principal duties of the Audit Committee included reviewing the Company’s financial controls, internal control and risk management systems, annual report, accounts and quarterly and interim reports.

CORPORATE GOVERNANCE REPORT *(Continued)*

The summary of work performed by the Audit Committee during 2020 is as follows:

- reviewing the auditor's management letter and management's response;
- reviewing and considering the recently issued accounting standards, the adoption of new accounting standards and the change in significant accounting policies;
- reviewing the audited financial statements and final results announcement for the year ended 31 December 2019;
- reviewing the interim report and the interim results announcement for the six months ended 30 June 2020;
- reviewing the quarterly reports and the quarterly results announcement for the three months ended 31 March 2020 and nine months ended 30 September 2020, respectively; and
- meeting with the auditors to go through any significant audit issues or key findings noted during the audit of the Group's 2019 final results and before the commencement of the audit of the Group's 2020 final results.

All issues raised by the Audit Committee have been addressed by the management. The work and findings of the Audit Committee have been reported to the Board. During 2020, no issues brought to the attention of the management and the Board were of sufficient importance to require disclosure in this annual report.

Full minutes of the Audit Committee meetings are kept by the Company Secretary. Draft and final versions of the minutes of the Audit Committee meetings are sent to all members of the Audit Committee for comments and approval.

The Audit Committee will make available its Terms of Reference, explaining its role and the authority delegated to it by the Board, on request. The Terms of Reference are also available on the website of the Company and the website of HKEx.

This annual report has been reviewed by the Audit Committee.

D Company Secretary

Mr. CHAK Chi Shing was appointed as the Company Secretary on 2 January 2020. Mr. Chak obtained a bachelor's degree of commerce in Accounting and Finance from Curtin University of Technology in March 2006. He is a certified public accountant of Hong Kong Institute of Certified Public Accountants and Certified Public Accountant Australia. Mr. Chak has over 13 years of experience in auditing, accounting, corporate finance and financial management and over three years of experience in company secretarial matter and corporate governance in listed companies.

CORPORATE GOVERNANCE REPORT *(Continued)*

E Delegation by the Board

E.1 Management functions

In general, the Board oversees the Company's strategic development and determines the objectives, strategies and policies of the Group. The Board also monitors and controls operating and financial performance and sets appropriate policies for risk management pursuant to the Group's strategic objectives. The Board delegates the implementation of strategies and day-to-day operation of the Group to the management.

E.2 Board committees

Apart from the Audit Committee (as described under paragraph C.3), the Remuneration Committee (as described under paragraph B.1) and the Nomination Committee (as described under paragraph A.5), the Board has not established any other committee of the Board.

F Communication with Shareholders

F.1 Effective communication

The Company attaches great importance to communications with Shareholders. Information on the Group's activities, business, strategies and developments is provided in the Company's annual reports and interim reports. Shareholders are encouraged to attend all general meetings of the Company which offer a valuable forum for dialogue and interaction with management.

In line with the practice of the Company, in respect of each issue to be considered at the AGMs and extraordinary general meetings of the Company ("EGMs"), including the re-election of Directors, a separate resolution will be proposed by the chairman of the meeting.

In accordance with the code provision E.1.2 as set out in the CG Code, chairman of the Board have attended the AGM held in 2020.

Certain independent non-executive Directors, had other business engagements and were not able to attend the AGM and the EGM held in year 2020. In this regard, the compliance officer and Company Secretary had reminded the relevant independent non-executive Directors as well as the current independent non-executive Directors to attend general meetings of the Company in future, for compliance of code provisions A.6.7 as set out in the CG Code.

CORPORATE GOVERNANCE REPORT *(Continued)*

Participation of individual Directors at general meeting in 2020 is as follows:

	Number of meetings
	2
Executive Directors:	
Ms. TSUI Annie	2/2
Mr. FENG Keming (appointed on 6 January 2020)	0/2
Independent non-executive Directors:	
Mr. CHAN Kwan Yiu	2/2
Ms. MA Sijing	0/2
Ms. HO Yuen Ki	0/2

Notice of general meeting was sent to Shareholders at least 20 clear business days before the AGM and at least 10 clear business days for all other general meetings. The Company's auditors have also attended the AGM in 2020.

Designated executive Director(s) and senior management maintain regular dialogue with institutional investors and analysts to keep them abreast of the Company's developments. Enquiries from investors are dealt with in an informative and timely manner. Investors may write directly to the Company at its principal place of business in Hong Kong for any queries.

Dividend Policy

The Company adopted a policy on payment of dividends (the "Dividend Policy") in March 2019, which establishes an appropriate procedure on declaring and recommending the dividend payment of the Company.

The Company will declare and/or recommend the payment of dividends to the Shareholders after considering the Company's ability to pay dividends, which will depend on a number of factors, including but not limited to:

- (i) the Group's actual and expected financial performance;
- (ii) the Group's expected working capital requirements, capital expenditure requirements and future expansion plans;
- (iii) retained earnings and distributable reserves of the Company and each of the members of the Group;
- (iv) the Group's liquidity position;
- (v) the general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and
- (vi) any other factors that the Board deems relevant.

CORPORATE GOVERNANCE REPORT *(Continued)*

The Board has complete discretion on whether to pay a dividend, subject to Shareholders' approval, where applicable. Even if the Board decides to recommend and pay dividends, the form, frequency and amount will depend upon the operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors of and affecting the Group. The Board may also consider declaring interim dividends from time to time.

The Company shall review and reassess the Dividend Policy and its effectiveness on a regular basis or as required.

F.2 Voting by poll

At the general meetings held in 2020, the chairperson of the general meetings had provided an explanation of the procedures for conducting a poll at the commencement of the meeting. Poll results were posted on the website of HKEx (as well as on the website of the Company) on the day of the holding of the Shareholders' meeting.

Separate resolutions are proposed at Shareholders' meeting on each substantial issue, including the election of individual Directors.

G Shareholders' Rights

G.1 Convening an extraordinary general meeting and Procedures for putting forward proposals at shareholders' meeting

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law (2013 Revision). However, Shareholders are requested to follow article 58 of the Articles of Association, general meetings shall be convened on the written requisition of 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, 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 requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

CORPORATE GOVERNANCE REPORT *(Continued)*

G.2 Procedures for nominating a new Director

Pursuant to article 85 of the Articles of Association, no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a Notice signed by a Member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his 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 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.

H Investor Relations

The Company has disclosed all necessary information to the Shareholders and established a range of communication channels between itself, its shareholders and investors which in compliance with the GEM Listing Rules.

In addition, the Group engaged professional services on investor relationship from service provider for advising and promoting professional communication with existing and potential investors.

The Company's website (<http://www.tricor.com.hk/web/service/008019>) offers timely access to the Company's financial information, announcements, circulars to Shareholders and information on the Company's corporate governance structure and practices. For efficient communication with Shareholders and in the interest of environmental protection, Shareholders are encouraged to elect to receive the Company's corporate communications by electronic means through the Company's website.

AGMs provide a forum for communication between Shareholders and the Board. The Chairman of the Board, other members of the Board and external auditors attend the AGM and answer questions from Shareholders.

The Board always welcome Shareholders' and other stakeholder's questions and concerns relating to the Group's management and governance. Shareholders and other stakeholders may at any time send their enquiries and concerns to the Board by addressing them to Company Secretary by post. The address is Level 12, Infinitus Plaza, 199 Dex Voeux Road Central, Sheung Wan, Hong Kong.

I Constitutional Documents

There was no change to the Memorandum and Articles of Association during the Year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG Governance

As a responsible corporate, Hao Wen Holdings Limited and its subsidiaries (together the “Group”) is dedicated to providing top quality products and services to its customers. While actively developing our business, the Group strives to balance the interests of stakeholders. We highly value communication with our investors, shareholders, clients, employees, business partners, suppliers and other stakeholders in the community. To foster corporate’s sustainable growth, we shall continue to understand the needs and achieving balance among different parties.

About This Report

This report provides an overview of the Group on its environmental, social and governance performance (“ESG Report”) for the year ended 31 December 2020 (“Reporting Period”). Within the Reporting Period, the Group’s operations mainly include three major areas: (i) money lending, (ii) processing and trading of electronic parts, and (iii) burial business in the PRC. These business activities are primarily based in Hong Kong and Mainland China.

This ESG report has been published in accordance with the Environmental, Social and Governance Reporting Guide (the “ESG Reporting Guide”) as set out in Appendix 20 to the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and its reporting principles: “Materiality”, “Quantitative” and “Consistency”.

Stakeholder’s feedback

The Group communicates with its stakeholders through financial reports, legal disclosure, shareholder meetings and other channels, in order to reveal its operating conditions to the stakeholders. The ESG Report is also intended to allow stakeholders to understand our non-financial performance.

We welcome stakeholders’ feedback on the ESG Report. Please share your views with us via:

Address:	Level 12, Infinitus Plaza, 199 Des Voeux Road Central, Sheung Wan, Hong Kong
Telephone:	(852) 2155 9506
Fax:	(852) 2155 9510



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Identifying Material Topics

After performing materiality assessment, the Group has identified the ESG aspects which are “relevant” and “important” to our operations. Namely, **anti-corruption, labour standards, employment, development and training** and **community investment** come up as the most significant topics; whereas the efficient use of water and raw materials and product responsibility are deemed relevant but less important after taking into account the nature of our business activities.

Environmental Aspect

The Group is conscious about the impacts on the environment due to our business activities. The Group strives to enhance the environmental awareness of our employees at all levels by integrating conservation elements into our operations and strengthening our pollution control. We have formulated a series of rules and standards in regard to environmental protection.

Use of Resources

The Group has implemented “green office” management to enhance the efficiency of resources usage. During the Reporting Period, the green office measures included:

- maximise the use of natural light or LED lighting;
- limit hours of air-conditioning pursuant to the instruction of the building management;
- maintain a suitable indoor temperature, and clean the air conditioner and ventilation system regularly so as to reduce electricity consumption;
- encourage the directors and employees to use phone and video conferencing for meetings so that the need for business travel could be reduced;
- put signs in the pantry and washrooms to encourage water saving among employees;
- purchase office equipment which is environmentally friendly and energy efficient;
- promote “paperless” office by encouraging the application of electronic documents, double-sided printing and recycling of waste paper; and
- maintain a record of stationery and equipment inventory and request registration before use to encourage employees to treasure and conserve resources.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Reporting Period, the Group's total energy consumption was 29.4 MWh and the total amount of water consumption was 695.6 m³. In light of escalating environmental standards and the threat of climate change, the Group shall review the effectiveness of its implemented measures from time to time and adopt plans for improvement when necessary.

We will also look at the feasibility of various methods which could strengthen our environmental performance, such as setting up a sustainability task force and establishing targets for energy saving and/or emission reduction.

Emissions

The Group has formulated internal environmental policies and measures in alignment with the Air Pollution Control Ordinance (Cap.311 of Hong Kong Laws) (《空氣污染管制條例》(香港法例第311章)), the Environmental protection Law of the People's Republic of China (《中華人民共和國環境保護法》) and other environmental regulations and laws.

The Group's operation of processing of electronic parts involves production procedures of light industries. During daily operation, the Group complies with the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》) and other environmental and greenhouse gas emission laws. In accordance with the Group's internal operation guidelines, we ensure that all emissions from our operation, such as exhaust gas, greenhouse gas and wastewater, are within the maximum limit stipulated by the relevant laws. The Group's money lending business does not involve any direct emission of exhaust gas and greenhouse gas. However, we still strive to better utilize resources and minimize the adverse impact and indirect GHG emission of our businesses on the environment by increasing operational efficiency and implementing environmentally friendly measures.

All industrial waste produced by the Group's processing of electronic parts is handled and disposed by professional organisations recognised and certified by relevant government authorities. General office waste, including electronic products, are handled through the Group's guidelines to categorize, recycle and dispose of by recognized professional recycling companies, or by the Property Management Office of the building in which the Group resides in to properly discard or salvage. In regards to broken or non-responsive electronic products, the Group will attempt to repair them. Those which do not meet the required specification level will be resold or donated to other organizations to extend its lifespan therefore, reducing electronic waste and its damage to the natural environment.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

To reduce waste production, the Group has implemented measures within the Reporting period include:

- promote “paperless” office by encouraging the application of electronic documents, double-sided printing and recycling of waste paper; and
- maintain a record of stationery and equipment inventory and request registration before use to encourage employees to treasure and conserve resources.

During the reporting period, the Group’s total greenhouse gas emission was 17.9 tonnes of CO₂-equivalent, all originating from purchased power or indirect emissions.

The Environment and Natural Resources

As a corporate citizen, the Group strives to implement measures that will minimize its negative impact on the environment.

We have also engaged in procuring environmentally friendly products such as recycled paper, refillable pens, recyclable printer cartilages, energy efficient office electronics, and furniture made from recycled materials, etc. The Group encourages employees to participate in various eco-friendly events and personally experience and protect the environment; creating a “green” office. We have also appropriately placed plants around the office, to improve the interior atmosphere and assist the absorption of toxic chemicals from new furniture and oil paint, etc. The Group actively attempts to strengthen our employee’s environmental consciousness and ingrain the idea of sustainable expansion through the provision of relevant information.

We regularly assess our operation’s environmental risk, reviewing environmental measures and taking essential action to reduce risk while abiding to relevant laws and regulations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Social Aspect

Employment and Labour Standards

Employment

Recruitment and Remuneration Policies

The Group takes reference to the Employment Ordinance (Cap. 57 of Hong Kong Laws), the Minimum Wage Ordinance (Cap. 608 of Hong Kong Laws), the Employees' Compensation Ordinance (Cap. 282 of Hong Kong Laws), the Labour Law of the People's Republic of China and other relevant laws, together with the general practice and benchmark of the industry when preparing and enforcing a human resources management scheme. All employees are bound by the work guidelines and employment contracts made in accordance with this human resource management scheme. Relevant documents have detailed the Group's employment policies, employee's welfare, rights and responsibilities, code of business ethics, workplace safety and healthy guidelines to protect the respective rights of both parties.

In general, the Group's employment procedure mainly considers business needs and the candidate's profile. Unless under special situations, the group will not refuse to employ or fire any employees due to their gender, family situation or other unsound reasons. The Group offers employees with appropriate remunerations based on fair principles, the state of the labour market and financial status.

We have created a well-rounded remuneration, incentive and performance management system which includes basic salary, mandatory provident fund, insurance, legal and additional annual leaves, sick leaves, a variety of staff benefits and subsidies. To attract talent and maintain current employees to support the Group's long term and stable growth, we give our employees a competitive salary and welfare package, while maintaining an effective incentive mechanism through granting share options to senior management, core and long-term employees.

Equal Opportunities

Employees of the group are an integral part of its stakeholders, and diversity and equality forms part of our human resources strategy. Our employment policies support the building of a work environment without prejudices due to gender, age, nationality, sexual orientation, family status, race or religion. All employees have an equal job opportunity.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Dismissal Policy

In situations where an employee has continuously performed below the Group's required level or seriously violated the Group's regulations, or termination due to the restructuring of the Group's workforce, our human resources department will initiate a series of procedures to terminate his or her employment contract. Terms and conditions relating to dismissal are enumerated in employment contract and other employment policy manual, to ensure that the procedure and compensation of terminating employment relationship are made in compliance with the Employment ordinance (Cap. 57, of the Hong Kong Laws) and other applicable guidelines promulgated by the government.

Employee Communication

We value the interactions with our employees to understand their needs. We encourage employees to communicate with their supervisors or managers on their working status and career goals.

During the Reporting Period, there was no incidents of non-compliance with the relevant laws and regulations that have a significant impact on the Group relating to remuneration and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare.

Employment Statistics

	Quantity	Unit
Total Employees	25	employees
By Gender		
– male	55.2	%
– female	44.8	%
By Employment Type		
– full-time	100	%
By Age Group		
– 30-39	58.6	%
– 40-49	31.0	%
– 50 or above	10.4	%

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Health and Safety

Work Environment Safety

The Group values the health and well-being of its employees, and strives to create a safe, healthy and hygienic working environment for all employees and those who may be impacted by its operations and activities.

Maintaining a healthy and safe standard is the Group's first priority in its operations. The Group follows the nature of the industry, practices and the Occupational Safety and Healthy Ordinance (Cap.509 of Hong Kong Laws) in the preparation of its work safety and health guidelines. We strictly oversee the execution of the employee handbook's safety procedures. If an employee becomes injured during or due to work, or suffering from an occupational disease specified in the Employees' Compensation Ordinance (Cap. 282 of Hong Kong Laws) suffered by employees, or loss of earning capacity, the Group will make proper compensation with reference to the relevant regulations and employment contract. The Group believes that its working environment and nature does not constitute any material safety risks to employees in general.

Safety Awareness

To increase the safety awareness of employees, the Group continued to provide training and information to employees during the reporting period. We will regularly participate in fire escape drills held by the office building and arrange for employees to attend safety lectures arranged by different organizations. We ensure that the office has sufficient emergency equipment and fire equipment in the office. The Group provides annual body checks, medical insurance for permanent employee within their welfare package to ensure their health and safety.

Physical and Mental Health

Apart from work safety, the Group values the mental health of its employees. We organize various activities, to strengthen the interaction and understanding between employees, to main work-life balance and to strengthen their sense of belonging. The Group has always utilized an open-door policy, allowing employees to express their opinions about working pressure, to hopefully main a pleasant and positive working atmosphere.

During the Reporting Period, there was no significant incident of safety and work-related injury. There was no incident of non-compliance with the relevant laws and regulations that have a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Development and Training

Talent Development Policy

The Group recognizes the importance of attracting and developing talent, and acknowledges the importance of employee training to the development of the Group. We invite management and professional talent according to our development strategy and business needs to improve the structure of the Group's human resources. At the same time, we value developing talent through improving employee quality, qualification and skills to encourage their growth. The Group offer opportunities for employees to "promote from within" to select those who perform exceptionally and show potential to hold core position within the Group.

Employee Training

During the Reporting Period, the Group provided various types of training to the employees, including seminars and trainings on both money lending business and processing and trading of electronic parts as well as other career development trainings such as business management skills, project management skills, communication skills and presentation skills. The Group has also arranged for the Board to participate in outside seminars to understand the news GEM listing regulations and legal changes to improve corporate knowledge.

The Group adapts to the industry conditions, employee feedback and other factors to continuously improve their training structure, increasing employee participation and the effectiveness of their training.

Development and Training Statistics

	Number	Units
Average Training Hours Completed per Employee	5.8	hours/employee
By Gender		
– male	4.5	hours/employee
– female	7.4	hours/employee
By Employment Level		
– executives	18.4	hours/employee
– others	3.2	hours/employee

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Labour Standards

Anti-child and forced labour

The Group strictly abides by the Employment Ordinance (Cap.57 of Hong Kong laws) and other international labour standards when forming internal guidelines and labour policies. All recruitment and promotional activities are strictly overseen by the Group's Human Resources management scheme.

We prohibit the engagement of any child and forced labour in any of our operations, and forbid any type of forced labour by means of physical punishment, abuse, involuntary servitude, peonage or trafficking is strictly forbidden. We promise not to hire any children whose ages are below the legal requirement by the local labour law. We maintain a close communication with our business partners to avoid cooperating with suppliers and business partners who engage child or forced labour.

Anti-harassment and bullying in the workplace

In addition, the Group strives to protect its employees, and forbids any workplace discrimination due to gender, age or any other reason through harassment, intimidation, threatening or any other bully behavior. If any violation of this guideline is discovered, the Group will immediately initiate an investigation to dismiss or take disciplinary actions against the employee, while also improving current employee policies.

During the Reporting Period, the Group did not have any issue of non-compliance of relevant laws and regulations regarding child labour or forced labour.

Operating Practices

Supply Chain Management

The Group closely maintains communication with its subsidiaries and carries out essential oversight and risk management, to prevent respective subsidiaries from hiring major suppliers. The Group expects suppliers to share our philosophy and complies with any applicable environmental laws, rules and regulations including obtaining required environmental approvals and certifications. In addition, suppliers are responsible for ensuring the health and safety of employees and other workers in the workplace, maintaining a hygienic work environment.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Product Responsibility

During the Reporting Period, the Group provided both secured and unsecured loans to individuals and corporate customers, including personal loans, mortgage loans and corporate loans. At the same time, the Group engaged in sourcing, processing, and sales of computer-related and smartphone-related electronic parts and components, such as CPU, LED screen panel, hard-disk, and smartphone chipsets and lens. The Group also engaged in the sales of burial plots and cemetery maintenance services.

Focus on Quality

The Group stresses the importance of excellent service and corporate reputation, actively monitoring product and service quality through internal controls. Concerning the lending operations, the Group aims to provide exceptional customer experience to both retail and corporate customers, ensuring the Group adheres with the Money Lenders Ordinance (Cap. 163 of Hong Kong Laws) and other applicable laws. According to market conditions and using fair principles, we form service agreements with our clients which detail the service content and contract terms to protect the interest of both parties.

In our electronic processing and trading business, the Group actively maintains sensible operational management. Apart from the business needs of requiring to enlarge the processing plant, the Group occasionally inspects the manufacturing workflow. Through strict oversight of each procedure, we can ensure that the product fulfills relevant safety and client requirements.

The Group maintains and examines its communication channels with its clients including the respective personnel for each client. Through promptly handling customer feedback and complaints, investigating into these cases can strengthen the design of our customer service policies.

Privacy Policy

Operations in money lending often require clients to provide private and sensitive information. Therefore, the Group's collection, usage, maintenance and disposal of customer information consistently adhere to the Personal Data (Privacy) Ordinance (Cap. 486 of Hong Kong Laws) and other applicable laws. The Group has guidelines created in accordance to code of practices for these laws and regulations, to advise employees on careful handling of clients' personal data and credit and business record. Clients will be informed as clearly as possible regarding the categories of parties of which the clients' data may be disclosed to and the purposes of such disclosure. The collection of related information will be collected with the client's approval, protecting clients from unnecessary losses.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Advertising and Labelling

The Group does not engage in extensive publicity activities promoting our services, regarding the description and introductions of our service, we comply with the Trade Descriptions Ordinance (Cap. 362 of Hong Kong Laws) and applicable laws, regulations and standards enforced by other countries, regions and our industry. All advertising activities regarding our products and services are launched after confirmation that we followed the requirements for the use and execution of brand identity and advertisement of our products and services. When needed, the Group will also consult from legal advice.

During the Reporting Period, the Group complied with all relevant laws and regulations that have a significant impact on the Group relating to health and safety, advertising, labelling and privacy matter. There were no losses arising from leak of clients' privacy or other service problems, nor any complaint and damage claims made our clients because of poor service quality.

Anti-corruption

The Group has always valued Integrity in its operations, firmly creating an honest working environment, requiring both the Board and all its employees to strictly adhere to relevant laws and moral standards. The Group has set up audit committees and employed external professional in accordance to the HKEx corporate governance and disclosure requirement. We regularly review our internal governance mechanisms in hopes of improving the Group's governance level.

Within daily operations, the Group does not permit any activities relevant to corruption or fraudulent behaviors including the solicitation or acceptance of undue advantages from customers or competitors to illegally obtain funds, business opportunities or provide confidential business information. All regulations regarding anti-corruption, anti-bribery and conflicts of interest have been detailed within the employee's code of conduct to ensure strict compliance to all relevant laws by all employees.

In addition, the Group has a responsibility to conduct risk analysis and due diligence for current and potential clients, to combat money laundering or terrorist financing. The Group will require clients and third parties to provide reliable documents, data and information within legal boundaries to recognize and verify client's identities. We will also investigate ownership and control structures of corporate customers' or test and retain records in case of suspicious transactions which may need to be reported.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Whistle-blowing policy

The Group regularly provides employees with information regarding anti-corruption to increase their awareness of the issue while also maintaining professional conduct. Through our whistle-blowing system, employees can report bribery, abuse of power or any illegal or dishonest activities by employees partners or clients anonymously. The Group promises to protect the identity of the whistle blower. If any corrupt or fraudulent incidents are discovered, the Group will immediately conduct an investigation and report to management and law enforcement authorities. The Group will review each case and rectify any gaps in our internal policies.

During the Reporting Period, no corruption or fraudulent incident was discovered in the Group. The Group will review the implementation of respective system periodically and devote more resources into improving the mechanism if needed.

Community

Community Investment

The Group values corporate social responsibility, increasing employee's concern for the community and raising their awareness for mutual support.

During the Reporting Period, the Group had promoted the spirit of corporate social responsibility through arranging and participating in appropriate community activities. The Group hopes to promote mutual employee relationships, help those in need and build the link between employees and the community through these events. The Group will evaluate the sustainability and feasibility of various community investment activities to give by to the community given a sound business and financial state of the company.

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their annual report together with the audited consolidated financial statements for the year ended 31 December 2020.

Principal Activities and Geographical Analysis of Operations

The Company is an investment holding company. The principal activities of the Group, are detailed in the note 22 to the consolidated financial statements. The Group is principally engaged in the money lending business, processing and trading of electronic parts business and burial business. An analysis of the Group's performance of the Year by business segment and its geographical segment information is set out on note 9 to the consolidated financial statements.

Business Review

Detailed business review of the Group's business during the Year, including the analysis of Group's performance during the Year by using the financial key performance indicators, is set out in the section of Management Discussion and Analysis on pages 5 to 9 this annual report. Future development of the Company's business is set out in the section of Business Outlook and Prospect in this annual report on page 9.

Key risks and uncertainties

The Group's financial position, operations, business and prospects may be affected by the following identified risks and uncertainties.

Business risks

The Group's money lending business is subject to risks that a customer or counterparty may fail to perform its contractual obligations on payment of interest as the principal or that the value of collateral held to secure the obligations might be inadequate. While the Group has internal policies and procedures designed to manage such risks, these policies and procedures may not be fully effective. Any material customers delay or default on their payments could adversely affect the Group's financial position and profitability. Although the Group has adopted the money lending policy and money lending procedure manual which provide guidelines on the handling and/or monitoring of the money lending procedures according to the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong), the Group may face the risk of breaching the relevant rules and regulations from time to time, which may result in penalty or other potential liabilities to the Group.

The Group's processing and trading of electronic parts business are operating in the PRC. Any addition or amendment to existing laws and regulations or any reduction of demand in PRC may affect the Group's financial position and performance. The Group's processing and electronic parts business are highly competitive to price and quality. The pricing of similar products by competitors may adversely affect the pricing of the products and could resulted in keen competition in price, lower business' revenue and profitability level or suffer from loss of market share.

The Group's burial business in PRC may also be affected by conventions and competitions of the industry which may affect our pricing.

REPORT OF THE DIRECTORS *(Continued)*

The Group will update and monitor the risks exposures to the Group's businesses to ensure appropriate measures are implemented on a timely manner.

Market risks

The business operations of the Group are primarily based in Hong Kong and the PRC. Accordingly, the Group's operating results, financial position and prospects could be adversely affected by economic, political and legal developments in those territories. Any changes in the political and economic policies/environments of the those territories (including, but not limited to, government policies, political instability, expropriation, laws, labour activism, war, civil unrest, terrorism, and changes in interest rates, foreign exchange rates, taxation, environmental regulations and import and export duties and restrictions) may adversely affect the Group's business and results of operations as well as its ability to sustain its expansion strategies and thus future growth. The Group manages and monitors the market risks exposure to the Group's business to ensure appropriate measures are implemented on a timely manner.

Foreign exchange rates risks

The Group has assets and liabilities denominated in currencies other than its functional currency and that are subject to fluctuation in foreign exchange rate. The Group monitors the foreign exchange exposure and will consider to hedge significant foreign currency exposure should the need arise.

Equity price risks

Equity price risk arises from fluctuation in quoted market price of the Group's investment in financial assets. The Group counters the equity price risk by ensuring a board diversification of the Group's investment portfolio and ensuring the investment portfolio are frequently reviewed and monitored.

Operational risks

Operational risk is the risk of loss resulting from inadequate or fail internal processes, people and system, or from external events. In order to manage these risks, the Group had set a standard operational procedures, limits of authority and reporting framework and invests in human resources and equipments to manage and reduce the operational risks exposure.

Liquidity risks

Liquidity risk is the potential that our Group will not be able to meet its obligations when fall due. In order to manage the liquidity risk, the Group will continually monitors cash flows and maintains an adequate level of cash and credit facilities to ensure the Group to meet its finance needs.

REPORT OF THE DIRECTORS *(Continued)*

Compliance with relevant laws and regulation

During the year ended 31 December 2020, the Company was not aware of any material non-compliance with any relevant laws and regulations that have a significant impact to the Group.

Relationships with stakeholders

Employees are the assets of the Group. The Group provides competitive remuneration package and a pleasant workplace environment to attract and motivate the employees. An annual performance evaluation will be conducted annually based on individual's contributions and achievements throughout the Year and the Group will make necessary adjustments based on the result of the performance evaluation.

In addition to the salaries, the Group had set up a mandatory provident fund scheme ("MPF Scheme") in accordance with the Hong Kong Employment Ordinance and medical insurance plan for our staffs in Hong Kong. The MPF Scheme is subject to regulations under the Mandatory Provident Fund Scheme Ordinance and is a defined contribution retirement plan administrated by independent trustees. The Group's staffs in the PRC are entitled to national statutory social insurance under the statutory Employment Ordinance of the PRC.

The Group understands the importance of maintaining a good relationship with our business partners, which including the Group's customers and suppliers. The Group believes that a healthy relationship can be build up by providing better products and enhanced services to the customers, maintaining an effective communication channel to the employees and collaborating with key suppliers.

The Group engages professional services on investor relationship from service provider for advising and promoting professional communication with existing and potential investors.

Environmental Policy and Social Responsibility

The Group is committed to protect the environment and maintain a high standard of corporate social governance. Details of the policies are set out in the section headed "Environmental, Social and Governance Report" from pages 29 to 40 of this annual report.

Major Customers and Suppliers

For the year ended 31 December 2020, the five largest customers accounted for approximately 20.0% of the Group's total revenue. The five largest suppliers accounted for approximately 51.1% of the Group's total purchases. In addition, the largest customer accounted for approximately 6.6% of the Group's total revenue while the largest supplier accounted for approximately 19.0% of the Group's total purchases.

None of the Directors, their associates or any shareholders (which, to the knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers and suppliers.

REPORT OF THE DIRECTORS *(Continued)*

Results and Dividends

Details of the Group's results for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on pages 59 to 60 of this annual report.

The Directors did not recommend the payment of final dividend in respect of the Year.

Share Capital

Details of movements in the Company's issued share capital in 2020 and 2019 are set out in the note 31 to the consolidated financial statements.

Purchase, Sale or Redemption of Shares

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the Year.

Pre-Emptive Rights

There is no provision for pre-emptive rights under the Articles of Association and the laws in the Cayman Islands in relation to the issue of new shares by the Company.

Reserves

Details of movements in reserves of the Group and the Company during the Year are set out in the consolidated statement of changes in equity and note 31 to the consolidated financial statements, respectively.

Distributable Reserves

As at 31 December 2020 and 2019, the Company has no reserves available for distribution to its shareholders.

Property, plant and equipments

Details of movements in property, plant and equipments of the Group during the Year are set out in note 17 to the consolidated financial statements.

Bank and Other Borrowings

The Company has no bank and other borrowings during the years ended 31 December 2020 and 2019.

REPORT OF THE DIRECTORS *(Continued)*

Connected Transactions

There were no connected party transactions entered into by the Group for the Year.

Directors

The Directors who held office during the Year and up to the date of this report were:

Executive Directors

Ms. TSUI Annie

Mr. FENG Keming (appointed on 6 January 2020)

Ms. WANG Ziyi (resigned on 6 January 2020)

Independent Non-executive Directors

Mr. CHAN Kwan Yiu

Ms. MA Sijing

Ms. HO Yuen Ki

Ms. TSUI Annie and Ms. HO Yuen Ki will retire and, being eligible, offer themselves for re-election at the forthcoming AGM.

The Company has received from each of the independent non-executive Directors an annual confirmation of his/her independence pursuant to Rule 5.09 of GEM Listing Rules and the Company considers the independent non-executive Directors remained independent.

Biographical Details of Directors and Senior Management

Biographical details of the Directors and senior management of the Company are set out on page 10 of this annual report.

Directors' Service Contracts

All Directors have not been appointed for any fixed term but shall be subject to retirement by rotation in accordance with the Articles of Association.

None of the Directors proposed for re-election at the forthcoming AGM has a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Directors' Interests in Contracts

No Director had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries was a party during or at the end of the Year.

REPORT OF THE DIRECTORS *(Continued)*

Directors' and Chief Executives' Interests or Short Positions in the Shares, Underlying Shares or Debentures of the Company or any Associated Corporations

As at 31 December 2020, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 under the Laws of Hong Kong ("SFO")), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

Substantial Shareholders and Other Persons' Interests and Short Positions in the Shares and Underlying Shares

As at 31 December 2020, according to the register kept by the Company pursuant to section 336 of SFO, and so far as is known to the Directors or chief executive of the Company, there is no person had, or was deemed or taken to have, an interest or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital, including options in respect of such capital, carrying voting rights to vote in all circumstances at general meeting of any other member of the Group.

Share Option Scheme

The Company adopted the share option scheme (the "Share Option Scheme") on 15 November 2019 which will remain in force for a period of 10 years from the effective date of the Share Option Scheme.

Details of the Share Option Scheme is as follows:

1 Purposes

The purpose of the Share Option Scheme is to provide incentives and/or rewards to eligible participants for their contributions to, and continuing efforts to promote the interests of, the Company.

REPORT OF THE DIRECTORS *(Continued)*

Share Option Scheme *(Continued)*

2 Eligible participants

Under the terms of the Share Option Scheme, the scope of eligible participants comprise the following persons:

1. any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of the Company, any of our subsidiaries or any Invested Entity;
2. any non-executive directors (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity;
3. any supplier of goods or services to any member of the Group or any Invested Entity;
4. any customer of any member of the Group or any Invested Entity;
5. any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;
6. any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;
7. any adviser (professional or otherwise) or consultant to any area of business or business development of the Group or any Invested Entity; and
8. any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group.

3 Maximum number of shares

The maximum number of shares in respect of which share options may be granted under the Share Option Scheme shall not exceed 10% of the Shares in issue as at the date of approval of the adoption of the Share Option Scheme. The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes, must not in aggregate exceed 30% of the issued share capital of the Company from time to time.

As at the date of this annual report, there were 21,460,000 outstanding share options not yet exercised under the Share Option Scheme.

4 Maximum entitlement of each eligible participant

Maximum entitlement of each eligible participant is 1% of the issued share capital of the Company from time to time within any 12-month period up to the date of the latest grant, any further grant of options to an eligible participant in excess of the Individual Limit (including exercised, cancelled and outstanding options) in any 12-month period up to and including the date of such further grant must be subject to the Shareholders' approval in general meeting of the Company with such eligible participant and his/her associates abstaining from voting.

REPORT OF THE DIRECTORS *(Continued)*

Share Option Scheme *(Continued)*

5 Option period

The option period is determined by the Board provided that it is not later than 10 years from the date the Board makes an offer of the grant of an option subject to the provision for early termination. There is no specified minimum period under the Share Option Scheme for which an option must be held or the performance target which must be achieved before an option can be exercised under the terms of the Share Option Scheme.

6 Acceptance of offer

Options granted must be accepted within 21 days from the date of the offer of grant of the option, upon payment of HK\$1 per grant.

7 Exercise price

The exercise price must be at least the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer of grant, which must be a trading day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Shares on the date of offer of the grant.

8 Remaining life of the scheme

It shall be effective for a period of ten years commencing on 15 November 2019.

During the Year, a total of 21,460,000 share options were granted to eligible participants. The following table disclosed movements in the Company's share options during the Year:

Details of grantees	Date granted	Period during which options are exercisable	No. of options outstanding as at 1 January 2020	Granted during the Year	Cancelled during the Year	Lapsed during the Year	Outstanding as at 31 December 2020	Exercise price per share	Closing price per share immediately before the date of grant
Directors and Employees	8 October 2020	8 October 2020 to 7 October 2022	–	21,460,000	–	–	21,460,000	HK\$0.20	0.17

Save as disclosed above, no share option had been granted, exercised, cancelled nor lapsed during the Year.

Information on the accounting policy for share options granted and the weighted average value per option is provided in notes 4 and 33 to the consolidated financial statements respectively.

REPORT OF THE DIRECTORS *(Continued)*

Directors' and Chief Executives' Rights to Acquire Shares or Debt Securities

As at 31 December 2020, save as disclosed above, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the Directors and chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate, and none of the Directors, chief executives or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right.

Competing Interest

The Directors are not aware of any business or interest of the Directors, the controlling shareholder(s) and their respective associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group during the Year.

Permitted Indemnity Provision

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the Year. The Company has taken out and maintained directors and officers liability insurance which provides appropriate cover for, among others, Directors.

Pursuant to the Articles of Association, the Directors, Company Secretary and other officers of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty.

Audit Committee

The Company established an audit committee ("Audit Committee") in July 2001 with terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the Audit Committee include the review and supervision of the financial reporting process and the internal control and risk management systems of the Group on ongoing basis. During the year under review, the Audit Committee comprised of three members and all of whom are independent non-executive Directors. Mr. CHAN Kwan Yiu who possess appropriate professional qualifications, accounting and related financial management expertise, is the Chairman of the Audit Committee. The Audit Committee meets at least quarterly. The Group's audited financial results for the Year have been reviewed by the Audit Committee, and it was in its opinion that (i) the preparation of such results complied with the applicable standards and statutory requirements and the requirements of the Stock Exchange and that (ii) the internal control and risk management systems of the Group had been properly implemented and was adequate to keep the Board informed of the business and the management affairs of the Group. During the Year, no material matters were identified and reported by the Audit Committee to the Board.

REPORT OF THE DIRECTORS *(Continued)*

Public Float

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

Corporate Governance

Throughout the year under review, the Company has complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 15 of the GEM Listing Rules, except rule A.4.1 that non-executive Directors are not appointed for specific terms but are subject to retirement by rotation and re-election in accordance with the articles of association of the Company, and rule A.6.7 that independent non-executive Directors did not attend all general meetings.

The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems. The internal control system includes safeguarding of the interest of shareholders and the Group's assets. It has been an important duty of the Board to conduct a review of internal control system to ensure the effectiveness and adequacy of the system of the Group annually or at any time necessary. The review covers all material controls, including financial, operational and compliance controls, as well as risk management functions.

Major Events After the Year

- (i) After the COVID-19 outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented across the globe. The Group is paying close attention to the development of, and the disruption to business and economic activities caused by, the COVID-19 outbreak and evaluate its impact on the financial position, cash flows and operating results of the Group. Given the dynamic nature of the COVID-19 outbreak, it is not practicable to provide a reasonable estimate of its impacts on the Group's financial position, cash flows and operating results at the date on which these financial statements are authorised for issue.
- (ii) Pursuant to a special resolution passed by the shareholders of the Company at an extraordinary general meeting on 5 October 2020, the issued share capital of the Company was reduced by cancelling paid up capital to the extent of HK\$0.19 on each of the shares in issue such that the nominal value of all the issued shares be reduced (the "Capital Reduction") from HK\$0.20 each to HK\$0.01 each. Immediately following the Capital Reduction becoming effective, each of the authorised but unissued shares with par value of HK\$0.20 each were sub-divided into 20 shares with par value of HK\$0.01 each (the "Sub-division"). Upon the Capital Reduction and the Sub-division (collectively referred to as the "Capital Reorganisation") becoming effective, the authorised share capital of the Company was HK\$1,000,000,000, divided into 100,000,000,000 ordinary shares of HK\$0.01 each and the issued share capital of the Company was approximately HK\$2,576,000, divided into 257,572,058 ordinary shares of HK\$0.01 each. The Capital Reorganisation was completed on 29 January 2021.

REPORT OF THE DIRECTORS *(Continued)*

Auditors

The financial statements for the years ended 31 December 2019 were audited by Messrs. HLB Hodgson Impey Cheng Limited.

HLB Hodgson Impey Cheng Limited has resigned as the auditors of the Company with effect from 22 January 2021 and confirmed in its letter of resignation that there are no matters or circumstances connected with its resignation that need to be brought to the attention of the shareholders of the Company.

McMillan Woods (Hong Kong) CPA Limited was appointed on 22 January 2021 as the new auditors to fill the cause vacancy. The financial statements for the year ended 31 December 2020 was audited by McMillan Woods (Hong Kong) CPA Limited whose term of office will be expired upon the forth coming annual general meeting. A resolution for the re-appointment of McMillan Woods (Hong Kong) CPA Limited as the auditors of the Company for the ensuing year will be proposed at the forthcoming AGM.

On behalf of the Board

TSUI Annie

Chairperson

Hong Kong, 30 March 2021



INDEPENDENT AUDITOR'S REPORT



McMillanWoods
Professionalism at the forefront

**TO THE SHAREHOLDERS OF
HAO WEN HOLDINGS LIMITED**

(Incorporated in Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Hao Wen Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 59 to 143, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“**IFRSs**”) issued by the International Accounting Standards Board (“**IASB**”) 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 Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the “**Code**”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

1. Impairment assessment of goodwill
2. Impairment assessment of interest in associates
3. Impairment of the Group's trade and loan receivables

INDEPENDENT AUDITOR'S REPORT *(Continued)*

Key audit matter	How our audit addressed the key audit matter
(1) Impairment assessment of goodwill Refer to the summary of significant accounting policy in Note 4(b), critical judgements and key estimates in Note 5(c) and the disclosures of goodwill in Note 18 to the consolidated financial statements. The Group has goodwill of approximately RMB1,997,000 relating to trading of electronic parts business under the electronic parts segment. Management performed impairment assessment of goodwill and concluded that an impairment loss of goodwill approximately RMB4,347,000 were recognised. This conclusion was based on value in use model that required significant management judgement with respect to the discount rate and the underlying cash flows, in particular future revenue growth and capital expenditure. Independent external valuation were obtained in order to support management estimates.	Our procedures in relation to management's impairment assessment included: • Evaluating of the independent valuer's competence capabilities and objectivity; • Engaging a valuation specialist to assist us to review the appropriateness of the valuation approach and methodology, the accuracy of the calculations in the valuation model and the market data used on a sample basis; • Challenging the appropriateness of the key assumption underlying the cash flow forecasts in the valuation model, with reference to historical performance of the CGU and our knowledge of the relevant industry; and • Evaluating the adequacy of disclosures in respect of the impairment review in the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT *(Continued)*

Key audit matter

How our audit addressed the key audit matter

(2) Impairment assessment of interest in associates

Refer to the summary of significant accounting policy in Note 4(c), critical judgements and key estimates in Note 5(f) and the disclosure of interest in associates in Note 21 to the consolidated financial statements.

The Group has interest in associates of approximately RMB4,734,000 relating to the provision of cloud platforms application and solution business as at 31 December 2020. The associates have impairment indicator as they are loss making. Management performed impairment assessment of the investment in cloud platforms application and solution business and concluded that an impairment loss on the interest in associates of approximately RMB3,367,000 was recognised. This conclusion was based on value in use model that required significant management judgement with respect to the discount rate and the underlying cash flows, in particular future revenue growth and capital expenditure. Independent external valuation were obtained in order to support management's estimates.

Our procedures in relation to management's impairment assessment included:

- Evaluating the independent valuer's competence, capabilities and objectivity;
- Discussing with management about the technological, market, economic and legal environment and economic performance of cash-generating unit which the interest in associates relates to assess management's identification of impairment indicators;
- Engaging a valuation specialist to assist us to review the appropriateness of the valuation approach and methodology, the accuracy of the calculations in the valuation model and the market data used on a sample basis;
- Challenging the appropriateness of the key assumption underlying the cash flow forecasts in the valuation model, with reference to historical performance of the CGU and our knowledge of the relevant industry; and
- Evaluating the adequacy of disclosures in respect of the impairment review in the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT *(Continued)*

Key audit matter	How our audit addressed the key audit matter
(3) Impairment of the Group's trade and loan receivables Refer to Note 4(x), Note 5, Note 6(c) and Note 23 to the consolidated financial statements. The measurement of forward-looking expected credit loss ("ECL") approach requires the application of significant judgement and increased complexity which include the identification of exposures with a significant deterioration in credit quality, and assumptions used in the ECL models (for exposures assessed individually or collectively), such as the expected future cash flows and forward-looking macroeconomic factors. During the year, the Group has made reversal of impairment loss of trade receivables and impairment loss loan receivables based on ECL of approximately RMB435,000 and RMB21,916,000 respectively. Due to the significant amount of trade and loan receivables (with carrying amount representing 85% of total assets) and the corresponding uncertainty inherent in such estimates, a considerable amount of judgement is required in assessing the recoverability of the trade and loan receivables.	Our procedures in relation to management's impairment and recoverability assessment included: • Evaluating the design, implementation and operating effectiveness of key internal controls over credit control, trade receivables and debt collection and estimate of ECL; • Assessing the reasonableness of the Group's ECL models by examining the model input used by management to form such judgements, including testing the accuracy of the historical default data, evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information including the economic variables and assumptions used in each of the economic scenarios and their probability weightings and assessing whether there was an indication of management bias when recognising loss allowances; • Recalculating the amount of the impairment on trade and loan receivables and assessing the appropriateness and adequacy of the impairment as at 31 December 2020; • Inspecting settlements after the financial year end relating to the trade and loan receivables as at 31 December 2020; and • Reviewing the appropriateness of the disclosure in the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT *(Continued)*

Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2019, were audited by another auditor who expressed an unmodified opinion on those statements on 23 March 2020.

Other Information

The directors 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 (the **"Other Information"**).

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 for the Consolidated Financial Statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB 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.

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

INDEPENDENT AUDITOR'S REPORT *(Continued)*

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 HKSA's 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 HKSA's, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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

INDEPENDENT AUDITOR'S REPORT *(Continued)*

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(Continued)*

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

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

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

McMillan Woods (Hong Kong) CPA Limited
Certified Public Accountants

Ho Wai Kuen
Audit Engagement Director
Practising Certificate Number – P05966

3/F., Winbase Centre,
208 Queen's Road Central, Hong Kong

Hong Kong, 30 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Revenue	8	52,824	63,065
Cost of sales		(18,257)	(26,897)
Gross profit		34,567	36,168
Other gains	10	2	–
Gain/(loss) on fair value of financial assets			
at fair value through profit or loss		543	(879)
General and administration expenses		(26,007)	(28,459)
Impairment loss on goodwill		(4,347)	(5,112)
Allowance for expected credit losses		(22,138)	(12,859)
Impairment loss on interest in associates	21	(3,367)	(10,774)
Loss from operations		(20,747)	(21,915)
Share of results of associates	21	11	594
Finance costs	11	(4,657)	(3,940)
Loss before taxation	11	(25,393)	(25,261)
Taxation	12	(195)	(52)
Loss for the year		(25,588)	(25,313)
Other comprehensive income, net of income tax:			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		(20,048)	7,223
Share of changes in other comprehensive income			
in associates		(249)	70
<i>Item that will not be reclassified to profit or loss:</i>			
Change in fair value of a financial asset at fair value			
through other comprehensive income		(2,600)	(1,788)
		(22,897)	5,505
Total comprehensive loss for the year		(48,485)	(19,808)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Loss for the year attributable to:			
Owners of the Company		(25,571)	(25,050)
Non-controlling interests		(17)	(263)
		<u>(25,588)</u>	<u>(25,313)</u>
Total comprehensive loss for the year attributable to:			
Owners of the Company		(48,468)	(19,545)
Non-controlling interests		(17)	(263)
		<u>(48,485)</u>	<u>(19,808)</u>
Loss per share	16		(Restated)
Basic and diluted (RMB cents)		<u>(11.68)</u>	<u>(11.67)</u>

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment	17	2,632	3,780
Goodwill	18	1,997	7,349
Right-of-use assets	19	17	104
Financial assets at fair value through other comprehensive income	20	3,181	6,008
Interest in associates	21	4,734	8,674
Loan receivables	23	126,065	91,398
Deferred tax assets	27(b)	–	105
		138,626	117,418
Current assets			
Trade, loan and other receivables, prepayments and deposits	23	213,349	284,324
Financial assets at fair value through profit or loss	24	6,905	3,073
Tax recoverable	27(a)	198	–
Cash and bank balances	25	7,818	1,774
		228,270	289,171
Current liabilities			
Trade and other payables	26	6,468	13,559
Lease liabilities	28	25	78
Tax payables	27(a)	357	177
		6,850	13,814
Net current assets		221,420	275,357
Total assets less current liabilities		360,046	392,775
Non-current liabilities			
Bonds payables	29	49,699	43,999
Lease liabilities	28	–	27
		49,699	44,026
Net assets		310,347	348,749
Capital and reserves attributable to owners of the Company			
Share capital	31	43,630	36,184
Reserves		280,102	325,933
		323,732	362,117
Equity attributable to owners of the Company		(13,385)	(13,368)
Non-controlling interests			
Total equity		310,347	348,749

Approved and authorised for issue by the Board of Directors on 30 March 2021.

Tsui Annie
Director

Feng Keming
Director

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to the owners of the Company									
	Share capital	Share premium	Capital reduction reserve	Conversion option reserve	Share-based compensation reserve	Financial assets at fair value through other comprehensive income reserve	Exchange reserve	Accumulated losses	Sub-total	Non-controlling interests
	RMB'000	Note 31(b)(i) RMB'000	Note 31(b)(ii) RMB'000	Note 31(b)(vii) RMB'000	Note 31(b)(iii) RMB'000	Note 31(b)(iv) RMB'000	Note 31(b)(v) RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019	36,184	357,643	495,170	-	7,315	(9,677)	20,259	(525,232)	381,662	(13,105)
Loss for the year	-	-	-	-	-	-	-	(25,050)	(25,050)	(263)
Share of changes in comprehensive income in associate	-	-	-	-	-	-	70	-	70	-
Exchange differences on translating foreign operation	-	-	-	-	-	-	7,223	-	7,223	-
Change in value of a financial asset at fair value through other comprehensive income	-	-	-	-	-	(1,788)	-	-	(1,788)	-
Total comprehensive loss for the year	-	-	-	-	-	(1,788)	7,293	(25,050)	(19,545)	(263)
Release upon lapse of share options (Note 33)	-	-	-	-	(7,315)	-	-	7,315	-	-
At 31 December 2019 and 1 January 2020	36,184	357,643	495,170	-	-	(11,465)	27,552	(542,967)	362,117	(13,368)
Loss for the year	-	-	-	-	-	-	-	(25,571)	(25,571)	(17)
Exchange differences on translating foreign operation	-	-	-	-	-	-	(20,048)	-	(20,048)	-
Share of changes in other comprehensive income in associate	-	-	-	-	-	-	(249)	-	(249)	-
Change in value of a financial asset at fair value through other comprehensive income	-	-	-	-	-	(2,600)	-	-	(2,600)	-
Total comprehensive loss for the year	-	-	-	-	-	(2,600)	(20,297)	(25,571)	(48,468)	(17)
Grant of share option (Note 33)	-	-	-	-	1,432	-	-	-	1,432	-
Issuance of convertible bonds (Note 30)	-	-	-	4,199	-	-	-	-	4,199	-
Conversion of convertible bonds (Note 30)	7,446	1,205	-	(4,199)	-	-	-	-	4,452	-
As at 31 December 2020	43,630	358,848	495,170	-	1,432	(14,065)	7,255	(568,538)	323,732	(13,385)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	2020 RMB'000	2019 RMB'000
Cash flows from operating activities		
Loss before taxation	(25,393)	(25,261)
Adjustments for:		
Depreciation of property, plant and equipments	985	1,299
Depreciation on right-of-use assets	78	51
(Gain)/Loss on fair value of financial assets at fair value through profit or loss	(543)	879
Equity-settled share-based payment expense	1,432	–
Loss on written-off of property, plant and equipments	–	39
Impairment loss on interest in associates	3,367	10,774
Impairment loss on goodwill	4,347	5,112
Share of results of associates	(11)	(594)
Finance costs	4,657	3,940
Allowance for expected credit losses recognised in respect of trade, other and loan receivables	22,138	12,859
Bank interest income	(2)	–
Operating profit before working capital changes	11,055	9,098
Increase in trade, loan and other receivables, prepayments and deposits	(8,096)	(48,487)
Decrease in trade and other payables	(5,107)	(3,460)
Cash used in operations	(2,148)	(42,849)
Tax paid	(100)	(214)
Net cash used in operating activities	(2,248)	(43,063)

CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Cash flows from investing activities			
Purchase of financial assets at fair value through profit of loss		(2,639)	–
Bank interest income received		2	–
Net cash used in investing activities		(2,637)	–
Cash flows from financing activities			
Repayment of lease liabilities		(76)	(56)
Repayment of interest on lease liabilities		(2)	(4)
Other interest paid		–	(342)
Repayment of interest on bonds payables		(4,406)	(2,792)
Proceeds from issue of bonds payables		8,766	13,448
Proceeds from issue of convertible bond		7,446	–
Repayment of borrowings		–	(13,377)
Net cash generated from/(used in) financing activities		11,728	(3,123)
Net increase/(decrease) in cash and cash equivalents		6,843	(46,186)
Cash and cash equivalents at the beginning of the year		1,774	41,008
Effect of exchange rate changes on the balance of cash held in foreign currencies		(799)	6,952
Cash and cash equivalents at end of year	25	7,818	1,774

The accompanying notes form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. GENERAL INFORMATION

Hao Wen Holdings Limited (the “Company”) was a public limited company incorporated in the Cayman Islands on 1 August 2000 as an exempted company with limited liability under the Companies Law (2000 Revision) of the Cayman Islands, and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) with effect from 20 July 2001. 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 consolidated financial statements of the Company as at and for the year ended 31 December 2020 comprise the Company and its subsidiaries (together referred to as the “Group”). The Group is primarily engaged in the money lending, processing and trading of electronic parts and sale of burial plots and related services and cemetery maintenance service.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”), which in collective term includes all individual International Financial Reporting Standard (“IFRS”), International Accounting Standards (“IASs”) and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) and the disclosure requirements of the Hong Kong Companies Ordinance. Significant accounting policies adopted by the Group are discussed below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2020

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

(a) Application of new and revised IFRSs

The Group has applied the Amendments to Reference to the Conceptual Framework in IFRs standards and the following amendments to IFRSs issued by the IASB for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

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

The application of all new and the amendments to IFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

(b) New and revised IFRSs in issue but not yet effective

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

Amendment to IFRS 16	COVID-19 – Related Rent Concession ¹
IFRS 17	Insurance Contracts and the related Amendments ⁴
Amendments to IFRS 3	Reference to the Conceptual Framework ³
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2 ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ⁴
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use ³
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract ³
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018-2020 ³

¹ Effective for annual period beginning on or after 1 June 2020.

² Effective for annual periods beginning on or after 1 January 2021.

³ Effective for annual periods beginning on or after 1 January 2022.

⁴ Effective for annual periods beginning on or after 1 January 2023.

⁵ Effective for annual periods beginning on or after a date to be determined.

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. certain financial instruments that are measured at fair value).

The preparation of financial statements in conformity with IFRS 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 areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill and any accumulated foreign currency translation reserve relating to that subsidiary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Consolidation *(Continued)*

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

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

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

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment loss, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The consideration transferred in a business combination is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and any contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the sum of the consideration transferred over the Group's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the sum of the consideration transferred is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Group.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the sum of the consideration transferred in a business combination to calculate the goodwill.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs") or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill impairment reviews are undertaken annually, or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to its recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of the investment over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill which is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group's share of an associate's post-acquisition profits or losses and other comprehensive income is recognised in consolidated statement of profit or loss and other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's entire carrying amount of that associate (including goodwill) and any related accumulated foreign currency translation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Associates *(Continued)*

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) 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 board of directors that makes strategic decisions.

(e) Foreign currency translation

(i) *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 functional currencies of the Company and its operating subsidiary in the People's Republic of China (the "PRC") are Hong Kong dollars and Renminbi ("RMB") respectively. For the purpose of presenting the consolidated financial statements, the Group adopted RMB as its presentation currency. All financial information presented in RMB has been rounded to the nearest thousand.

(ii) *Transactions and balances in each entity's financial statements*

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Foreign currency translation *(Continued)*

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- 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;
- Income and expenses are translated at average exchange rates for the period (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 exchange rates on the transaction dates); and
- All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

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.

(f) Property, plant and equipments

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

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. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Property, plant and equipments *(Continued)*

Depreciation of property, plant and equipments is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

- Machinery and equipment 5 – 10 years
- Furniture and office equipment 5 – 8 years

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss on disposal of property, plant and equipments is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(g) Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) *The Group as a lessee*

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily laptops and office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Leases *(Continued)*

(i) *The Group as a lessee* *(Continued)*

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

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

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

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Leases *(Continued)*

(ii) The Group as a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

(h) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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

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

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is 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. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Debt investments

Debt investments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.
- Fair value through other comprehensive income (“**FVTOCI**”) – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.
- Fair value through profit or loss (“**FVTPL**”) if the investment does not meet the criteria for being measured at amortised cost or FVTOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

Equity investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVTOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer’s perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVTOCI, are recognised in profit or loss as other income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flow. Cash and cash equivalents are assessed for ECL.

(l) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under IFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(m) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Convertible bonds

Convertible bonds issued by the Group that contain liability component, early redemption option component and conversion option component are classified separately into their respective items on initial recognition. The early redemption option component represents the Company's option to early redeem before maturity date. Conversion option component that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument. At the date of issue, the early redemption option component is recognised at fair value and classified as derivative financial instrument.

On initial recognition, the fair value of the liability component is determined using the discounted cash flow at an effective interest rate. The difference between the proceeds of the issue of the convertible notes and the fair value assigned to the liability component and the early redemption option component, representing the conversion option for the holder to convert the convertible bonds into equity, is included in equity (conversion option reserve).

In subsequent reporting periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The early redemption option component is measured at fair value with change in fair value recognised in profit or loss. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in the convertible option reserve until the conversion option is exercised, in which case, all components at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. When the notes are redeemed, and difference between the redemption amount and the carrying amounts of all components is recognised in profit or loss. Where the conversion option remains unexercised at the maturity date, the balance stated in the convertible option reserve will be released to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability component, equity component and early redemption option components in proportion to their relative fair values. Transaction costs relating to the early redemption option component are charged to profit or loss immediately. The portion related to the equity component is charged directly to equity.

(o) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Equity instruments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Revenue and other income

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

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

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.

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

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVTOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

(r) Employee benefits

Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Share-based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at the fair value (excluding the effect of non-market based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

The Group issues equity-settled share-based payments to certain directors and employees.

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non-market based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

(t) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

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

(v) Taxation

Income tax represents the sum of the current tax and deferred tax.

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Taxation *(Continued)*

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

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

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to right-to-use assets and lease liabilities separately. Temporary differences relating to right-to-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(w) Impairment of non-financial assets

The carrying amounts of other non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Impairment of non-financial assets *(Continued)*

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

(x) Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on loan receivables, trade receivables and other receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

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

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

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Impairment of financial assets *(Continued)*

Significant increase in credit risk *(Continued)*

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

- (i) the financial instrument has a low risk of default,
- (ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Impairment of financial assets *(Continued)*

Significant increase in credit risk *(Continued)*

The Group considers a financial asset to have low credit risk when the asset has external credit rating of “investment grade” in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of “performing”. Performing means that the counterparty has a strong financial position and there is no past due amounts.

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

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

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

Credit-impaired financial assets

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

- significant financial difficulty of the issuer or the counterparty;
- a breach of contract, such as a default or past due event;
- the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty’s financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider; or

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Impairment of financial assets *(Continued)*

Credit-impaired financial assets (Continued)

- it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

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

Measurement and recognition of ECL

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Impairment of financial assets *(Continued)*

Measurement and recognition of ECL (Continued)

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

(y) Provision and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

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

(z) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(aa) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Company or of a parent of the Company;

or

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

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

A transaction is considered to be a related party transaction when there is a transfer of resources and obligations between related parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2020

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors of the Company have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

Significant increase in credit risk

As explained in Note 4(x), ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

Key sources of estimation uncertainty

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

(a) Income and deferred taxes

The Group is subject to Hong Kong Profits Tax and Enterprise Income Tax ("EIT") of the People's Republic of China (the "PRC") and temporary differences for each of the tax jurisdictions in which it operates and for all discrete reportable income streams within those jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

During the year, income tax of RMB195,000 (2019: RMB52,000) was charged to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2020

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(b) Impairment of property, plant and equipments and right-of-use assets

Property, plant and equipments and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

The carrying amount of property, plant and equipments and right-of-use assets as at 31 December 2020 were approximately RMB2,632,000 (2019: approximately RMB3,780,000) and approximately RMB17,000 (2019: approximately RMB104,000) respectively.

(c) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than the expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise.

Furthermore, the estimated cash flows and discount rate are subject to higher degree of estimation uncertainties in the current year due to uncertainty on how the COVID-19 pandemic may progress and evolve and volatility in financial markets.

The carrying amount of goodwill as at 31 December 2020 were approximately RMB1,997,000 (2019: approximately RMB7,349,000) and goodwill included in associate was approximately RMB921,000 (2019: approximately RMB4,623,000). Details of the impairment loss calculation are set out in Note 18 and Note 21.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2020

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(d) Impairment of trade receivables and loan receivables

The management of the Group estimates the amount of impairment loss for ECL on trade receivables and loan receivables based on the credit risk of trade receivable and loan receivables. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

Due to greater financial uncertainty triggered by the COVID-19 pandemic, the Group has increased the expected loss rates in the current year as there is higher risk that a prolonged pandemic could lead to increased credit default rates. The information about the ECL and the Group's trade receivables and loan receivables are disclosed in Note 23.

As at 31 December 2020, the carrying amount of trade receivables and loan receivables were approximately RMB10,261,000 (2019: approximately RMB22,642,000) and approximately RMB300,161,000 (2019: approximately RMB321,851,000) respectively.

(e) Valuation of equity-settled share-based payment transactions

The fair value of share options were valued by an independent valuer using the binomial option pricing model. This valuation require the Company to make estimates about certain key inputs, including the dividend yield, expected volatility, risk-free interest rate and expected life of options. The changes in input assumptions can materially affect the fair value estimate.

During the year, the Company granted share option approximately RMB1,432,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2020

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(f) Impairment of interest in associates

Determining whether interest in associates is impaired requires an estimation of the value in use of the cash generating unit to which interest in associates has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than the expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise.

Furthermore, the estimated cash flows and discount rate are subject to higher degree of estimation uncertainties in the current year due to uncertainty on how the COVID-19 pandemic may progress and evolve and volatility in financial markets.

Impairment loss on interest in associates of approximately RMB3,367,000 (2019: approximately RMB10,774,000) was made).

(g) Fair value of financial instruments

As described in Note 7, the directors of the Company use their judgements in selecting appropriate valuation techniques for financial instruments not quoted in an active market. The unlisted investments of the Group designated as financial assets at FVTOCI have been valued using the expected future cash flows discounted at current rates applicable for items with similar terms and risk characteristics. The valuation requires the management to make estimates about expected future cash flows, credit risk, volatility and discount rates, and hence they are subject to uncertainty. Other financial instrument is valued using a binominal option pricing model which requires the input of highly subjective assumptions including the volatility of the share price. Accordingly, the changes in input assumptions can materially affect the fair value estimate of financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2020

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, price risk, credit risk, liquidity risk and interest rate 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.

(a) Foreign currency risk

Renminbi is not freely convertible into foreign currencies. All foreign exchange transactions involving Renminbi must take place through the People's Bank of China ("PBOC") or other institutions authorised to buy and sell foreign exchange. The exchange rates adopted for the foreign exchange transactions are the rates of exchange quoted by the PBOC that would be subject to a managed float against an unspecified basket of currencies.

The group companies mainly operated in their local jurisdiction with most of the transactions settled in their functional currency and did not have significant exposure to risk resulting from changes in foreign currency exchange rates.

The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Price risk

Price risk is the risk that the fair values of equity securities decrease as a result of changes in the level of equity indices and the value of individual securities. At the end of reporting period, the Group is exposed to equity price risk mainly through its investment in equity securities classified as financial assets at fair value through profit or loss (Note 24). The management manages this exposure by maintaining a portfolio of investments with different risk and return profiles. The Group's equity price risk is mainly concentrated on equity securities quoted on The Stock Exchange of Hong Kong Limited.

The sensitivity analyses below have been determined based on the exposure to equity price risk at the end of the reporting period.

If equity prices had been 10% higher/lower (2019: 10% higher/lower), with all other variables held constant, would have decrease/increase loss for the year ended 31 December 2020 and accumulated losses by approximately RMB690,000 (2019: decrease/increase by approximately RMB307,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2020

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables and loan receivables) and from its financing activities, including deposits with banks and financial institutions. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with high credit-rating assigned by international credit-rating agencies, for which the Group considers to have low credit risk.

The Group does not provide any financial guarantees which would expose the Group to credit risk.

The Group's credit risk is primarily attributable to trade, loan and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group applies with simplified approach to provide for expected credit losses presented by IFRS 9, which permits the use of the lifetime expected credit loss provision for trade receivables and loan receivables. To measure the expected credit losses, trade receivables and loan receivables have been grouped based on shared credit risk characteristics. The Group has performed historical analysis and identified the economic variable credit risk and expected credit loss. This considers available reasonable and supportive forwarding-looking.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approval and other monitoring procedures to ensure that follow-up action is taken for the recoverable amount. In addition, the Group reviews the recoverable amount of each individual's loan receivables at the end of each reporting period to ensure that adequate impairment loss are made for irrecoverable amounts.

The Group manages and analyses the credit risk for each of their new and existing clients before standard payment terms and conditions are offered. If there is no independent rating, the Group assesses the credit quality of the customer based on the customer's financial position, past experience and other factors. The Group holds collateral against loan receivable and related interest receivables in the confirmed form of mortgages over property. Majority of the collateral are residential, properties and all of the collaterals are located in Hong Kong. Individual risk limits are set based on the value of collaterals provided by customers and internal or external ratings in accordance with limits set by the directors of the Company. The utilisation of credit limits is regularly monitored.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2020

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Credit risk *(Continued)*

Loan receivables

Loan receivables are categorised into the following stages by the Group:

Stage 1

Loan receivables have not experienced a significant increase in credit risk since origination and impairment recognised on the basis of 12 months ECL (12-month ECLs).

Stage 2

Loan receivables to customers have experienced a significant increase in credit risk since origination and impairment is recognised on the basis of lifetime ECL (Lifetime ECLs non credit-impaired).

Stage 3

Loan receivables that are in default and considered credit impaired (Lifetime ECLs credit impaired).

In assessing whether the credit risk of loan receivables have increased significantly since initial recognition, the Group compares the risk of default occurring on the loan receivables assessed at the end of the reporting period with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is past due for more than 90 days. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

- an actual or expected significant deterioration in a loan receivables's external or internal credit rating (if available);
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group; and
- the financial asset is past due.

As at 31 December 2020, the provision for impairment of loan receivables was approximately RMB41,843,000 (2019: approximately RMB22,503,000) based on expected loss rates up to 100% applied to different stages.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2020

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Credit risk *(Continued)*

Loan receivables (Continued)

	As at 31 December 2019			Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	
Loan receivables, gross	263,579	56,823	23,952	344,354
Less: Lifetime ECL on loan receivables	(387)	(4,331)	(17,785)	(22,503)
Loan receivables, net	<u>263,192</u>	<u>52,492</u>	<u>6,167</u>	<u>321,851</u>

	As at 31 December 2020			Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	
Loan receivables, gross	314,393	–	27,611	342,004
Less: Lifetime ECL on loan receivables	(14,232)	–	(27,611)	(41,843)
Loan receivables, net	<u>300,161</u>	<u>–</u>	<u>–</u>	<u>300,161</u>

Movements for ECL of loan receivables are as follows:

	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
At 1 January 2019	442	2,882	6,333	9,657
(Reversal of allowance)/ allowance for ECL on loan receivables	(58)	1,404	11,192	12,538
Exchange alignment	<u>3</u>	<u>45</u>	<u>260</u>	<u>308</u>
As 31 December 2019 and 1 January 2020	387	4,331	17,785	22,503
(Reversal of allowance)/ allowance for ECL on loan receivables	14,669	(4,300)	11,547	21,916
Exchange alignment	<u>(824)</u>	<u>(31)</u>	<u>(1,721)</u>	<u>(2,576)</u>
As 31 December 2020	<u>14,232</u>	<u>–</u>	<u>27,611</u>	<u>41,843</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2020

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Credit risk *(Continued)*

Trade receivables

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different debtors, the loss allowance based on past due status is not further distinguished between the Group's different debtors.

As at 31 December 2019	Within 90 days	91 to 180 days	181 days to 1 year	Over 1 year	Total
Expected credit loss rate	2.50%	2.77%	4.67%	–	2.74%
Gross carrying amount (RMB'000)	10,705	11,461	1,114	–	23,280
Lifetime ECL (RMB'000)	(268)	(318)	(52)	–	(638)
Net carrying amount (RMB'000)	<u>10,437</u>	<u>11,143</u>	<u>1,062</u>	<u>–</u>	<u>22,642</u>

As at 31 December 2020	Within 90 days	91 to 180 days	181 days to 1 year	Over 1 year	Total
Expected credit loss rate	1.03%	1.58%	3.14%	–	1.8%
Gross carrying amount (RMB'000)	4,947	2,285	3,216	–	10,448
Lifetime ECL (RMB'000)	(51)	(36)	(100)	–	(187)
Net carrying amount (RMB'000)	<u>4,896</u>	<u>2,249</u>	<u>3,116</u>	<u>–</u>	<u>10,261</u>

Other receivables

Other receivables relating to accounts that are long overdue with significant amounts, known insolvencies or non-response to collection activities, they are assessed individually for impairment allowance. The Group recognised the provision for expected credit losses by assessing the credit risk characteristics of debtor, discount rate and the likelihood of recovery and considering the prevailing economic conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2020

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Credit risk *(Continued)*

Other receivables (Continued)

The movement of loss allowances for other receivables during the year are as follows:

	Other receivables RMB'000
At 1 January 2019	544
Reversal of allowance for expected credit losses	(32)
Exchange alignment	(1)
At 31 December 2019 and 1 January 2020	511
Allowance for expected credit losses	657
Exchange alignment	(66)
At 31 December 2020	1,102

The Group has a concentration of credit risk in certain individual customers. At the end of each reporting period, the five largest receivables balances accounted for approximately 63% (2019: approximately 71.1%) of the trade receivables and the largest trade receivable was approximately RMB1,328,000 (2019: approximately RMB3,861,000) and was approximately 13 % (2019: approximately 17.1%) of the Group's total trade receivables. The Group seeks to minimize its risk by dealing with counterparties which have good credit history. Majority of the trade receivables that are neither past due nor impaired have no default payment history.

Expected loss rates are based on actual loss experience over the past three years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2020

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the end of reporting period of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates, or if floating, based on rates current at the end of reporting period) and the earliest date the Group can be required to pay:

	2020					
	Carrying amount RMB'000	Total Contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	Over 5 years RMB'000
Trade and other payables	6,468	6,468	6,468	-	-	-
Lease liabilities	25	25	25	-	-	-
Bonds payable	49,699	70,836	5,323	17,946	47,567	-
	<u>56,192</u>	<u>77,329</u>	<u>11,816</u>	<u>17,946</u>	<u>47,567</u>	<u>-</u>

	2019					
	Carrying amount RMB'000	Total Contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	Over 5 years RMB'000
Trade and other payables	13,559	13,559	13,559	-	-	-
Lease liabilities	105	109	82	27	-	-
Bonds payable	43,999	46,156	3,846	3,846	38,464	-
	<u>57,663</u>	<u>59,824</u>	<u>17,487</u>	<u>3,873</u>	<u>38,464</u>	<u>-</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2020

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(e) Interest rate risk

The Group's loan receivables and bonds payables bear interests at fixed interest rates which expose the Group to fair value interest rate risks.

The Group's exposure to cash flow interest rate risk mainly arises from its bank deposits. These bank deposits bear interests at floating rates varied with the prevailing market condition.

Except as stated above, the Group does not have other significant interest-bearing assets and liabilities at the end of reporting period, its income and operating cash flows are substantially independent of changes in market interest rates.

(f) Categories of financial instruments

	2020 RMB'000	2019 RMB'000
Financial assets		
– Financial assets at amortised cost	327,693	355,312
– Financial assets at fair value through profit or loss	6,905	3,073
– Financial assets at fair value through other comprehensive income	3,181	6,008
Financial liabilities		
– Financial liabilities at amortised cost	56,167	57,558

(g) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values as at 31 December 2020 and 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2020

7. FAIR VALUE MEASUREMENTS

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair Value Measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs, that is, unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs, that is, observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs

For level 3 fair value measurement, the Group engaged an independent professional valuer, with appropriate recognised professional qualifications and recent experience to perform the valuations.

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

Disclosures of level in fair value hierarchy

At 31 December 2020	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	<u>6,905</u>	<u>–</u>	<u>–</u>	<u>6,905</u>
Financial assets at fair value through other comprehensive income	<u>–</u>	<u>–</u>	<u>3,181</u>	<u>3,181</u>
Early redemption option embedded in convertible bonds	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2020

7. FAIR VALUE MEASUREMENTS *(Continued)*

Disclosures of level in fair value hierarchy *(Continued)*

At 31 December 2019	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	<u>3,073</u>	<u>–</u>	<u>–</u>	<u>3,073</u>
Financial assets at fair value through other comprehensive income	<u>–</u>	<u>–</u>	<u>6,008</u>	<u>6,008</u>

During the years ended 31 December 2020 and 2019, there were no transfers in the fair value hierarchy between Level 1 and Level 2, or transfers into or out of Level 3 (2019: Nil).

The valuation techniques and the key unobservable input to the Level 3 fair value measurements are set out below:

Financial assets	Fair value at	Fair value hierarchy	Valuation techniques	Significant on observed inputs
Early redemption option embedded in convertible bonds	2020: Nil (2019: Nil)	Level 3	Binomial option pricing model	Expected volatility
Financial assets at fair value through other comprehensive income – unlisted equity securities	2020: RMB3,181,000 (2019: RMB6,008,000)	Level 3	The discounted cash flow method	Discount rate at 15.05% (2019: 16.56%)

The higher the discount rate, the lower the fair value of the financial assets at fair value through other comprehensive income.

The higher the expected volatility, the higher the fair value of early redemption option embedded in convertible bonds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2020

7. FAIR VALUE MEASUREMENTS *(Continued)*

Disclosures of level in fair value hierarchy *(Continued)*

The movements during the years ended 31 December 2020 in the balance of these Level 3 fair value measurements are as follows:

	2020 RMB'000	2019 RMB'000
Unlisted equity securities:		
At 1 January	6,008	7,505
Net unrealised losses recognised in other comprehensive income during the year	(2,600)	(1,788)
Currency realignment	(227)	291
At 31 December	3,181	6,008
Early redemption option embedded in convertible bonds:		
At 1 January	–	–
Issue of convertible bonds	1,414	–
Loss on fair value	(1,072)	–
Conversion of convertible bonds into ordinary shares	(342)	–
At 31 December	–	–
Total losses for the year included in profit or loss at the end of the reporting period	(1,072)	–

Any gain or loss arising from the remeasurement of the Group's unlisted equity securities held for strategic purposes are recognised in the financial assets at fair value through other comprehensive income reserve in other comprehensive income. Upon disposal of the unlisted equity securities, the amount accumulated in other comprehensive income would be transferred directly to accumulated losses.

8. REVENUE

Revenue represents (i) the sales value of goods supplied to customers, which net of value added tax and is stated after deduction of goods returns and trade discounts, (ii) interest income earned from the money lending business, and (iii) sales of burial plots.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2020

8. REVENUE *(Continued)*

Disaggregation of revenue

Disaggregation of revenue from contracts with customers is as follows:

	2020 RMB'000	2019 RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Revenue is analysed by type of goods and services:		
Sales of electronic parts	16,882	31,278
Sales of burial plots	5,109	–
Revenue from other sources		
Interest income from loan financing	30,833	31,787
	52,824	63,065

The Group derives revenue from the transfer of goods and services at a point in time in the following major product lines and geographical regions:

	2020 RMB'000	2019 RMB'000
Timing of revenue recognition:		
A point in time	21,991	31,278
Geographical market:		
The PRC	18,089	26,419
Hong Kong	3,467	3,587
Other	435	1,272
	21,991	31,278

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2020

9. SEGMENT INFORMATION

The executive directors of the Company are identified as the chief operating decision maker (the “**CODM**”) of the Group for the purposes of resources allocation and performance assessment. The information reported to the CODM for the purposes of resources allocation and performance assessment focuses specifically on respective businesses of the Group. The Group’s operating and reportable segments are as follows:

- (i) the “**Money Lending**” segment engages in interest income earned from the money lending business;
- (ii) the “**Electric Parts**” segment engages in processing and trading of electronic parts business; and
- (iii) the “**Burial Business**” segment engages in sales of burial plots and related services business and cemetery maintenance service

Following the changes of reporting structure, the number of operating and reportable segments in the Group was increased from two to three during the year ended 31 December 2020 due to commencement of the Burial Business in the PRC.

The accounting policies of the operating segments are the same as those described in Note 4 to the consolidated financial statements. There was no inter-segment sale or transfer during the year ended 31 December 2020 (2019: Nil). Central revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments’ results that is used by the CODM for assessment of segment performance. Segment assets do not include interests in associates, financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss, tax recoverable, deferred tax assets and other unallocation head office and corporate assets. Segment liabilities do not include tax payables and other unallocated head office and corporate liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

9. SEGMENT INFORMATION (Continued)

Segment revenue and results

	Money Lending		Electronic Parts		Burial Business		Consolidated	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Revenue								
External sales	30,833	31,787	16,882	31,278	5,109	-	52,824	63,065
Result								
Segment result	(14,249)	(1,472)	(2,455)	572	1,429	-	(15,275)	(900)
Unallocated corporate expenses							(1,993)	(9,394)
Other gains							2	-
Gain/(Loss) on fair value of financial assets at fair value through profit or loss							543	(879)
(Allowance for)/reversal of allowance for expected credit losses							(657)	32
Impairment loss on interest in associates							(3,367)	(10,774)
Loss from operations							(20,747)	(21,915)
Share of results of associates							11	594
Finance costs							(4,657)	(3,940)
Loss before taxation							(25,393)	(25,261)
Taxation							(195)	(52)
Loss for the year							(25,588)	(25,313)

Segment assets and liabilities

	Money Lending		Electronic Parts		Burial Business		Consolidated	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Assets								
Segment assets	305,281	318,387	16,251	34,384	18,554	-	340,086	352,771
Unallocated corporate assets							<u>26,810</u>	<u>53,818</u>
							<u><u>366,896</u></u>	<u><u>406,589</u></u>
Liabilities								
Segment liabilities	446	4,254	1,900	2,135	1,125	-	3,471	6,389
Unallocated corporate liabilities							<u>53,078</u>	<u>51,451</u>
							<u><u>56,549</u></u>	<u><u>57,840</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

9. SEGMENT INFORMATION (Continued)

Other segment information

The following is an analysis of the Group's other segment information:

	Money Lending		Electronic parts		Burial Business		Unallocated		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Depreciation and amortisation	83	62	890	881	-	-	90	407	1,063	1,350
Impairment loss on interest in associates	-	-	-	-	-	-	3,367	10,774	3,367	10,774
Allowance for/(reversal of allowance for) expected credit losses	21,916	12,538	(435)	353	-	-	657	(32)	22,138	12,859
(Gain)/Loss on fair value of financial assets at fair value through profit or loss	-	-	-	-	-	-	(543)	879	(543)	879
Impairment loss on goodwill	-	-	4,347	5,112	-	-	-	-	4,347	5,112

The Group's revenue from its major products were disclosed in Note 8 to these consolidated financial statements.

Geographical information

The Group operates in two principal geographical areas, the PRC (excluding Hong Kong) and Hong Kong. The Group's revenue from the external customers by location of operations and information about its non-current assets are detailed below.

	Revenue		Non-current assets*	
	Year ended	Year ended	As at	As at
	31 December	31 December	31 December	31 December
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
The PRC	18,089	26,419	274	1,326
Hong Kong	34,300	35,374	9,106	18,581
Others	435	1,272	-	-
	<u>52,824</u>	<u>63,065</u>	<u>9,380</u>	<u>19,907</u>

* Non-current assets excluding financial instruments and deferred tax assets.

No customer contribute 10% or more of the total revenue for the years ended 31 December 2020 and 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2020

10. OTHER GAINS

	2020 RMB'000	2019 RMB'000
Bank interest income	2	–

11. LOSS BEFORE TAXATION

Loss before taxation is arrived after charging:

(a) Finance costs

	2020 RMB'000	2019 RMB'000
Interest expense on lease liabilities	2	4
Interest on convertible bonds (Note 30)	133	–
Interest on borrowings	–	342
Interest on bonds payables (Note 29)	4,522	3,594
	<u>4,657</u>	<u>3,940</u>

(b) Staff costs (including directors' emoluments)

	2020 RMB'000	2019 RMB'000
Contributions to defined contribution plans	69	78
Salaries, wages and other benefits	2,180	6,188
Total staff costs	<u>2,249</u>	<u>6,266</u>

For the year ended 31 December 2020, COVID-19 related government grants amounted to approximately RMB192,000 (2019: Nil) have been offset against staff costs. The conditions of COVID-19 related government grants were fulfilled during the year ended 31 December 2020 (2019: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2020

11. LOSS BEFORE TAXATION *(Continued)*

(c) Other items

	2020 RMB'000	2019 RMB'000
Depreciation of property, plant and equipments	985	1,299
Depreciation on right-of-use assets	78	51
Payments to short-term leases	–	372
Auditors' Remuneration	534	950
Cost of inventories sold	18,257	26,897
Allowance for expected credit losses	22,138	12,859
Impairment loss on interest in associates	3,367	10,774
Impairment loss on goodwill	4,347	5,112
(Gain)/loss on fair value of financial assets at fair value through profit or loss	(543)	879
Equity-settled share-based payment expense	1,432	–
Loss on written-off of property, plant and equipments	–	39

12. TAXATION

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

	2020 RMB'000	2019 RMB'000
Hong Kong Profits Tax		
– Current tax expense	–	111
– Over-Provision in prior year	(267)	(968)
PRC Enterprises Income Tax		
– Current tax expense	357	–
	90	(857)
Deferred taxation		
– Charged to the consolidated statement of profit or loss and other comprehensive income (Note 27(b))	105	909
	195	52

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2020

12. TAXATION *(Continued)*

notes:

(i) Hong Kong Profits Tax

Under the two-tiered Profits Tax regime, the first HK\$2 million of profits of the qualifying group entity established in Hong Kong will be taxed at 8.25% (2019: 8.25%), and profits above that amount will be subject to the tax rate of 16.5% for the year ended 31 December 2020 (2019: 16.5%). The profits of the group entities not qualifying for the two-tiered Profit Tax rate regime will continue to be taxed at a rate of 16.5% for the year ended 31 December 2020 (2019: 16.5%).

(ii) Income taxes outside Hong Kong

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the "BVI"), the Company and its subsidiaries registered in the BVI are not subject to any income tax in the Cayman Islands and BVI, respectively.

The subsidiaries of the Company established in the PRC is generally subject to PRC Enterprise Income Tax on its taxable income at an income tax rate of 25% for the year ended 31 December 2020 (2019: 25%).

Reconciliation between tax expense and accounting loss at applicable tax rates:

	2020 RMB'000	2019 RMB'000
Loss before taxation	(25,393)	(25,261)
Notional tax on loss before taxation calculation relevant tax rate of 16.5% (2019: 16.5%)	(4,190)	(4,168)
Effect of different tax rates of other jurisdictions	121	–
Tax concessionary	–	(165)
Tax effect of income not taxable for tax purpose	(245)	(98)
Tax effect of non-deductible expenses	4,776	5,451
Over-provision in prior years	(267)	(968)
Income tax expense for the year	195	52

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2020

13. DIRECTORS' AND CHIEF EXECUTIVES' REMUNERATION

Details of the directors' remuneration of the Company for the year, disclosed pursuant to the GEM Listing Rules and Section 383 of the Hong Kong Companies Ordinance, are as follows:

Year ended 31 December 2020

	Directors' Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
<i>Executive directors:</i>				
TSUI Annie	–	473	16	489
FENG Keming (note i)	–	211	–	211
WANG Ziyi (note ii)	–	–	–	–
<i>Independent non-executive directors:</i>				
MA Sijing	107	–	–	107
HO, Yuen Ki	126	–	–	126
CHAN, Kwan Yiu	209	–	–	209
	<u>442</u>	<u>684</u>	<u>16</u>	<u>1,142</u>

Year ended 31 December 2019

	Directors' Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
<i>Executive directors:</i>				
TSUI Annie	–	515	16	531
WANG Ziyi	–	229	–	229
<i>Independent non-executive directors:</i>				
MA Sijing	115	–	–	115
HO, Yuen Ki	137	–	–	137
CHAN, Kwan Yiu	229	–	–	229
	<u>481</u>	<u>744</u>	<u>16</u>	<u>1,241</u>

notes:

(i) Appointed with effect from 6 January 2020.

(ii) Resigned with effect from 6 January 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2020

13. DIRECTORS' AND CHIEF EXECUTIVES' REMUNERATION *(Continued)*

The details of those benefits in kind, including the principal terms and number of options granted, are disclosed in Note 33 to the consolidated financial statements.

For the years ended 31 December 2020 and 2019, no emolument was paid to the directors as an inducement to join or upon joining the Company or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration for the years ended 31 December 2020 and 2019.

Save for disclosed in Note 35 to these consolidated financial statements, no significant transaction, arrangement and contract in relation to the Group's business to which the Company was a party and in which the directors of the Company and the directors' connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

14. INDIVIDUALS WITH HIGHEST EMOLUMENTS

For the five individuals with the highest emoluments, two (2019: two) are directors of the Company whose emoluments are disclosed in Note 13 to the consolidated financial statements. The aggregate of the emoluments in respect of the other three individuals (2019: three) are as follows:

	2020 RMB'000	2019 RMB'000
Salaries and other emoluments	917	1,021
Retirement scheme contributions	46	46
	<u>963</u>	<u>1,067</u>

The emoluments paid or payable to members of senior management (excluding the directors of the Company) were within the following bands:

	2020	2019
Nil – HK\$1,000,000	<u>3</u>	<u>3</u>

For the years ended 31 December 2020 and 2019, no emolument was paid by the Group to any directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

15. DIVIDEND

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2020

16. LOSS PER SHARE

(a) Basic loss per share

The calculation of the basic loss per share for the year is based on the following data:

	2020 RMB'000	2019 RMB'000
Loss		
Loss for the year attributable to the owners of the Company for the purposes of basic loss per share	<u>(25,571)</u>	<u>(25,050)</u>
	2020 '000	2019 '000 (Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>218,991</u>	<u>214,652</u>

For the years ended 31 December 2020 and 2019, the weighted average number of ordinary shares for the purpose of basic and diluted loss per share has been adjusted to take into effect of the Share Consolidation (as defined in Note 31(a)(i)) with effect from 10 July 2020 as if it had been effective on 1 January 2019.

(b) Diluted loss per share

Diluted loss per share for the year ended 31 December 2020 were same (2019: same) as the basic loss per share at the Company's outstanding share options and convertible bonds (2019: share option) has no anti-dilutive effect.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2020

17. PROPERTY, PLANT AND EQUIPMENTS

Movements in property, plant and equipments are as follows:

	Furniture and office equipment RMB'000	Machinery and equipment RMB'000	Total RMB'000
Cost			
At 1 January 2019	2,903	5,930	8,833
Currency realignment	61	92	153
Written-off	(2,273)	–	(2,273)
At 31 December 2019 and 1 January 2020	691	6,022	6,713
Currency realignment	(41)	(275)	(316)
At 31 December 2020	650	5,747	6,397
Accumulated depreciation and impairment losses			
At 1 January 2019	2,522	1,308	3,830
Currency realignment	18	20	38
Charged for the year	241	1,058	1,299
Written-off	(2,234)	–	(2,234)
At 31 December 2019 and 1 January 2020	547	2,386	2,933
Currency realignment	(36)	(117)	(153)
Charged for the year	95	890	985
At 31 December 2020	606	3,159	3,765
Net carrying amounts			
At 31 December 2020	44	2,588	2,632
At 31 December 2019	144	3,636	3,780

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2020

18. GOODWILL

	2020 RMB'000	2019 RMB'000
Cost		
At 1 January	225,947	225,551
Currency realignment	(907)	396
At 31 December	225,040	225,947
Accumulated impairment losses		
At 1 January	218,598	213,259
Impairment loss for the year	4,347	5,112
Currency realignment	98	227
At 31 December	223,043	218,598
Net carrying amounts		
At 31 December	1,997	7,349

Particular of impairment assessment on goodwill are disclosed below:

Goodwill has been allocated for impairment testing purposes to the following cash-generating units:

- Biomass fuel products business (the “Biomass CGU”)
- Processing and trading of electronic part business (the “Electronic CGU”)

The carrying amount of goodwill was allocated to cash-generating units as follows:

	2020 RMB'000	2019 RMB'000
The Biomass CGU (note (a))	–	–
The Electronic CGU (note (b))	1,997	7,349

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2020

18. GOODWILL *(Continued)*

notes:

- (a) The directors of the Company reassessed and considered that the recoverable amount of the Biomass CGU was zero as at 31 December 2020 due to cessation of the Biomass CGU after 31 December 2017 as part of the Group's business strategy plans to improve its overall liquidity. Accordingly, no impairment loss was recognised/reversed for the year ended 31 December 2020 (2019: Nil) and an accumulated impairment losses of the goodwill of approximately RMB213,259,000 (2019: approximately RMB213,259,000) relating to the Biomass CGU was recognised as at 31 December 2020.
- (b) As at 31 December 2020, the recoverable amount of the Electronic CGU has been determined based on a value in use calculation which uses cash flow projection based on financial budgets approved by the directors of the Company and valued by the independent professional valuer covering a five-year period and pre-tax discount rate. Cash flows beyond that five-year period have been extrapolated using the estimated growth rate stated below. This growth rate does not exceed the long-term average growth rate for the market.

The key assumptions used in the value-in-use calculations of the Electronic CGU are as follows:

	2020	2019
EBITDA margin (average of next five years)	6.3%	12.3%
Long term growth rate	2.6%	3.0%
Discount rate	11.1%	13.2%

Management determined the earning before income tax, finance cost, depreciation and amortisation ("EBITDA") margin based on past performance and its expectations regarding market development. The long-term growth rate does not exceed the long-term average growth rate for the industry and the country in which the Electronic CGU currently operates. The discount rate used is pre-tax and reflects specific risks relating to the Electronic CGU.

The management of the Group have assessed the recoverable amount of the Electronic CGU amounting to approximately RMB1,997,000 which is lower than its carrying value as at 31 December 2020. Accordingly, an impairment loss on goodwill of approximately RMB4,347,000 (2019: approximately RMB5,112,000) was recognised in the Group's consolidated statement of profit or loss during the year ended 31 December 2020 on the basis of material decline in the recoverable amount which was below the carry amount and adverse changes in the market in processing and trading of electronic part business.

As at 31 December 2020, an accumulated impairment losses of approximately RMB9,784,000 (2019: approximately RMB5,339,000), was recognised on the goodwill relating to the Electronic CGU.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2020

19. RIGHT-OF-USE ASSETS

	Leased Properties RMB'000
Cost	
At 1 January 2019	–
Additions	153
Exchange realignment	3
At 31 December 2019 and 1 January 2020	156
Exchange realignment	(9)
At 31 December 2020	147
Accumulated depreciation and impairment losses	
At 1 January 2019	–
Provided for the year	51
Exchange realignment	1
At 31 December 2019 and 1 January 2020	52
Provided for the year	78
At 31 December 2020	130
Net carrying amounts	
At 31 December 2020	17
At 31 December 2019	104

During the year ended 31 December 2020, the Group leases properties for self-own. Lease contracts are entered into for lease term of 2 years (2019: 2 to 3 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

Lease liabilities of approximately RMB25,000 (2019: approximately RMB105,000) are recognised with related right-to-use assets of RMB17,000 (2019: RMB104,000) as at 31 December 2020. The lease agreement do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing.

Depreciation expense has been included in the profit and loss as follows:

	2020 RMB'000	2019 RMB'000
General and administrative expenses	78	51

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2020

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 RMB'000	2019 RMB'000
Financial assets at FVTOCI		
– Unlisted equity investments (notes)	<u>3,181</u>	<u>6,008</u>

notes:

- (1) The Company, through its wholly-owned subsidiary, holds 5.4% equity Interest in Peak Zone Group Limited ("Peak Zone") at the end of reporting period, which were reclassified as financial assets at FVTOCI. Peak Zone is principally engaged in the provision of integrated application.
- (2) The directors of the Company determined the fair value of the financial assets at fair value through other comprehensive income by reference to the valuation performed by independent qualified valuer.

21. INTEREST IN ASSOCIATES

	RMB'000
At 1 January 2019	18,570
Share of post-acquisition results and other comprehensive income, net of dividend received	664
Less: Impairment loss on interest in associates	(10,774)
Currency realignment	<u>214</u>
At 31 December 2019 and 1 January 2020	8,674
Share of post-acquisition results and other comprehensive income, net of dividend received	(238)
Less: Impairment loss on interest in associates	(3,367)
Currency realignment	<u>(335)</u>
At 31 December 2020	<u>4,734</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2020

21. INTEREST IN ASSOCIATES *(Continued)*

As at 31 December 2020, the Group had interests in the following associates:

Name of entity	Form of entity, place of incorporation/ registration and operations	Particulars of issued and fully paid share capital/registered capital	Percentage of equity attributable to the Group	Percentage of voting power hold	Principal activities
Sincere Smart International Limited	Incorporated in BVI	50,000 ordinary shares of US\$1 each	22.5%	22.5%	Investment holding
Ideal Surplus Inc Limited	Incorporated in Hong Kong	10,000 ordinary shares	22.5%	22.5%	Provision of cloud platforms application and solution

The summarised financial information in respect of the Group's associates is set out below:

	2020 RMB'000	2019 RMB'000
Total assets	34,027	45,730
Total liabilities	(17,079)	(27,726)
Net assets	16,948	18,004
Net asset attributable to the Group	3,813	4,051
Goodwill	921	4,623
Carrying amount	4,734	8,674
Revenue	6,379	8,857
Profit for the year	51	2,640
Group's share of profit of associates	11	594
Group's share of other comprehensive income	(249)	70
Group's share of total comprehensive income	(238)	664

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2020

21. INTEREST IN ASSOCIATES *(Continued)*

Particular of impairment assessment on interest in associates are disclosed below:

Interest in associates has been allocated for impairment testing purposes to the provision of cloud platforms application and solutions business cash-generating unit (the “Cloud Platforms CGU”)

As at 31 December 2020, the recoverable amount of the Cloud Platforms CGU has been determined based on a value-in-use calculation which uses cash flow projection based on financial budgets approved by the directors of the Company and valued by the independent professional valuer covering a five-year period, and pre-tax discount rate. Cash flows beyond that five-year period have been extrapolated using the estimated growth rate stated below. This growth rate does not exceed the long-term average growth rate for the market.

The key assumptions used in the value-in-use calculations are as follows:

	2020	2019
EBITDA margin (average of next five years)	21.2%	51.1%
Long term growth rate	2.4%	3.0%
Discount rate	22.3%	22.6%

Management determined the earning before income tax, finance cost, depreciation and amortisation (“EBITDA”) margin based on past performance and its expectations regarding market development. The long-term growth rate does not exceed the long-term average growth rate for the industry and the country in which the Cloud Platforms CGU currently operates. The discount rate used is pre-tax and reflects specific risks relating to the Cloud Platforms CGU.

The management of the Group have assessed the recoverable amount of the Cloud Platforms CGU amounting to approximately RMB4,734,000 which is lower than its carrying value as at 31 December 2020. Accordingly, an impairment loss on interest in associates of approximately RMB3,367,000 (2019: approximately RMB10,774,000) was recognised in the Group’s consolidated statement of profit or loss for the year ended 31 December 2020 on the basis of material decline in the recoverable amount which was below the carrying amount and adverse changes in the market in which the associates operated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2020

22. PARTICULARS OF SUBSIDIARIES

(a) The particulars of material subsidiaries of the Company at 31 December 2020 is as follows:

Name of company	Place of incorporation/ business and operation	Particulars of issued and fully paid share capital/ registered capital	Proportion of ownership interest and voting power held by the Company		Principal activities
			Directly	Indirectly	
Create Profit Enterprises Limited	Hong Kong, limited liabilities company	10,000 ordinary shares	–	100%	Finance and money lending
Leader Joy International Limited	Hong Kong, limited liabilities company	1 ordinary share	–	100%	Investment holding
Hong Kong Leap Trading Co. Limited	Hong Kong, limited liabilities company	10,000 ordinary shares	–	100%	Processing and trading of electronic parts
肇慶市寶地創新科技有限公司*	The PRC, limited liabilities company	Registered and paid up capital of US\$500,000	–	100%	Trading and manufacturing biomass fuel products
德慶縣炬林環保新能源開發有限公司(「炬林環保」)**	The PRC, limited liabilities company	Registered and paid up capital of RMB2,000,000	–	51%	Trading and manufacturing biomass fuel products
百抖網路(深圳)有限公司*	The PRC, limited liabilities company	Registered and paid up capital of RMB1,000,000	–	100%	Burial business

The above table lists the subsidiaries of the Group, which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. The directors of the Company are of the opinion that a complete list of the particulars of all subsidiaries would be of excessive length.

* The subsidiary is a wholly-owned foreign enterprise established in the PRC.

** The subsidiary is domestic-owned enterprise established in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2020

22. PARTICULARS OF SUBSIDIARIES *(Continued)*

(b) Detail of non-wholly owned subsidiary that has material non-controlling interests as follows:

Name of subsidiary	Place of incorporation	Proportion of ownership interests and voting right held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		2020	2019	2020	2019	2020	2019
				RMB'000	RMB'000	RMB'000	RMB'000
炬林環保	The PRC	49%	49%	(17)	(263)	(13,385)	(13,368)
				2020	2019		
				RMB'000	RMB'000		
Current assets				379	379		
Non-current assets				309	309		
Current liabilities				(28,004)	(27,970)		
Equity attributes to owners of the Company				(13,931)	(13,914)		
Non-controlling interests				(13,385)	(13,368)		
Revenue				—	—		
Expenses				(34)	(536)		
Loss for the year				(34)	(536)		
Total comprehensive loss attributable to owners of the Company				(17)	(273)		
Total comprehensive loss attributable to the non-controlling interests				(17)	(263)		
Total comprehensive loss for the year				(34)	(536)		
Net cash generated from/(used in) operating activities				2	(2)		
Net cash used in investing activities				—	—		
Net cash used in financing activities				—	—		
Net cash inflow/(outflow)				2	(2)		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2020

23. TRADE, LOAN AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2020 RMB'000	2019 RMB'000
Trade receivables	10,261	22,642
Loan receivables (note)	300,161	321,851
Other receivables	4,730	4,020
Rental and other deposits	4,723	5,025
Prepayments	19,539	22,184
	339,414	375,722
Less: Non-current portion		
– Loan receivables	(126,065)	(91,398)
	213,349	284,324

notes:

The Group's loan receivables, which arise from the money lending business in Hong Kong, are denominated in Hong Kong dollar. Loan receivables include both secured and unsecured loans to individuals and corporate customers. Secured loan receivables are secured by collaterals provided by customers, bear interest and are repayable with fixed terms agreed with the Group's customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2020

23. TRADE, LOAN AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS *(Continued)*

(a) Ageing analysis of trade receivables and loan receivables

Included in trade receivables and loan receivables are trade debtors and loan receivables with the following ageing analysis based on invoice date and inception of such loans as of the end of the reporting period:

(i) Trade receivables

	2020 RMB'000	2019 RMB'000
0 to 30 days	2,156	1,608
31 to 60 days	1,231	1,305
61 to 90 days	1,560	882
Over 90 days	5,501	19,485
	10,448	23,280
Less: allowance for expected credit losses ("ECL")	(187)	(638)
	10,261	22,642

Customers are generally granted with credit term of 90-120 days (2019: 90-120 days) during the year ended 31 December 2020.

Movement in allowance for ECL for trade receivables

Movement in ECL that has been recognised for trade receivables for the year ended 31 December 2020.

	Total RMB'000
As at 1 January 2019	275
Allowance for expected credit losses	353
Exchange alignment	10
Balance as at 31 December 2019 and 1 January 2020	638
Reversal of allowance for ECL	(435)
Exchange alignment	(16)
Balance as at 31 December 2020	187

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2020

23. TRADE, LOAN AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS *(Continued)*

(a) Ageing analysis of trade receivables and loan receivables *(Continued)*

(ii) *Loan receivables*

	2020 RMB'000	2019 RMB'000
0 to 30 days	13,477	–
31 to 60 days	13,042	12,941
61 to 90 days	10,482	20,287
91 to 180 days	23,605	44,977
181 to 365 days	169,020	160,201
Over 365 days	112,378	105,948
	342,004	344,354
Less: allowance for ECL	(41,843)	(22,503)
	300,161	321,851

The loan to customers were repaid in accordance with the terms of the loan agreements. Further detail on the Group's policy are set out in Note 6(c) to these consolidated financial statements.

Movement in the allowance for ECL for loan receivables

Movement in ECL that has been recognised for loan receivables for the year ended 31 December 2020.

	Total RMB'000
As at 1 January 2019	9,657
Allowance for ECL	12,538
Exchange alignment	308
Balance as at 31 December 2019 and 1 January 2020	22,503
Allowance for ECL	21,916
Exchange alignment	(2,576)
Balance as at 31 December 2020	41,843

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2020

23. TRADE, LOAN AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS *(Continued)*

(b) Loan receivables that are not impaired

The loss allowances further increased by approximately RMB21,916,000 (2019: approximately RMB12,538,000) for loan receivables during the year ended 31 December 2020. Details of allowance for expected credit losses assessment under expected credit loss model of loan receivables for the years ended 31 December 2020 and 2019 set out in Note 6(c) to these consolidated financial statements.

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 RMB'000	2019 RMB'000
Listed securities:		
– Equity securities listed in Hong Kong	6,905	3,073

Financial assets at fair value through profit or loss for trading purpose measured at fair values under IFRS 9 are determined with reference to quoted market bid prices.

25. CASH AND BANK BALANCES

	2020 RMB'000	2019 RMB'000
Cash and bank balance, denominated in		
– Hong Kong dollars and United States dollars	7,814	1,772
– Renminbi	4	2
Cash and cash equivalents in consolidated statement of financial position and consolidated statement of cash flows	7,818	1,774

Cash and bank balances of approximately RMB4,000 (2019: approximately RMB2,000) are denominated in Renminbi. Renminbi is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government. However, the Group is able to exchange RMB into other currencies through bank authorised to conduct exchange business. Cash at banks earn interest at floating rates based on daily bank deposits rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2020

26. TRADE AND OTHER PAYABLES

	2020 RMB'000	2019 RMB'000
Trade payables	1,904	2,135
Accrued expenses and other payables	4,564	11,424
	<u>6,468</u>	<u>13,559</u>

Included in trade payables are trade creditors with the following ageing analysis:

	2020 RMB'000	2019 RMB'000
0 to 30 days	538	184
Over 30 days	1,366	1,951
	<u>1,904</u>	<u>2,135</u>

The average credit period on purchases of goods is 60-90 days during the year ended 31 December 2020 (2019: 60-90 days).

27. TAX (RECOVERABLE)/PAYABLES

(a) Current taxation in the consolidation statement of financial position represents:

	2020 RMB'000	2019 RMB'000
Current tax payables for PRC enterprise income tax	357	–
Current tax (recoverable)/payables for Hong Kong profits tax	(198)	177
	<u>159</u>	<u>177</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2020

27. TAX (RECOVERABLE)/PAYABLES *(Continued)*

(b) Deferred tax assets recognised

	Trade receivables RMB'000	Loan receivables RMB'000	Total RMB'000
At 1 January 2019	42	969	1,011
Exchange alignment	3	–	3
Credited/(debited) to the consolidated statement of profit or loss and other comprehensive income (Note 12)	60	(969)	(909)
At 31 December 2019 and 1 January 2020	105	–	105
Debited to the consolidated statement of profit or loss and other comprehensive income (Note 12)	(105)	–	(105)
At 31 December 2020	–	–	–

Save as from above, no deferred tax assets has been recognised in relation to the deductible temporary difference and tax losses as it is not probable that taxable profit will be available against which the deductible temporary difference and tax losses can be utilised at the end of the reporting period (2019: Nil). As at 31 December 2020, the Group and the Company has tax losses of approximately RMB15,929,000 (2019: approximately RMB15,929,000), which do not expire under current tax legislation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2020

28. LEASE LIABILITIES

At 31 December 2020 and 2019, the remaining contractual maturities and present value of the Group's lease liabilities were as follows:

	Minimum lease payments 2020 RMB'000	Present value of minimum lease payments 2020 RMB'000
Amounts payable:		
Within one year	25	25
On the second year	—	—
In the third to fifth years, inclusive	—	—
Total minimum finance lease payments	25	25
Future finance charges	—	—
Portion classified as current liabilities	25 (25)	
Non-current portion	—	
	Minimum lease payments 2019 RMB'000	Present value of minimum lease payments 2019 RMB'000
Amounts payable:		
Within one year	82	78
On the second year	27	27
In the third to fifth years, inclusive	—	—
Total minimum finance lease payments	109	105
Future finance charges	(4)	
Portion classified as current liabilities	105 (78)	
Non-current portion	27	

The Group entered into lease arrangements with independent third parties in relation to leased properties for self-own use. The lease term is 2 years (2019: 2 to 3 years). The weighted average of the incremental borrowing rates used for determination of the present value of the lease liabilities was 3.95%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2020

29. BOND PAYABLES

	Bond 1 RMB'000	Bond 2 RMB'000	Bond 3 RMB'000	Total RMB'000
As at 1 January 2019	29,237	–	–	29,237
Issue of bond payables	–	13,448	–	13,448
Interest charged	2,908	686	–	3,594
Interest paid	(2,792)	–	–	(2,792)
Currency realignment	500	12	–	512
As at 31 December 2019	29,853	14,146	–	43,999
Issue of bond payables	–	–	37,830	37,830
Interest charged	2,360	1,469	693	4,522
Interest paid	(2,937)	(1,469)	–	(4,406)
Settlement	(29,064)	–	–	(29,064)
Currency realignment	(212)	(868)	(2,102)	(3,182)
As at 31 December 2020	–	13,278	36,421	49,699

Notes:

Bond 1:

On 12 January 2018, the Company issued unsecured bonds ("Bond 1") to independent third parties with principal amount of HK\$30,000,000 (approximately RMB26,445,000). Bond 1 bears interest at 11% per annum and has a maturity period of 3 years from the date of issue. Bond 1 was fully settled on 1 November 2020.

On 1 November 2020, out of the aggregate principal amount of HK\$42,500,000 (equivalent to approximately RMB37,830,000), HK\$30,000,000 of the principal amount of the Bond 3 issued to the holder of Bond 1 were used to settle the Bond 1 of the same principal amount (i.e. HK\$30,000,000). This settlement resulted in the settlement of carrying amount of the Bond 1 of approximately HK\$32,651,000 (equivalent to approximately RMB29,064,000) and the net proceeds of approximately HK\$9,849,000 (equivalent to approximately RMB8,766,000) was received from the issue of Bond 3 during the year ended 31 December 2020.

Bond 2:

On 12 July 2019, the Company issued unsecured bonds ("Bond 2") to independent third parties with principal amount of HK\$15,000,000 (approximately RMB13,448,000). Bond 2 bears interest at 11% per annum and has a maturity period of 3 years from the date of issue.

Bond 3:

On 1 November 2020, the Company issued unsecured bonds ("Bond 3") to independent third parties with principal amount of HK\$42,500,000 (approximately RMB37,830,000). Bond 3 bears interest at 11% per annum and has a maturity period of 5 years from the date of issue.

Bond 1, Bond 2 and Bond 3 are subsequently measured at amortised cost using effective interest rate of 11%, 11% and 11% per annum respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2020

30. CONVERTIBLE BONDS

	Liability component RMB'000	Equity component RMB'000	Derivative financial instrument RMB'000	Total RMB'000
Issue of convertible bonds	4,661	4,199	(1,414)	7,446
Interest expense charged	133	–	–	133
Loss on fair value of derivative financial instrument	–	–	1,072	1,072
Conversion of convertible bonds into ordinary shares	(4,794)	(4,199)	342	(8,651)
As at 31 December 2020	–	–	–	–

On 14 October 2020, the Company issued the convertible bonds with an aggregate amount of HK\$8,584,000 (equivalent to approximately RMB7,446,000) with a maturity date on 13 October 2022 (the “Maturity Date”) to several subscribers. The convertible bonds carry an interest rate of 0.5% per annum, which shall be payable by the Company annually in arrears, upon maturity or redemption.

The bondholders are entitled to convert the convertible bond into ordinary shares of the Company at an initial conversion price of HK\$0.20 per conversion share (subject to certain adjustments pursuant to the terms and conditions of the convertible bonds) at any time during the period commencing from the date of issuance of the convertible bonds to the Maturity Date.

Unless previously redeemed, converted, or purchased and cancelled by the Company, the Company shall redeem any outstanding convertible bond at the principal amount together with accrued interest on the Maturity Date which is on the second anniversary of the date of issuance.

The Company may at any time prior to the Maturity Date of the convertible bonds to redeem the whole or any relevant part of the outstanding bond together with interest accrued by giving the bondholders written notice of its intention to make such redemption.

At issuing date, the Company determined the fair value of the embedded early redemption option component by using binomial option pricing model and liability component based on the valuations is performed by the independent professional valuer using discounted cash flow approach. The effective interest rate is 23.65%. The fair value of the convertible bonds, at the initial recognition, was RMB7,446,000, comprising liability component of approximately RMB4,661,000, conversion option component of approximately RMB4,199,000 and early redemption option of approximately RMB1,414,000. The conversion option component was credited to conversion option reserve and the early redemption option was recorded in derivative financial instrument.

The liability component is carried on amortised cost basis until extinguished on conversion or redemption.

On 25 November 2020, the convertible bonds with an aggregate principal amount of approximately HK\$8,584,000 (equivalent to approximately RMB7,446,000) were converted into 42,920,000 new shares of the Company of HK\$0.20 each at a conversion price of HK\$0.20 per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2020

31. CAPITAL AND RESERVES

(a) Share capital

(i) *Authorised and issued share capital*

	Number of shares '000	Nominal value HK\$'000
Authorised:		
At 1 January 2019, 31 December 2019 and 1 January 2020, ordinary shares of HK\$0.02 each	50,000,000	1,000,000
Share Consolidation (note 1)	(45,000,000)	–
At 31 December 2020, ordinary shares of HK\$0.20 each	5,000,000	1,000,000

	Number of shares '000	Nominal value of ordinary shares HK\$'000	RMB'000
Ordinary share, issued and fully paid:			
At 1 January 2019, 31 December 2019 and 1 January 2020, ordinary shares of HK\$0.02 each	2,146,520	42,931	36,184
Share Consolidation (note 1)	(1,931,869)	–	–
Conversion of convertible bonds (note 2)	42,920	8,584	7,446
At 31 December 2020, ordinary shares of HK\$0.20 each	257,571	51,515	43,630

notes:

- Pursuant to an ordinary resolution passed by the shareholders of the Company at an extraordinary general meeting on 8 July 2020, every ten issued and unissued shares of HK\$0.02 each in share capital of the Company be consolidated into one share of HK\$0.20 each with effect from 10 July 2020 (the "Share Consolidation"). Following the implementation of the Share Consolidation, the Company's authorised share capital becomes HK\$1,000,000,000 divided into 5,000,000,000 shares of HK\$0.20 each, and its issued share capital becomes approximately HK\$42,931,000 divided into 214,652,058 shares of HK\$0.20 each.
- On 25 November 2020, convertibles bonds with the principal amount of HK\$8,584,000 (equivalent to approximately RMB7,289,000) were converted at the conversion price of HK\$0.20 per share, resulting in the issue of 42,920,000 new shares of HK\$0.20 each (Note 30). All these new shares ranked pari passu in all respects with the existing shares of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2020

31. CAPITAL AND RESERVES *(Continued)*

(b) Nature and purpose

(i) *Share premium*

Share premium represents the share premium of the Company, the application of which is governed by the Companies Law of the Cayman Islands. Under the Companies Law (2000 revision) of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of the business.

(ii) *Capital reduction reserve*

Pursuant to a special resolution passed on 15 July 2015, the issued share capital of the Company was reduced by cancelling paid up capital to the extent of HK\$0.099 on each of the shares in issue such that the nominal value of all the issued shares be reduced (the “Issued Capital Reduction”) from HK\$0.10 each to HK\$0.01 each; and the nominal value of all unissued shares in the authorised share capital of the Company was reduced (the “Authorised Capital Reduction”) from HK\$0.10 each to HK\$0.01 each. Upon the Issued Capital Reduction and the Authorised Capital Reduction becoming effective, the authorised share capital of the Company was HK\$1,000,000,000, divided into 1,000,000,000,000 ordinary shares of HK\$0.001 each. The Issued Capital Reduction was completed on 16 October 2015.

(iii) *Share-based compensation reserve*

Share-based compensation reserve comprises the portion of the grant date fair value of unexercised share options granted to employees and other service providers of the Company that has been recognised in accordance with the accounting policy adopted for share-based payments in Note 4(s).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2020

31. CAPITAL AND RESERVES *(Continued)*

(b) Nature and purpose *(Continued)*

(iv) Financial assets at fair value through other comprehensive income reserve

The fair value reserve of financial assets at FVTOCI comprises the cumulative net changes in the fair value of equity instruments designated as measured at FVTOCI in accordance with the accounting policy adopted for equity/debt instruments designated at FVTOCI.

(v) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 4(e).

(vi) Contributed surplus

The contributed surplus of the Company represents the difference between the aggregate nominal value of the share capital issued by the Company and the net asset value of subsidiaries acquired through an exchange of shares.

Under the Companies Law (2000 Revision) of the Cayman Islands, contributed surplus is distributable to shareholders, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if (i) it is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued capital account.

(vii) Conversion option reserve

The conversion option reserve represents the equity component of outstanding convertible bonds issued by the Company recognised in accordance with the accounting policy adopted for convertible bonds in Note 4(n).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2020

31. CAPITAL AND RESERVES *(Continued)*

(c) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The capital structure of the Group consists of (i) cash and cash equivalents; and (ii) capital, which comprises all components of equity.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. In order to balance its overall capital structure, the Group may issue new shares, raise new debt financing or sell assets to reduce debt.

The Group monitors its capital structure on the basis of gearing ratio. The Group's gearing ratio as at 31 December 2020 is 15.4% (2019: 14.2%), which is calculated by dividing total liabilities of approximately RMB56,549,000 (2019: approximately RMB57,840,000) over the total assets of approximately RMB366,896,000 (2019: approximately RMB406,589,000).

There were no changes in the Group's approach to capital management during the year.

The externally imposed capital requirements for the Group is in order to maintain its listing on the Stock Exchange it has to have a public float at least 25% of the shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2020

31. CAPITAL AND RESERVES *(Continued)*

(d) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Share Capital RMB'000	Share Premium Note 31b(i) RMB'000	Contribution surplus Note 31b(vi) RMB'000	Capital reduction reserve Note 31b(ii) RMB'000	Conversion option reserve Note 31b(vii) RMB'000	Share-based compensation reserve Note 31b(iii) RMB'000	Exchange reserve Note 31b(v) RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2019	36,184	357,643	56,774	495,170	–	7,315	45,627	(815,307)	183,406
Loss for the year	–	–	–	–	–	–	–	(57,034)	(57,034)
Exchange differences on other translating into presentation currency	–	–	–	–	–	–	9,483	–	9,483
Total comprehensive loss for the year	–	–	–	–	–	–	9,483	(57,034)	(47,551)
Release upon lapse of share option (Note 33)	–	–	–	–	–	(7,315)	–	7,315	–
At 31 December 2019 and 1 January 2020	36,184	357,643	56,774	495,170	–	–	55,110	(865,026)	135,855
Profit for the year	–	–	–	–	–	–	–	28,595	28,595
Exchange differences on other translating into presentation currency	–	–	–	–	–	–	(40,914)	–	(40,914)
Total comprehensive loss for the year	–	–	–	–	–	–	(40,914)	28,595	(12,319)
Issuance of convertible bonds (Note 30)	–	–	–	–	4,199	–	–	–	4,199
Conversion of convertible bonds (Note 30)	7,446	1,205	–	–	(4,199)	–	–	–	4,452
Grant of share option (Note 33)	–	–	–	–	–	1,432	–	–	1,432
At 31 December 2020	43,630	358,848	56,774	495,170	–	1,432	14,196	(836,431)	133,619

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2020

32. SUMMARISED FINANCIAL INFORMATION OF THE COMPANY

	2020 RMB'000	2019 RMB'000
Non-current assets		
Property, plant and equipments	1	6
Investments in subsidiaries	12,091	10,837
	<u>12,092</u>	<u>10,843</u>
Current assets		
Other receivables, prepayments and deposits	174,135	173,574
Cash and bank balances	280	135
	<u>174,415</u>	<u>173,709</u>
Current liability		
Other payables	3,189	4,698
	<u>3,189</u>	<u>4,698</u>
Net current assets	<u>171,226</u>	<u>169,011</u>
Total assets less current liabilities	<u>183,318</u>	<u>179,854</u>
Non-current liability		
Bonds payables	49,699	43,999
	<u>49,699</u>	<u>43,999</u>
Net assets	<u>133,619</u>	<u>135,855</u>
Capital and reserves attributable to owners of the Company		
Share Capital	43,630	36,184
Reserves	89,989	99,671
Total equity	<u>133,619</u>	<u>135,855</u>

The consolidated financial statements were approved and authorized for issue by the board of directors on 30 March 2021 and are signed on its behalf by:

Tsui Annie
Director

Feng Keming
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2020

33. EQUITY SETTLED SHARE-BASED TRANSACTIONS

On 24 September 2009, the Company has adopted a share option scheme (the “Old Scheme”) whereby the directors of the Company are authorised, at their discretion, to invite eligible participants of the Group, including the employees and directors of any companies in the Group, to take up options at HK\$10 consideration to subscribe for shares of the Company. The Old Scheme remains in force for a period of 10 years from adoption of the Old Scheme and expires on 23 September 2019. The exercise period of the share options granted is determined by the directors of the Company but not later than 10 years from the date of grant. Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

On 15 September 2019, the Old Scheme was terminated and a new share option scheme (the “New Scheme”) was adopted. As a result, the Company can no longer grant any further share options under the Old Scheme.

Upon the adoption of the New Scheme, the directors of the Company are authorised, at their discretion, to invite eligible participants of the Group, including the employees and directors of any companies in the Group, to take up options at HK\$1 consideration to subscribe for shares of the Company. The New Scheme remains in force for a period of 10 years from the adoption of the New Scheme. Options granted must be accepted within 21 days from the date of the offer of grant of the option. The exercise period of the share options granted is determined by the directors of the Company but not later than 10 years from the date of grant. Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

The purpose of the New Scheme is to provide incentives and/or rewards to eligible participants for their contributions to, and continuing efforts to promote the interests of, the Company.

The maximum number of shares in respect of which share options may be granted under the New Scheme shall be 214,652,058 shares, approximately 10% of the shares in issue as at 15 November 2019. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option schemes, must not in aggregate exceed 30% of the issued share capital of the Company from time to time.

The exercise price must be at least the higher of: (i) the closing price of the shares as stated in the Stock Exchange’s daily quotations sheet on the date of offer of grant, which must be a trading day; (ii) the average closing price of the shares as stated in the Stock Exchange’s daily quotations sheets for the five business days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares on the date of offer of the grant.

The option period is determined by the directors of the Company provided that it is not later than 10 years from the date the directors of the Company makes an offer of the grant of an option subject to the provision for early termination. There is no specified minimum period under the New Scheme for which an option must be held or the performance target which must be achieved before an option can be exercised under the terms of the New Scheme.

(a) The terms and conditions of the grants are as follows:

	Number of share options	Vesting conditions	Contractual life of options
Option granted on 11 November 2009	161,000	Immediately from the date of grant	10 years
Option granted on 8 October 2020	21,460,000	Immediately from the date of grant	2 years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

33. EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

- (b) Movement in the number and weighted average exercise prices of share options are as follows:

	2020		2019	
	Weighted average exercise price (per share) HK\$	Number of options '000	Weighted average exercise price (per share) HK\$	Number of options '000
Outstanding at the beginning of year	–	–	59.03	161
Lapsed during the year	–	–	59.03	(161)
Granted during the year	0.20	21,460	–	–
Outstanding at the end of year	0.20	21,460	–	–
Exercisable at the end of year	0.20	21,460	–	–

	Date of grant	Exercise price HK\$	Number of share option outstanding at 1 January '000	Granted during the year '000	Exercise during the year '000	Lapsed/ cancelled/ forfeited during the year '000	Number of share options outstanding at 31 December '000
2020							
Eligible participants	8 October 2020	0.20	–	21,460	–	–	21,460
			–	21,460	–	–	21,460

	Date of grant	Exercise price HK\$	Number of share option outstanding at 1 January '000	Granted during the year '000	Exercise during the year '000	Lapsed/ cancelled/ forfeited during the year '000	Number of share options outstanding at 31 December '000
2019							
Eligible participants	11 November 2009	59.03	161	–	–	(161)	–
			59.03	–	–	59.03	–

As at 31 December 2020, the weighted average remaining contractual life of the share option is 1.77 years (2019: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2020

33. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. During the year ended 31 December 2020, a total of 21,460,000 (2019: Nil) shares options were granted to directors of the Company and employees of the Group. The estimate of the fair value of the share options granted is measured based on a binomial option pricing model.

Fair value of share options granted during the year ended 31 December 2020 and assumptions

	2020 Directors	2020 Employees
Fair value of each share option at grant date	HK\$0.0863	HK\$0.0718
Share price of each share at grant date	HK\$0.17	HK\$0.17
Exercise price of each share option	HK\$0.20	HK\$0.20
Expected volatility	124.719%	124.719%
Option life	2 years	2 years
Expected dividend yield	0%	0%
Risk-free interest rate	0.107%	0.107%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. The assumptions used in computing the fair value of the share options are based on management's best estimate. Changes in the subjective input assumptions could materially affect the fair value estimate.

Based on the fair values derived from the above pricing model, the fair value of the share options granted on 8 October 2020 was approximately HK\$1,634,000 (equivalent to approximately RMB1,432,000), of which HK\$1,634,000 (equivalents to approximately RMB1,432,000 (2019: Nil) have been charged as share-based compensation expenses to profit or loss for the year ended 31 December 2020.

There was no market vesting condition or non-market performance condition associated with the options granted.

During the year ended 31 December 2020, there were no share options lapsed or cancelled (2019: 160,850).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2020

34. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme (“the MPF scheme”) under the Hong Kong Mandatory Provident Fund Scheme Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees’ relevant income, subject to a cap monthly relevant income of HK\$30,000. Contributions to the scheme vest immediately.

Under the above schemes, retirement benefits of existing and retired employees are payable by the relevant scheme administrators and the Group has no further obligations beyond the annual contributions.

The employees in the PRC are members of state-managed retirement benefit scheme operated by the PRC government. The Company’s subsidiary operating in the PRC is required to contribute a certain percentage of payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the scheme is to make the required contribution under the scheme.

For the year ended 31 December 2020, the aggregate amount of the Group’s contributions to the aforementioned schemes was approximately RMB69,000 (2019: approximately RMB78,000) which was included in the staff costs.

35. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group has the following material related party transactions:

Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company’s directors as disclosed in Note 13, is as follows:

	2020 RMB’000	2019 RMB’000
Short-term employees benefit	1,831	2,107
Retirement scheme contributions	62	69
Total	1,893	2,176

Total remuneration is included in “staff cost” (see Note 11(b)).

36. COMMITMENTS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2020

37. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Lease liabilities RMB'000	Borrowings RMB'000	Convertible bonds RMB'000	Bonds payables RMB'000	Total RMB'000
At 1 January 2019	153	13,628	–	29,237	43,018
Non-cash changes:					
– Interest expenses	4	342	–	3,594	3,940
Changes from financing cash flows:					
– Interest paid	–	(342)	–	(2,792)	(3,134)
– Proceed from issue of bonds payable	–	–	–	13,448	13,448
– Interest element of lease liabilities	(4)	–	–	–	(4)
– Repayment of borrowings	–	(13,377)	–	–	(13,377)
– Repayment of lease liabilities	(56)	–	–	–	(56)
Currency realignment	8	(251)	–	512	269
At 31 December 2019 and 1 January 2020	105	–	–	43,999	44,104
Non-cash changes:					
– Interest expenses	2	–	133	4,522	4,657
– Recognised as derivative financial instrument	–	–	1,414	–	1,414
– Recognised as equity component	–	–	(4,199)	–	(4,199)
– Conversion of convertible bonds	–	–	(4,794)	–	(4,794)
Changes from financing cash flows:					
– Interest paid	–	–	–	(4,406)	(4,406)
– Repayment of lease liabilities	(76)	–	–	–	(76)
– Interest element of lease liabilities	(2)	–	–	–	(2)
– Proceed from issue of bonds payable	–	–	–	8,766	8,766
– Proceed from issue of convertible bond	–	–	7,446	–	7,446
Currency realignment	(4)	–	–	(3,182)	(3,186)
At 31 December 2020	25	–	–	49,699	49,724

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2020

38. NON-CASH TRANSACTION

As disclosed in Note 29 to these consolidated financial statements, the Bond 1 with principal amount of HK\$30,000,000 was settled by the issuing of the Bond 3 of HK\$30,000,000 of the principal amount out of the aggregate principal amount of HK\$42,500,000 (equivalent to approximately RMB37,830,000) during the year ended 31 December 2020. This settlement resulted in the settlement of carrying amount of the Bond 1 of approximately HK\$32,651,000 (equivalent to RMB29,064,000) and the net proceeds of approximately HK\$9,849,000 (equivalent to approximately RMB8,766,000) was received from the issue of Bond 3 during the year ended 31 December 2020.

39. EVENTS AFTER THE REPORTING PERIOD

- (i) After the COVID-19 outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented across the globe. The Group is paying close attention to the development of, and the disruption to business and economic activities caused by, the COVID-19 outbreak and evaluate its impact on the financial position, cash flows and operating results of the Group. Given the dynamic nature of the COVID-19 outbreak, it is not practicable to provide a reasonable estimate of its impacts on the Group's financial position, cash flows and operating results at the date on which these financial statements are authorised for issue.
- (ii) Pursuant to a special resolution passed by the shareholders of the Company at an extraordinary general meeting on 5 October 2020, the issued share capital of the Company was reduced by cancelling paid up capital to the extent of HK\$0.19 on each of the shares in issue such that the nominal value of all the issued shares be reduced (the "Capital Reduction") from HK\$0.20 each to HK\$0.01 each. Immediately following the Capital Reduction becoming effective, each of the authorised but unissued shares with par value of HK\$0.20 each were sub-divided into 20 shares with par value of HK\$0.01 each (the "Sub-division"). Upon the Capital Reduction and the Sub-division (collectively referred to as the "Capital Reorganisation") becoming effective, the authorised share capital of the Company was HK\$1,000,000,000, divided into 100,000,000,000 ordinary shares of HK\$0.01 each and the issued share capital of the Company was approximately HK\$2,576,000, divided into 257,572,058 ordinary shares of HK\$0.01 each. The Capital Reorganisation was completed on 29 January 2021.

40. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

41. AUTHORISATION FOR ISSUE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 30 March 2021.

FIVE YEAR FINANCIAL SUMMARY

Consolidated results

	Year ended 31 December				
	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
Revenue	<u>52,824</u>	<u>63,065</u>	<u>74,676</u>	<u>47,060</u>	<u>27,153</u>
Loss before taxation	<u>(25,393)</u>	<u>(25,261)</u>	<u>(10,132)</u>	<u>(63,476)</u>	<u>(117,545)</u>
Taxation	<u>(195)</u>	<u>(52)</u>	<u>377</u>	<u>(879)</u>	<u>(374)</u>
Net loss from ordinary activities for the year	<u>(25,588)</u>	<u>(25,313)</u>	<u>(9,755)</u>	<u>(64,355)</u>	<u>(117,919)</u>
Attributable to:					
Owners of the Company	<u>(25,571)</u>	<u>(25,050)</u>	<u>(9,563)</u>	<u>(60,996)</u>	<u>(84,021)</u>
Non-controlling interests	<u>(17)</u>	<u>(263)</u>	<u>(192)</u>	<u>(3,359)</u>	<u>(33,898)</u>
	<u>(25,588)</u>	<u>(25,313)</u>	<u>(9,755)</u>	<u>(64,355)</u>	<u>(117,919)</u>

	As at 31 December				
	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
Non-current assets	<u>138,626</u>	<u>117,418</u>	<u>99,261</u>	<u>63,446</u>	<u>103,808</u>
Current assets	<u>228,270</u>	<u>289,171</u>	<u>330,425</u>	<u>334,558</u>	<u>360,353</u>
Current liabilities	<u>(6,850)</u>	<u>(13,814)</u>	<u>(18,264)</u>	<u>(33,989)</u>	<u>(41,427)</u>
Net current assets	<u>221,420</u>	<u>275,357</u>	<u>312,161</u>	<u>300,569</u>	<u>318,926</u>
Non-current liabilities	<u>(49,699)</u>	<u>(44,026)</u>	<u>(42,865)</u>	<u>(2,123)</u>	<u>(5,132)</u>
Net assets	<u>310,347</u>	<u>348,749</u>	<u>368,557</u>	<u>361,892</u>	<u>417,602</u>