CHINA FORTUNE INVESTMENTS
中國幸福投資

ANNUAL REPORT 2020

CFI

中國幸福投資(控股)有限公司
China Fortune Investments (Holding) Limited

CHINA FORTUNE INVESTMENTS (HOLDING) LIMITED
(Incorporated in the Cayman Islands with Limited Liability)
(Stock code: 8116)

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 high 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 Exchange and Clearing Limited and The Stock Exchange take no responsibility for the contents of this 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 report.

This report, for which the directors of China Fortune Investments (Holding) 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 of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

CONTENTS

CORPORATE PROFILE

DIRECTORS

Executive Directors

Mr. Cheng Wing Tsan *(Chairman)*
(Appointed on 14 November 2020)
Mr. Zhou Dengchao (Appointed on 14 November 2020)
Ms. Pan Xuemei (Appointed on 14 November 2020)
Mr. Cheng Chun Tak
Mr. Stephen William Frostick
Mr. Wong Chi Ho

Non-executive Director

Mr. Huang Shenglan

Independent Non-executive Directors

Mr. Lee Chi Hwa, Joshua (Resigned on 29 March 2021)
Mr. Xu Jingan
Mr. Chang Jun
Mr. Chan Kim Fai (Appointed on 1 January 2021)
Mr. Chan Yuk Tong (Appointed on 1 January 2021
and resigned on 29 March 2021)

AUTHORISED REPRESENTATIVES

Mr. Cheng Wing Tsan
Ms. Tsang Oi Yin

AUDIT COMMITTEE MEMBERS

Mr. Xu Jingan
Mr. Chang Jun
Mr. Chan Kim Fai

NOMINATION COMMITTEE MEMBERS

Mr. Chang Jun *(Chairman)*
Mr. Xu Jingan
Mr. Chan Kim Fai

REMUNERATION COMMITTEE MEMBERS

Mr. Chang Jun
Mr. Xu Jingan
Mr. Chan Kim Fai

COMPLIANCE OFFICER

Mr. Stephen William Frostick

COMPANY SECRETARY

Ms. Tsang Oi Yin

AUDITORS

Elite Partners CPA Limited

PRINCIPAL BANKERS

Dah Sing Bank, Limited
Standard Chartered Bank (HK) Limited
Bank of China (Hong Kong) Limited

LEGAL ADVISORS

On Hong Kong Law:
Loeb & Loeb LLP

On Cayman Islands Law:
Conyers Dill & Pearman, Cayman

REGISTERED OFFICE

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681, George Town
Grand Cayman, KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS

Shops 212-213, 2nd Floor,
Shun Tak Centre,
168-200 Connaught Road Central,
Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICE

Cayman Islands
Suntera (Cayman) Limited
Suite 3204, Unit 2A, Block 3, Building D,
P.O. Box 1586, Gardenia Court, Camana Bay,
Grand Cayman KY1-1110,
Cayman Islands

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

Link Market Services (Hong Kong) Pty Limited
(as from 1 April 2021)
Suite 1601, 16/F.,
Central Tower,
28 Queen's Road Central,
Hong Kong

STOCK CODE

8116

WEBSITE OF THE COMPANY

www.cfihk.com.hk

CHAIRMAN'S STATEMENT

On behalf of the board (the "Board") of directors (the "Directors") of China Fortune Investments (Holding) Limited (the "Company") and its subsidiaries (collectively, the "Group"), I am pleased to report the Group's results for the year ended 31 December 2020.

The global economic environment was seriously struck by the coronavirus disease 2019 (the "COVID-19") in 2020 and still continually in 2021. With the ongoing COVID-19 challenges, travel restrictions and low consumer sentiment, the Group's wine and golf retail businesses are particularly difficult to operate and were suffering with substantial reduction of revenue and gross profit in 2020. However, with the rescission of the sales and purchases agreement dated 28 April 2017, the convertible bonds instruments, the convertible bonds and promissory notes, the Group recorded a substantial profit of HK$201 million.

In March 2020, the Group has launched the online shops for its wine products– http://www.queenswaywine.com.hk and golf products – http://www.queenswaygolf.com.hk to mitigate the impact from COVID-19. The results of these two online shops are optimistic and we are expecting online shopping will be the new trend for retail and wholesale businesses.

OUTLOOK

The Company has in late 2020 appointed several new management, including new executive Directors and sales directors. The new management have their respective expertise and good connections as well as networks which can help the Group to capture new opportunities to expand the business models in new markets, especially the Mainland China.

China is the first nation to recover from COVID-19 and to get positive GDP in 2020. The Economist Intelligence Unit forecasted China will have 8.7% real GDP growth in 2021. With the persist of the China economic momentum, the Group will focus its business on wholesales and export of golf and wine products to the China market.

In Hong Kong, the HKSAR Government launched the COVID-19 vaccination scheme in early 2021 and experts think that getting a COVID-19 vaccine may help keep citizens from getting seriously ill even if they do get COVID-19. The Government believes COVID-19 vaccination is an important tool to help Hong Kong citizens get back to normal. The HKSAR Government recently gradually eased the social distancing measures for catering businesses and scheduled premises. I believe that these measures will stimulate the local consumption sentiment, especially on catering businesses and sport recreation activities which will bring up the consumption of our wine and golf products.

When the global are recovered from COVID-19 epidemic and the borders between nations are relaxed, the worldwide economics will be rebound and the Group's businesses will be extended to other markets, such as Mainland China and Asian-Pacific.

Finally, if the Company's shares resume trading on the Stock Exchange of Hong Kong Limited, the Group will generate capital from its businesses and/or raising fund for working capital. With the new funding, the Group will continue to look for new opportunities to strengthen its existing business horizontally and vertically, including wine wholesales and/or acquisition. The Board and I will also continue to seek suitable investment opportunities to diversify our existing business portfolio into new line of business with growth potential and to broaden our source of income.

I would like to take this opportunity to express my gratitude to the Board of Directors for their strategic guidance and the management and staff for their dedicated efforts and invaluable contributions in the past years. I also thanks our shareholders, business partners and customers for their long-term support and trust.

Cheng Wing Tsan
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Wine, Cigar and Golf products retail and trading business and trading of internationally renowned watch brands and luxury and prestigious jewelleries in Hong Kong

Maxpark Enterprises Limited ("Maxpark") and its subsidiaries (collectively "Maxpark Group") engage in the retail and trading business of wine, cigar and golf products and trading of internationally renowned watch brands and luxury and prestigious jewelleries through 6 direct subsidiaries all of which are incorporated in Hong Kong, namely Queensway Wine International Limited, Queensway Wine (Hong Kong) Limited, Queensway Golf International Limited, Mass Fortune (Asia) Limited, Kasco (Hong Kong) Limited and Queensway Watch & Jewellery Limited ("Queensway Watch") ("HK Subsidiaries"). Kasco (Hong Kong) Limited is a direct subsidiary of Maxpark and held as to 90.5% by Maxpark and 9.5% by an independent third party.

Wine and cigar business

I Products

Maxpark Group sells a wide variety of wine products including red wine, white wine, champagne, whisky and other liquors and spirits, with particular focus on premium red wine produced from the leading wineries in France, namely Château Lafite Rothschild in Pauillac, Château Latour in Pauillac, Château Margaux in Margaux, Château Haut-Brion in Pessac-Léognan and Château Mouton Rothschild in Pauillac. The origins of the wine are mainly from France, the United States and Italy. Moreover, Maxpark Group has also become the exclusive distributor in Hong Kong and Macau of Vuelo, Guapas and Koa series (produced by Nobel Chile) since January 2020. Maxpark Group also sells cigar and tobacco which are considered to be complementary to the needs of the customers for the wine products.

II Suppliers

Maxpark Group sources its wine products from both overseas and local wine distributors and merchants. Overseas suppliers include wine distributors and merchants from leading wineries in France, United Kingdom, the United States, Italy, Chile and Australia. Maxpark Group obtains its supplies for cigar and tobacco products from local distributors.

III Customers

The customers for Maxpark Group's wine products include corporations engaging in entertainment, travel, restaurants and luxury products businesses and high net-worth individuals.

IV Storage

Maxpark Group's wine inventories are stored either at its retail shop or at external warehouses which are equipped with automatic air-conditioning system to control the humidity and temperature of the storage environment.

Golf business

I ***Products***

Maxpark Group sells a wide range of golf related products including golf club, ball, shoes, glove, clothing and other accessories of various reputable brands from different countries.

II ***Suppliers***

Maxpark Group mainly sources its golf products from local distributors with the exception of "Kasco" brand products which are sourced directly from Kasco's Japan and Taiwan offices. Maxpark Group is the sole distributor in Hong Kong of "Kasco" brand golf products. "Kasco" is a well-known Japanese golf brand with over 50 years' history. In February 2020, Maxpark Group has entered into a formal agreement with the manufacturer of "Kasco" brand products to be the sole distributor in Hong Kong and Macau of "Kasco" brand golf products to 2024. Maxpark Group will also source products from overseas suppliers according to customers' needs.

III ***Customers***

The customers for Maxpark Group's golf products include individual retail customers, local corporate customers such as banks and large corporations. Wholesale customers are mainly local golf clubs and golf retail shops.

Wine, cigar and golf products retail stores

Maxpark Group currently operates one shop for retail of wine products, cigar and tobacco and one shop for retail of golf products. The two shops are leased properties located next to each other at Shun Tak Centre, Sheung Wan, Hong Kong and occupy a total gross floor area of approximately 4,100 square feet. In March 2020, Maxpark Group also launched its online shops for its wine products (http://www.queenswaywine.com.hk/) and golf products (http://www.queenswaygolf.com.hk/).

Watch & jewelleries business

I ***Products***

Queensway Watch will focus on high-grade watch products. Tourbillion, luxury watch or miniature painting watch are main products of Queensway Watch.

II ***Supplier***

Queensway Watch bought watch products mainly from manufacturers directly in the United States and Switzerland. The suppliers, including Corum, Girard Perregaux, Audemars Piguet and Bovet 1822, are large and well-known luxury watch producers in the market.

III ***Customers***

The customers for Queensway Watch mainly include high net-worth individuals.

Group's other business

The Group had no significant acquisition or disposal of investments during the year ended 31 December 2020.

OUTLOOK

According to the Hong Kong SAR Government, the injection of COVID-19 vaccines under the territory-wide COVID-19 vaccination programme is crucial to the resumption of the normal ways of life in Hong Kong. The Group is optimistic with the retail businesses after the resumption.

Furthermore, the Group continues to explore any other new potential investment opportunities to improve the Group's standard performance and returns to its shareholders.

LISTING STATUS OF THE COMPANY

By a letter dated 12 June 2020, The Stock Exchange of Hong Kong Limited (the "Stock Exchange") informed the Company that the GEM Listing Committee has decided to cancel the Company's listing under Rule 9.14A of the Rules Governing the Securities on GEM of the Stock Exchange (the "GEM Listing Rules"). The GEM Listing Committee considered that the Company has not fulfilled the resumption guidance requiring publication of all the outstanding financial results with any audit modification addressed and has not demonstrated its compliance with Rule 17.28 of the GEM Listing Rules. On 22 June 2020, the Company has submitted a written request to the secretary of the GEM Listing Review Committee applying for a review of the decision of the GEM Listing Committee.

On 2 November 2020, the GEM Listing Review Committee heard the application by the Company for a review of the decision of the GEM Listing Committee to cancel the Company's listing under Rule 9.14A of the GEM Listing Rules (the "GEM Listing Committee Decision"). On 19 November 2020, the Company received the decision of the GEM Listing Review Committee (the "GEM Listing Review Committee Decision") on such application. Pursuant to the GEM Listing Review Committee Decision, the GEM Listing Review Committee (i) overturned the GEM Listing Committee Decision; and (ii) granted the Company an extension of time to the end of June 2021 to enable the Company to have its application in the Proceedings (as defined below) heard and to address its compliance with Rule 17.26 of the GEM Listing Rules and related matters.

LITIGATION

On 16 January 2020, the Company had commenced legal proceedings at the High Court of the Hong Kong Special Administrative Region (Case no. HCA 88/2020) (the "Proceedings") against Tai Quan Enterprises Limited, Extreme Rich Corporate Development Limited (collectively, the "Vendors") and Radiant Thrive Enterprises Limited ("Radiant").

The Company's principal claims are for:

(i) rescission of the acquisition agreement entered into between the Company and the Vendors for acquiring the entire share capital of Affluent Grand Limited on 28 April 2017 ("Acquisition Agreement"), the convertible bonds instruments and promissory notes issued to the Vendors on 27 November 2017 (subsequently transferred to Radiant on 19 June 2018) on the ground of, inter alia, fraudulent misrepresentation;

(ii) declaration that the Vendors are not entitled to enforce the Acquisition Agreement, the convertible bonds instruments and promissory notes issued to the Vendors on 27 November 2017 (subsequently transferred to Radiant on 19 June 2018);

(iii) declaration that the Vendors and Radiant are not entitled to enforce the promissory notes dated 27 November 2017;

(iv) return of HK$120,000,000 money from the Vendors; and

(v) damages for, inter alia, fraudulent misrepresentation against the Vendors.

As at the date of this annual report, no notice of intention to contest the Proceedings has been received by the Company.

The Company will take all reasonable steps for the return of HK$120,000,000 money from the Vendors once the Company receives the judgment.

The Company will continue to closely monitor any further developments of the matter and will make further announcements as and when appropriate.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue and gross profit

For the year ended 31 December 2020 (the "Year"), the consolidated revenue of the Group from continuing operations was approximately HK$23.32 million and HK$62.84 million in 2019. Gross profit for the Year was approximately HK$0.76 million (2019: HK$10.56 million) and gross profit margin of approximately 3% (2019: 17%).

The revenue approximately HK$19.90 million was generated from the retail and wholesales of wine, cigar and golf products, HK$3.42 million was generated from the retail of watch and jewelleries products.

Other income, gains and losses, net

The net other income, gains and losses from continuing operations was approximately HK$262.03 million for the Year (2019: losses of HK$50.80 million). Other income mainly consists of the gain adjustment resulted from the rescission of the sales and purchases agreement dated 28 April 2017 and the impairment loss on goodwill.

Selling and distribution expenses

Selling and distribution expenses from continuing operations was approximately HK$3.53 million for the Year (2019: HK$4.33 million). Selling and distribution expenses mainly included depreciation of right-use assets, salaries and wages and building management fees.

Administrative expenses

Administrative expenses from continuing operations was approximately HK$46.46 million for the Year (2019: HK$38.57 million). Administrative expenses mainly included legal and professional fees, salaries and wages and allowance for credit losses of trade receivables.

Finance costs

Finance costs from continuing operations decreased from approximately HK$46.26 million for the year ended 31 December 2019 to approximately HK$11.26 million for the Year. The finance costs were mainly consisted of interest on promissory notes and lease liabilities.

Results of the Group's operations

Profit attributable to shareholders of the Company was approximately HK$201.14 million for the Year, compared with the loss of approximately HK$129.12 million for the year ended 31 December 2019. The profit for the Year was mainly attributed to (i) the rescission of the acquisition agreement dated 28 April 2017 (the "Acquisition Agreement") entered amongst between the Company, Tai Quan Enterprises Limited and Extreme Rich Corporate Development Limited (collectively, the "Vendors") for the acquisition of Affluent Grand Limited and its subsidiaries upon the Court granting Order of the same; and/or (ii) the unenforceability of the convertible bonds in the principal amount of HK$80 million and promissory notes in the principal amount of HK$100 million issued by the Company on 28 November 2017 (the "Unenforceability of the Convertible Bonds and the Promissory Notes") under the Acquisition Agreement. The Company had commenced legal proceedings against the Vendors and Radiant Thrive Enterprises Limited at the High Court of the Hong Kong Special Administrative Region. Details of the aforesaid transactions and the legal proceedings are set out in the announcements of the Company dated 28 April 2017, 28 November 2017 and 30 November 2020, and circular of the Company dated 26 July 2017 as well as "Litigation" section in this report.

Dividends

The Board does not recommend the payment of a dividend for the Year (2019: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

The cash and cash equivalents as at 31 December 2019 and 2020 amounted to approximately HK$9.30 million and HK$19.86 million respectively. The major capital resources of the Group included cash generated from operating activities and financing activities in Hong Kong.

To manage liquidity risk, the Group monitors and maintains a level of cash and cash equivalents considered adequate by its management to finance its operations and mitigate the effects of fluctuations in cash flow. The Group's management also monitors its net current assets/liabilities and the utilisation of borrowings to ensure compliance with loan covenants.

GEARING RATIO

As at 31 December 2020, the Group's gearing ratio (total liabilities divided by total assets) is approximately 19% (31 December 2019: approximately 143%). Given the continuing financial support from the largest shareholder of the Company, it is anticipated that the Group should have adequate financial resources to meet its ongoing operating and development requirements.

CAPITAL STRUCTURE

In November 2017, the Group issued convertible bonds with principal amount of HK$80 million (the "CB II") as part of the consideration for acquisition of Affluent Grand Limited. The CB II does not bear any interest. The effective interest rate of liability is 18.72% per annum. The maturity date is on the fifth anniversary of the date of issue of the CB II. During the year ended 31 December 2020, with reference to the litigation disclosed in the Litigation section, in the opinion of the Directors, the Company derecognised the balance of liabilities portion and equity portion of CB III of approximately HK$50,924,000 and HK$44,383,000 respectively.

In April 2018, the Group issued convertible bonds with an aggregate principal amount of HK$100 million due in 2023 with conversion price of HK$0.42 per share (the "CB III") as final consideration to acquire 100% equity interest in Maxpark Enterprises Limited. The CB III does not bear any interest. The effective interest rate of the liability component is 19.15% per annum. The maturity date is on the fifth anniversary of the date of issue of the CB III. The CB III was fully redeemed by way of set off during 2019.

For details, please refer to note 27 to the consolidated financial statements.

CHARGE ON GROUP ASSET

As at 31 December 2020, none of the Group's assets were charged or pledged to secure any loans or borrowings.

FOREIGN EXCHANGE EXPOSURE

Since the Group's sales, purchases and loans were substantially denominated in either Renminbi or Hong Kong Dollar, the Directors of the Company consider that the potential foreign exchange exposure of the Group is limited.

CONTINGENT LIABILITIES

As at 31 December 2020, the Group did not have any material contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2020, the Group employed a workforce with head count of 32 (2019: 30). Employee benefit expenses, including directors' emoluments, amounted to approximately HK$8.91 million (2019: HK$12.85 million). The Group's remuneration policy has been in line with the prevailing market practice including discretionary bonus and remunerates its employees based on their performance and contribution. Other benefits include contributions to retirement benefits scheme and medical claims.

ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group had no acquisitions or disposals of subsidiaries and affiliated companies for the year ended 31 December 2020.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this annual report, the Group did not have any future plans for material investments or capital assets as at 31 December 2020.

SIGNIFICANT INVESTMENT

Save as disclosed in this annual report, the Group did not have any significant investment as at 31 December 2020.

CORPORATE GOVERNANCE REPORT

INTRODUCTION

The Company's governance code is based on the principles of the Corporate Governance Code (the "CG Code") contained in Appendix 15 to the GEM Listing Rules. The Company is committed to ensuring a quality board and transparency and accountability to shareholders.

According to E.1.2 of the CG Code, the chairman of the board of directors should attend the annual general meeting. Due to the outbreak of COVID-19, Mr. Cheng Chun Tak, the then Chairman of the Board, was unable to travel to Hong Kong to attend the annual general meeting held on 26 June 2020.

Under Rule 5.05A of the GEM Listing Rules, an issuer must appoint independent non-executive Directors representing at least one-third of its board of directors. Upon the appointment of Mr. Cheng Wing Tsan, Mr. Zhou Dengchao and Ms. Pan Xuemei on 14 November 2020, the Board comprised ten members with six executive Directors, one non-executive Directors and three independent non-executive Directors. As such, the number of independent non-executive Directors fell below one-third of the Board as required under Rule 5.05A of the GEM Listing Rules. Following the appointment of Mr. Chan Kim Fai and Mr. Chan Yuk Tong as independent non-executive Directors with effect from 1 January 2021, the Company had fulfilled such requirement.

Save as disclosed in this report, the Company complied with all code provisions in the CG Code during the Year.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of the Directors of the Company, all Directors have complied with the required standard of dealings and code of conduct regarding securities transactions by Directors as set out in the code of conduct for the Year.

BOARD COMPOSITION

The Board is entrusted with the overall responsibility for promoting the success of the Company by the direction and supervision of the Company's business and affairs and the ultimate responsibility for the day to day management of the Company.

The Board currently comprises a total of 10 Directors, with 6 Executive Directors, namely Mr. Cheng Wing Tsan, Mr. Zhou Dengchao, Ms. Pan Xuemei, Mr. Cheng Chun Tak, Mr. Stephen William Frostick and Mr. Wong Chi Ho; 1 Non-executive Director, namely Mr. Huang Shenglan; and 3 Independent Non-executive Directors, namely Mr. Chang Jun, Mr. Xu Jingan, and Mr. Chan Kim Fai. One Independent Non-executive Director has appropriate professional qualifications, accounting and financial management expertise.

Code Provision A.2.1 provides that the roles of the Chairman and Chief Executive Officer ("CEO") should be separated and should not be performed by the same individual. As of 31 December 2020, the Company has not appointed a CEO and the roles and functions of the CEO have been performed by all Executive Directors collectively.

The Group has in place internal control system to perform the check and balance function. In addition, the Board comprises 12 Directors, the balance of power and authority between the Board and management will not be compromised.

Code Provisions A.4.1 and A.4.2 of the CG Code provide that non-executive directors should be appointed for a specific term, subject to re-election and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Save as Mr. Xu Jingan, all the Non-executive Directors (including Independent Non-executive Directors) have been appointed for a term of three years. Mr. Xu Jingan has not been appointed for a specific term but he is subject to retirement by rotation once every three (3) years in accordance with the Articles. Mr. Xu Jingan had been retired and re-elected in annual general meetings held in 2016 and 2020 which was more than three years. Due to the delay in publication of the 2018 annual report, the 2019 annual general meeting was then postponed to be held in January 2020 and as a result, Mr. Xu Jingan did not retire at least once every three years.

Each of the Independent Non-executive Directors has made an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company is of the view that all the Independent Non-executive Directors meet the independence guidelines set out in Rule 5.09 of the GEM Listing Rules and are independent in accordance with the terms of the guidelines.

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

DIRECTORS' INDUCTION AND CONTINUING PROFESSIONAL DEVELOPMENT

Each newly appointed Director (if any) receives a formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure that he/she has a proper understanding of the Company's operations and business and is fully aware of the Director's responsibilities under the statues and common law, the GEM Listing Rules, legal and other regulatory requirements and the Company's business and governance policies.

The Company will provide briefings to all Directors to develop and refresh their duties and responsibilities. All Directors are also encouraged to attend training courses and they have been requested to provide the Company with their training records. The trainings received by each of the Directors during the Year are summarised as follows:

Name of Directors	Type of trainings
Mr. Cheng Wing Tsan (Appointed on 14 November 2020)	A,B
Mr. Zhou Dengchao (Appointed on 14 November 2020)	A,B
Ms. Pan Xuemei (Appointed on 14 November 2020)	A,B
Mr. Cheng Chun Tak	A,B
Mr. Stephen William Frostick	A,B
Ms. Li Ka Ki (Resigned on 1 April 2020)	N/A
Mr. Wong Chi Ho	B
Mr. Huang Shenglan	A,B
Mr. Lee Chi Hwa, Joshua (Resigned on 29 March 2021)	A,B
Mr. Xu Jingan	A,B
Mr. Chang Jun	A,B
Mr. Chan Kim Fai (Appointed on 1 January 2021)	N/A
Mr. Chan Yuk Tong (Appointed on 1 January 2021 and resigned on 29 March 2021)	N/A

A: attending training session/briefings/seminars/conferences/forums/workshops

B: reading newspapers, journals and updates relating to the economy, general business, corporate governance and directors' duties and responsibilities

DIRECTORS' ATTENDANCE RECORD AT MEETINGS

The Board meets regularly over the Company's affairs and operations. Details of the attendance of each member of the Board at the meetings of the Board, its respective committees and the general meetings during the Year are as follows:

Name of Directors	Board Meeting Attended/ Eligible to attend	Audit/ Investigation Committee Meeting Attended/ Eligible to attend	Remuneration Committee Meeting Attended/ Eligible to attend	Nomination Committee Meeting Attended/ Eligible to attend	General Meeting Attended/ Eligible to attend
Number of meetings held during the financial year	12	4	2	2	2
Executive Directors					
Mr. Cheng Wing Tsan (Appointed on 14 November 2020)	2/2	N/A	N/A	N/A	0/0
Mr. Zhou Dengchao (Appointed on 14 November 2020)	1/2	N/A	N/A	N/A	0/0
Ms. Pan Xuemei (Appointed on 14 November 2020)	2/2	N/A	N/A	N/A	0/0
Mr. Cheng Chun Tak	11/12	N/A	N/A	N/A	1/2
Mr. Stephen William Frostick	10/12	N/A	N/A	N/A	0/2
Ms. Li Ka Ki (Resigned on 1 April 2020)	2/2	N/A	N/A	N/A	0/1
Mr. Wong Chi Ho	12/12	N/A	N/A	N/A	2/2
Non-executive Director					
Mr. Huang Shenglan	10/12	N/A	N/A	N/A	0/2
Independent Non-executive Directors					
Mr. Lee Chi Hwa, Joshua (Resigned on 29 March 2021)	10/12	4/4	1/2	1/2	0/2
Mr. Xu Jingan	12/12	4/4	2/2	2/2	0/2
Mr. Chang Jun	12/12	4/4	2/2	2/2	0/2
Mr. Chan Kim Fai (Appointed on 1 January 2021)	N/A	N/A	N/A	N/A	N/A
Mr. Chan Yuk Tong (Appointed on 1 January 2021 and resigned on 29 March 2021)	N/A	N/A	N/A	N/A	N/A

All of the Independent Non-executive Directors were unable to attend the Company's annual general meetings held on 10 January 2020 and 26 June 2020 due to other prior business engagements.

NON-EXECUTIVE DIRECTORS

The Non-executive Directors (including the Independent Non-Executive Directors) are subject to retirement by rotation in accordance with the articles of association of the Company (the “Articles”).

Save as Mr. Xu Jingan, all the existing Non-executive Directors (including the Independent Non-Executive Directors) are appointed for an initial term of three years and the term of office shall continue after the expiration of the initial term until at least 1 month’s prior written notice is given by the Director. The remuneration packages for Non-executive directors are determined by the Board of Directors. They are reimbursed for reasonable expenses incurred during the performance of their duties to the Company and are eligible to be granted share options under the Share Option Scheme.

BOARD DIVERSITY POLICY

The Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to gender, age, nationality, cultural and educational background, ethnicity, professional experience, skills, knowledge, industry experience and length of service.

Selection of candidates will be based on a range of diversity perspectives as stated above. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

REMUNERATION OF DIRECTORS

A Remuneration Committee was formed on 30 October 2005 for, inter alia, the following purposes:–

(a) to make recommendations to the Board on the Company’s policies and structure for all Directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

(b) to determine with delegated responsibility, the remuneration packages of all individual Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board on the remuneration of Non-Executive Directors.

The Remuneration Committee comprises of the Company’s Independent Non-executive Directors, namely Mr. Chang Jun, Mr. Xu Jingan, and Mr. Chan Kim Fai.

The Directors’ fees of the Company’s Independent Non-executive Directors have not been changed during the Year. The Remuneration Committee held 2 meetings during the Year to consider and approve the remuneration of new executive Directors and independent non-executive Directors as well as salary reduction of executive Directors and the non-executive Director (excluding the independent non-executive Directors).

The Remuneration Committee will meet and review the emolument policy and long-term incentive schemes as well as the basis of determining the emolument payable to the Directors.

NOMINATION OF DIRECTORS

A Nomination Committee was formed on 31 October 2007 for, inter alia, the following purposes:

(a) to review the structure, size and composition (including the skills, knowledge and experience) of the Board;

(b) to identify individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorship with due regard for the benefits of diversity on the Board with reference to the Board diversity policy; and

(c) to assess the independence of Independent Non-Executive Directors;

(d) to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive officer.

The Nomination Committee shall consider factors below when it makes recommendation for appointment and re-appointment of Director, inter alia:

(a) mix of Board members that promotes diversity of background and experience on the Board;

(b) competency;

(c) age of potential/existing Director;

(d) independence of potential/existing Board member;

(e) business, technical, or specialized skills and experience of member/potential member;

(f) ability, time commitment and willingness of a new member to serve and an existing member to continue service; and

(g) specific value a member/potential member can add to the Board.

The Nomination Committee comprises of the Company's Independent Non-executive Directors, namely Mr. Chang Jun, Mr. Xu Jingan, and Mr. Chan Kim Fai. Mr. Chang Jun is the Chairman of the Nomination Committee. The Nomination Committee held 2 meetings during the Year to approve the nomination of new executive Directors and independent non-executive Directors. The Nomination Committee was satisfied with the existing composition of the Company's Board of Directors and recommended no change in their term.

The Nomination Committee will meet and review the nomination procedures and the process and criteria to select and recommend candidates for directorship.

AUDITORS' REMUNERATION

The remuneration in respect of audit provided by the auditors, Elite Partners CPA Limited, to the Company for the year ended 31 December 2020 amounted to HK$620,000.

There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditors during the Year.

AUDIT COMMITTEE

The Company's Audit Committee was formed on 13 July 2000 and is currently composed of three Independent non-executive Directors, namely Mr. Xu Jingan, Mr. Chang Jun and Mr. Chan Kim Fai. The primary duties of the Audit Committee are (a) to make recommendations to the Board on the appointment and removal of the external auditor, (b) to review the Group's annual reports, financial statements, interim reports and quarterly reports, (c) to provide advice and comments thereon to the Board, and (d) to review and supervise the financial reporting process and internal control procedures of the Group.

In 2020, the Audit Committee held 4 meetings. The Audit Committee had reviewed the Company's quarterly, half-yearly and annual results and its system of internal control and risk management. The Audit Committee also carried out and discharged its duties set out in the CG Code.

DIVIDEND POLICY

The Company has adopted a dividend policy pursuant to which the Company should maintain adequate cash reserves for meeting its working capital requirements and future growth as well as its share value in recommending or declaring dividends. The Company does not have any pre-determined dividend distribution ratio. The proposal of payment and the amount of dividends will be made at the discretion of the Board and will depend on the Group's results of operations, earnings, financial condition, cash requirements and availability, future capital expenditure and development requirements, business conditions and strategies, interests of shareholders, any restrictions on payment of dividends and any other factors that the Board may consider relevant. The Board will review the dividend policy as appropriate from time to time.

CORPORATE GOVERNANCE FUNCTIONS OF THE BOARD

The Board is responsible for performing the corporate governance duties as set out in paragraph D3 of the CG Code. The Board has (i) reviewed the Company's practices on corporate governance for the Year, (ii) reviewed and monitored the training and continuous professional development of the Directors for the Year, (iii) reviewed and monitored the Company's practices on compliance with legal and regulatory requirements for the Year, (iv) reviewed and monitored the code of conduct applicable to Directors for the Year; and (v) reviewed the Company's compliance with the CG Code and disclosure in this report.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors acknowledges their responsible for the preparation of the consolidated financial statements, which give a true and fair view. The auditors are responsible for forming an independent opinion, based on the audit, on the consolidated financial statements prepared by the Directors and reporting the opinion solely to the shareholders of the Company.

INTERNAL AUDIT AND RISK MANAGEMENT

Internal Audit

The Board is responsible for ensuring sound and effective risk management and internal control systems to safeguard the shareholders' interests and the Company's assets.

The Group's has outsourced the internal control systems auditing function. The outsourced internal auditor reports directly to the Audit Committee and is responsible for conducting regular audits on the major activities of the Group.

The objective is to ensure that all important controls, including financial, operational compliance, and risk management functions are in place and functioning effectively.

The committee approved the annual internal audit plan. The plan includes a number of cyclical reviews of key operational functions to ensures that, while there is focus on areas deemed to be higher risk, all parts of the business will be covered over a three-year cycle.

The annual internal audit plan will be reviewed on a periodic basis to ensure that it is adapted as necessary to any changes in the Group's risk profile.

The Board has received a report from the outsourced internal auditor summarising audits concluded in the Year. The report summarised internal audit findings and any action to be taken by management as a result.

After each audit, the findings and recommendations for improvement will be communicated to the respective management for their responses and corrective actions.

The Committee has reviewed the findings and recommendations made by the outsourced internal auditor and have ensured that any issues arising from the audit are appropriately resolved by management in an efficient and timely manner.

It should be recognised that such an audit can provide reasonable but not absolute assurance against material misstatement or loss, as it is designed to manage rather than eliminate those risks that may affect the Company in achieving its business objectives.

The Board will conduct an annual review of the resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions.

Risk management

The Board has ultimate responsibility for risk and the oversight of the risk management process within the business. Recognising that risk is inherent in all of the Group's business dealings, and in the markets and instruments in which the Group operates, it places a high priority on ensuring that there is a strong risk management culture embedded throughout the Group, and accountability at all levels within the business. Effective risk management and strong internal controls are integral to the Group's business model and are reflected in the risk management framework adopted within the business.

The Board has delegated authority to the Audit Committee to provide oversight and independent challenge to ensure that the Group established an effective risk management framework and internal control systems. The Board oversees the Company's management in the design, implementation and monitoring of the risk management and internal control systems and such systems can only provide reasonable but not absolute assurance against material misstatement or loss resulting from business activities.

The Audit Committee conducted its annual review of the adequacy and effectiveness of the Group's risk management and internal control arrangements in relation to the Group's strategy and risk profile for the financial year.

Our risk management process

The risk management contains the following processes, which are connected to setting up targets, identification of risks, risk prioritisation and assessment, risk owner appointment, review, handling, reporting, follow-up, monitoring and reacting to identified risks.

A corporate risk register is maintained in order to track and document the risks identified and provides a detailed outline of the corporate risks facing the Group at a given point in time. It provides a description of the risk, risk owner assigned for ensuring the risk is managed appropriately, highlights the status of each corporate risk as well as what actions are currently in place, or are being progressed to further reduce the likelihood and impact of the risk occurring.

COMPANY SECRETARY

Mr. Chow Kin Wing ("Mr. Chow") was the company secretary of the Company ("Company Secretary") up to 19 November 2020 and Ms. Tsang Oi Yin was appointed on 20 November 2020 in place of Mr. Chow. The Company Secretory is responsible for distributing detailed documents to the Directors prior to the Board meetings to ensure that the Directors are able to make informed decisions regarding the matters discussed in the meetings. And all Directors have access to the advice and services of the Company Secretary with a view to ensuring that the Board procedures, and all applicable rules and regulations, are followed.

Mr. Chow had undertaken not less than 15 hours of relevant professional training.

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. During the Year, there is no change in the Company's constitutional documents.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with its shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions. The disclosure of the Group's information in a reasonable and time manner by the Board is to facilitate the shareholders as well as the investors to have a better understanding of the business performance, operations and strategies of the Group. The Company's website at www.cfihk.com.hk allows the potential and existing investors as well as the public to get access to and acquire the Company's up-to-date corporate and financial information. Shareholders are provided with contact details of the Company, such as telephone hotline, email address and postal address, in order to enable them to make any query that they may have with respect to the Company. They can also send their enquiries to the Board through these means. The contact details of the Company are provided in the "Corporate Information" section of this annual report and the Company's website.

The Board welcomes views of shareholders and encourages them to attend general meetings to raise any concerns that they may have with the Board or the management directly. Board members and appropriate senior staff of the Group are available at the meetings to answer any questions raised by shareholders.

PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law (2012 Revision). However, shareholders are requested to follow article 58 of the Articles, 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 months after the deposit of such requisition. If within twenty-one 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.

PROCEDURES FOR SHAREHOLDERS TO PROPOSE A PERSON FOR ELECTION AS A DIRECTOR

The provisions for a shareholder to propose a person for election as a Director of the Company are laid down in article 88 of the Articles. No person other than a Director retiring at the meeting shall, unless recommended by the Board for election, be eligible for election to as a Director at any general meeting unless a notice in writing of the intention to propose such person for election as a Director, signed by a shareholder (other than the person to be proposed for election as a Director) duly qualified to attend and vote at the meeting for which such notice is given, and a notice in writing signed by such person of his willingness to be elected shall have been lodged at the head office or at the Registration Office. The minimum length of the period during which such notices are given shall be at least seven days and the period for lodgement of such notices shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting.

PROCEDURES FOR SENDING ENQUIRIES TO THE BOARD

Shareholders may send written enquiries to the Company, for the attention of Company Secretary, by mail to Shops 212-213, 2nd Floor, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Cheng Wing Tsan（鄭榮燦）, aged 59, holds a Bachelor's Degree in Financial Administration from the University of New England in Australia. Mr. Cheng was an Associate of the Hong Kong Society of Accountants and an Associate of the Australian Society of Certified Practicing Accountants. Mr. Cheng has over 28 years' experience in financial management and also has experience as a company secretary of listed companies. Mr. Cheng was executive director of IIN International Limited (now known as China Geothermal Industry Development Group Limited) (Stock code: 08128), a company listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), from August 2001 – March 2003; chief financial officer and company secretary of Goldin Properties Holdings Limited (Stock code: 00283), a company previously listed on main board of the Stock Exchange, from February 2006 – December 2008; and qualified accountant and company secretary of Goldin Financial Holdings Limited (Stock code: 00530), a company listed on Main Board of the Stock Exchange, from December 2008 – October 2010. Mr. Cheng is the chairman of the Board.

Mr. Zhou Dengchao（周登超）, aged 46, graduated from Wuhan University of Technology with a major in accountancy. Mr. Zhou has over 20 years' experience in financial management. Mr. Zhou had worked in the group of Goldin Properties Holdings Limited (Stock code: 00283), a company previously listed on main board of the Stock Exchange; and was executive director of Goldin Financial Holdings Limited (Stock code: 00530), a company listed on main board of the Stock Exchange, from December 2008 – March 2016.

Ms. Pan Xuemei（潘雪梅）, aged 45, studied at London College of Accountancy and Finance with a major in accountancy. Ms. Pan has over 12 years' accounting and auditing working experience and worked as financial controller and finance manager in various companies and professional accounting firm prior to joining the Company. Ms. Pan was an audit assistant manager of KPMG Huazhen LLP from August 2008 – December 2010; finance manager of Jiangxi Saiwei LDK Solar Technology Limited（江西賽維LDK太陽能高科技有限公司）from June 2011 – December 2011; and financial controller of Shanghai Xiangyuan Enterprise Management Consultancy Limited（上海香櫞企業管理咨詢有限公司）from January 2012 – March 2018. Ms. Pan is the cousin（堂妹）of Mr. Pan Xiaodong, a former Director.

Mr. Cheng Chun Tak, aged 58, was graduated from Xidian University (formerly known as Xi Bei Institute of Telecommunications Engineering（西北電訊工程學院）) and obtained a Master Degree in Engineering (Computer Science) from the Institute of Microelectronics of Shanxi（陝西微電子學研究所）. Mr. Cheng has extensive experience in the sales and customer services of communication industry in which he has over 25 years of experience in sales and customer services. He joined the Group in 2012.

Mr. Stephen William Frostick, aged 71, he obtained a Juris Doctorate at Old College School of Law, Nevada, United States in 1984, a Master of Public Administration and a Bachelor of Science in Business Administration at the University of Nevada, Las Vegas, United States in 1976 and 1974 respectively. Mr. Frostick has over 40 years of experience in leading capacities in the State Government of Nevada, United States, large corporations and international consulting organisations. Mr. Frostick is well experienced in strategic planning, operational management and organisational development and has about 40 years of senior management experience. He joined the Group in 2007.

Mr. Wong Chi Ho, aged 60, was graduated from Chu Hai College of Bachelor of Commercial Science and Business Administrative in 1980-1986. He is the founder and a director of King Tai Enterprise (Group) Development Co., Limited. Mr. Wong has over 25 years of senior management experience in the garment and textile industry. Mr. Wong joined the Group on 29 November 2019.

NON-EXECUTIVE DIRECTOR

Mr. Huang Shenglan, aged 69, holds a diploma in Arts from Huazhong Normal University, a master degree in International Economics from Huadong Normal University and a certificate in International Economic Law from Xiamen University. He also took the Advanced Management Programme from the Business School of Harvard University, USA. Mr. Huang was an Executive Director and the Deputy Governor of China Everbright Bank, Head Office. He is currently the Independent Non-executive Director of China LotSynergy Holdings Limited (stock code: 1371), which is listed on the Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Xu Jingan, aged 80, was graduated from Shanghai Fudan University with a Bachelor in Journalism in 1964. Mr. Xu previously served as the Vice Chairman of Shenzhen Stock Exchange. He has more than 30 years' experience in Finance and Economics in PRC. Mr. Xu was an Independent Director of CIMC (China International Marine Containers (Group) Ltd.), 安信基金管理 (ESSENCE FUND Co. Limited) and 深圳怡亞通供應鏈股份有限公司 (Eternal Asia Supply Chain Management Limited). He joined the Group in 2015. He is a member of each of the audit committee, remuneration committee and nomination committee of the Board.

Mr. Chang Jun, aged 52, is currently a partner of Messrs, Allbright Law Office-Shenzhen and has been a Chartered Lawyer of Chinese Ministry of Law since 2000. Mr. Chang received his Bachelor of Laws degree from Southwest University of Polities & Law, Chongqing and master degree in Economic & Commercial Law in People's University of China, Beijing. Mr. Chang has more than 20 years' experience in Chinese legal profession and extensive experience in legal advisory to public and multinational enterprise in PRC. He joined the Group in 2007. He is the chairmen of nomination committee of the Board and a member of audit committee and remuneration committee of the Board.

Mr. Chan Kim Fai, aged 61, holds a bachelor's degree in science from The Chinese University of Hong Kong. He is a member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and CPA Australia.

Mr. Chan is currently an independent non-executive director of EGL Holdings Company Limited (stock code: 6882), Magnificent Hotel Investments Limited (stock code: 201), Shun Ho Property Investments Limited (stock code: 219) and Shun Ho Holdings Limited (stock code: 253) (all these companies are listed on the Main Board of the Stock Exchange. Mr. Chan has served as the sole proprietor of Ivan Chan & Co, CPA since 2001. He is a member of each of the audit committee, remuneration committee and nomination committee of the Board.

REPORT OF DIRECTORS

The Directors submit herewith their annual report together with the audited financial statements for the Year.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 40 to the consolidated financial statements.

SEGMENT INFORMATION

An analysis of the Group's operating segment information is set out in note 7 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the Year and the state of the affairs of the Group at that date are set out in the consolidated financial statements on pages 38 to 110.

The Board of Directors does not recommend the payment of a dividend for the Year.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the annual general meeting to be held on Wednesday, 5 May 2021, the register of members of the Company will be closed from Thursday, 29 April 2021 to Wednesday, 5 May 2021, both days inclusive, during which no transfer of Shares will be effected. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Link Market Services (Hong Kong) Pty Limited, at Suite 1601, 16/F., Central Tower, 28 Queen's Road Central, Hong Kong) for registration not later than 4:30 p.m. on Wednesday, 28 April 2021.

PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Company as at 31 December 2020 are set out in note 40 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

RESERVES

Details of movements in the reserves of the Group and of the Company during the Year are set out in the consolidated statement of changes in equity on page 42 and note 41 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2020, the Company has no reserves available for distribution to shareholders (2019: Nil) in accordance with the Companies Law of the Cayman Islands and the Company's Articles of Association.

CONVERTIBLE BONDS

Details of movements in the convertible bonds of the Group during the Year are set out in note 27 to the consolidated financial statements.

DONATION

No Charitable and other donations were made by the Group during the Year (2019: Nil).

BUSINESS REVIEW

The business review of the Group for the Year is set out in the sections headed “Management Discussion And Analysis” on pages 4 to 10 of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group recognizes the importance of compliance with regulatory requirements and that the risks of non-compliance with such requirements. To the best of the Directors’ knowledge, information and belief, and having made all reasonable enquiries, the Group has complied with all relevant laws and regulations in Hong Kong in all material respects during the Year.

The Group also complies with the requirements under the GEM Listing Rules and the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (the “SFO”) for the disclosure of information and corporate governance.

ENVIRONMENTAL POLICY

The Group recognizes its responsibility to protect the environment from its business activities. The Group continually seeks to identify and manage environmental impacts attributable to its operational activities in order to minimize these impacts if possible.

RELATIONSHIPS WITH STAKEHOLDERS

The Group recognises employees as one of the valuable assets of the Group and the Group strictly complies with the labour laws and regulations in Hong Kong and regularly reviews the existing staff benefits for improvement.

The Group provides good quality services to the customers and maintains a good relationship with them. The Group is able to establish trusting and long-standing business relationship with the major customers.

The Group also maintains effective communication and develops long-term and stable relationship with the suppliers.

During the Year, there was no material dispute or disagreement between the Group and its customers or its suppliers.

SHARE CAPITAL AND EQUITY-LINKED AGREEMENT

Details of the movements in the share capital of the Company during the Year are set out in note 32 to the consolidated financial statements.

Save as disclosed in the paragraphs headed "Share Option Scheme" and "Convertible Bonds" in the report, no equity-linked agreement that (i) will or may result in the Company issuing shares or (ii) requires the Company enter into any agreement that will or may result in the Company issuing shares, was entered into by the Company during the Year or subsisted at the end of the Year.

FUND RAISING ACTIVITIES OF THE COMPANY UNDER GENERAL MANDATE

There was no fund raising activity of the Company under general mandate during the Year.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five years is set out on page 111 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of purchases and sales for the Year attributable to the Group's major suppliers and customers are as follows:

Purchases	
– the largest supplier	7%
– five largest suppliers combined	22%
Sales	
– the largest customer	7%
– five largest customers combined	26%

To the best of the Directors' knowledge, none of the Directors, their associates or any shareholder who owns more than 5% of the Company's share capital had an interest in any of the major customers or suppliers above.

REPORT OF DIRECTORS

DIRECTORS

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

Mr. Cheng Wing Tsan *(Chairman)* (Appointed on 14 November 2020)
Mr. Zhou Dengchao (Appointed on 14 November 2020)
Ms. Pan Xuemei (Appointed on 14 November 2020)
Mr. Cheng Chun Tak
Mr. Stephen William Frostick
Ms. Li Ka Ki (Resigned on 1 April 2020)
Mr. Wong Chi Ho
Mr. Huang Shenglan#
Mr. Lee Chi Hwa, Joshua* (Resigned on 29 March 2021)
Mr. Xu Jingan*
Mr. Chang Jun*
Mr. Chan Kim Fai* (Appointed on 1 January 2021)
Mr. Chan Yuk Tong* (Appointed on 1 January 2021 and resigned on 29 March 2021)

Non-executive Director
* *Independent Non-executive Director*

Pursuant to Article 86(3), any Director as appointed by the Board shall hold office only until the next following annual general meeting of the Company and shall them be eligible for re-election. Accordingly, Mr. Cheng Wing Tsan, Mr. Zhou Dengchao, Ms. Pan Xuemei, and Mr. Chan Kim Fai will retire pursuant to Article 86(3) of the Articles, and being eligible, offer themselves for re-election as Directors at the forthcoming annual general meeting.

Pursuant to Article 87(1), at each annual general meeting, one-third of the Directors for the time being, (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall retire from office by rotation at least once every three years. Accordingly, Mr. Cheng Chun Tak and Mr. Stephen William Frostick will retire pursuant to Article 87(1) of the Articles, and being eligible, offer themselves for re-election as Directors at the forthcoming annual general meeting.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2020, none of the Directors or the chief executives of the Company had or was deemed to have any interests and short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors has entered into a service contract with the Company for a term of three years. The contract can be terminated by either party giving to the other party not less than one month's notice in writing.

As at 31 December 2020, none of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Company's business to which the Company, its holding company, subsidiaries or fellow subsidiaries was a party and in which any Directors of the Company had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the Independent Non-executive Directors, an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers all of the Independent Non-executive Directors are independent.

EMOLUMENT POLICY

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

The emoluments of the Directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles, the Directors shall be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director in defending any proceedings, whether civil or criminal, in which judgement is given in his favour, or in which he is acquitted.

Appropriate insurance policies that cover directors' and officers' liabilities have been in force to protect the directors and officers of the Group from their risk exposure arising from the business of the Group.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the paragraph headed "Directors' and Chief Executives' interests and short positions in shares, underlying shares and debentures" above and the "Share option scheme" below, at no time during the year have rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, their spouse or children under 18 years of age to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The Company adopted a new share option scheme on 16 June 2017 (the "Scheme"), which became effective for a period of 10 years commencing on 16 June 2017. Under the Scheme, the Directors may at their discretion grant options to any eligible person to subscribe for the shares of the Company ("Share") at the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of the Share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share. The offer of a grant of option shall remain open for acceptance within 28 days from the date of offer. A nominal consideration of HK$1 is payable on acceptance of the grant of the option. The exercise period of the option must not be more than 10 years from the date of grant of the option.

The Company operates the Scheme for the purpose of advancing the interests of the Company and its shareholders by enabling the Company to grant options to attract, retain and reward any eligible persons which include any director of the Group, any employee of the Group, any consultant, adviser, agent, supplier, customer, business partner or shareholder of the Group for their contribution or potential contribution to the Group.

The total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes in force from time to time must not in aggregate exceed 30% of the Shares in issue from time to time.

The total number of Shares which may be issued upon exercise of all options to be granted under the Scheme shall not in aggregate exceed 10% of the total number of Shares in issue as at the date of the passing of the relevant resolution adoption the Scheme.

As at 31 December 2020, no share options were outstanding.

SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

As at 31 December 2020, the following persons (other than the Directors and the chief executive of the Company) had interests and short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Long positions in the ordinary shares of HK$0.005 each of the Company

Name of the Shareholders	Type of interest	Number of shares	Number of underlying shares	Total number of shares and underlying shares	Approximate percentage of issued share capital
Shiny Valour Limited *(Note 1)*	Beneficial	152,000,000	–	152,000,000	5.01%
Yao Yi Yi *(Note 1)*	Interest of a controlled corporation	152,000,000	–	152,000,000	5.01%
Glory Wealth Development Holding Limited *(Note 2)*	Beneficial	797,555,072	–	797,555,072	26.31%
Zhang Pan *(Note 2)*	Interest of a controlled corporation	797,555,072	–	797,555,072	26.31%
Tai Quan Enterprises Limited *(Note 3)*	Beneficial	–	242,424,242	242,424,242	8.00%
Extreme Rich Corporate Development Limited *(Note 4)*	Beneficial	–	242,424,242	242,424,242	8.00%

Notes:

1. Shiny Valour Limited is wholly owned by Yao Yi Yi who is deemed to be interested in the shares.

2. Glory Wealth Development Holding Limited is wholly owned by Zhang Pan who is deemed to be interested in the shares.

3. These are underlying shares to be issued pursuant to the convertible bonds issued in 2017 for the acquisition of Affluent Grand Limited. Please refer to section headed "Litigation" under the "Management Discussion and Analysis" for details. Tai Quan Enterprises Limited is wholly owned by Zhao Xin who is deemed to be interested in the underlying shares.

4. These are underlying shares to be issued pursuant to the convertible bonds issued in 2017 for the acquisition of Affluent Grand Limited. Please refer to section headed "Litigation" under the "Management Discussion and Analysis" for details. Extreme Rich Corporate Development Limited is wholly owned by Ren Wei who is deemed to be interested in the underlying shares.

Save as disclosed above, as at 31 December 2020, the Directors were not aware of any other person (other than the Directors or the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares (including any interests in options in respect of such capital), 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 was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

MANAGEMENT CONTRACTS

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

CONNECTED TRANSACTIONS

During the year ended 31 December 2020, the Company has not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements of GEM Listing Rules.

Significant related party transactions entered by the Group during the Year, which do not constitute connected transactions under GEM Listing Rules, are disclosed in note 36 to the consolidated financial statements.

COMPETING INTERESTS

The Directors are not aware of, as at 31 December 2020 any business or interest of each Director, controlling shareholder and the respective associates of each that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association and there is no restriction against such rights under the laws of the Cayman Islands.

THE FORTHCOMING ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company will be held at Portion 2, 12/F, The Center, 99 Queen's Road Central, Hong Kong on Wednesday, 5 May 2021 at 11:00 a.m. and the notice convening such meeting will be published and despatched to the shareholders of the Company in due course.

CHANGES OF DIRECTORS AND CHANGE IN THEIR INFORMATION

During the Year and up to the date of this annual report, the changes of Directors and their respective information are as follows:

– Ms. Li Ka Ki resigned as executive Director with effect from 1 April 2020.

– Mr. Cheng Wing Tsan, Mr. Zhou Dengchao and Ms. Pan Xuemei have been appointed as executive Director with effect from 14 November 2020.

– Mr. Cheng Wing Tsan has been appointed as the Chairman of the Board with effect from 14 November 2020.

– Mr. Cheng Chun Tak ceased to be the Chairman of the Board with effect from 14 November 2020.

– The remuneration of all the executive Directors was adjusted to HK$10,000 per month with effect from 1 December 2020.

– The remuneration of the non-executive Director was adjusted to HK$5,000 per month with effect from 1 December 2020.

– Mr. Chan Kim Fai and Mr. Chan Yuk Tong have been appointed as independent non-executive Director with effect from 1 January 2021.

– Mr. Lee Chi Hua, Joshua resigned as independent non-executive Director, the chairman of each of the audit committee of the Board and remuneration committee of the Board and a member of nomination committee of the Board with effect from 29 March 2021.

– Mr. Chan Yuk Tong resigned as independent non-executive Director, a member of each of the audit committee of the Board, remuneration committee of the Board and nomination committee of the Board with effect from 29 March 2021.

LITIGATIONS

On 16 January 2020, the Company has commenced legal proceedings at the High Court of the Hong Kong Special Administrative Region (Case no. HCA 88/2020) against Tai Quan Enterprises Limited, Extreme Rich Corporate Development Limited (collectively "Vendors") and Radiant Thrive Enterprises Limited ("Radiant"). The Company's principal claims are for:

– rescission of the acquisition agreement entered between the Company and the Vendors for acquiring the entire share capital of Affluent Grand Limited on 28 April 2017 ("Acquisition Agreement"), the convertible bonds instruments and promissory notes (subsequently transferred to Radiant 19 June 2018) issued to the Vendors on 27 November 2017 for fraudulent misrepresentation;

– declaration that the Vendors are not entitled to enforce the Acquisition Agreement dated 28 April 2017, the convertible bonds Instruments and promissory notes (subsequently transferred to Radiant on 19 June 2018) issued to the Vendors on 27 November 2017 for fraudulent misrepresentation;

– declaration that the Vendors and Radiant are not entitled to enforce the promissory notes dated 27 November 2017;

– return of HK$120,000,000 money from the Vendors; and

– damages for fraudulent misrepresentation against the Vendors

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company as at the date of this report, the Company has maintained the prescribed public float under the GEM Listing Rules.

INDEPENDENT AUDITOR

HLM CPA Limited ("HLM") resigned as auditor of the Company with effect from 7 January 2021. The Board proposed to appointed Elite Partners CPA Limited ("Elite Partners") as new auditor of the Company to fill the casual vacancy following the resignation of HLM and to hold office until the conclusion of next annual general meeting of the Company. The Board convened an extraordinary general meeting on 28 January 2021 to approve the appointment of Elite as new auditor of the Company pursuant to the Articles.

The consolidated financial statements for the year ended 31 December 2020 have been audited by Elite Partners, who will retire and, being eligible, offer themselves for re-appointment.

Save as disclosed above, there have been no other changes of independent auditors for the preceding three years.

On behalf of the board

Cheng Wing Tsan
Chairman

Hong Kong, 29 March 2021

INDEPENDENT AUDITOR'S REPORT

elite partners
CERTIFIED PUBLIC ACCOUNTANTS

TO THE SHAREHOLDERS OF CHINA FORTUNE INVESTMENTS (HOLDING) LIMITED
(Incorporated in the Cayman Islands with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of China Fortune Investments (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 38 to 110, which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, which include a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the "Basis for Disclaimer of Opinion" section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide the basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

On 28 April 2017, the Company entered into an acquisition agreement ("Acquisition Agreement") to acquire the entire equity interest in Affluent Grand Limited and its subsidiaries, namely, Win Wave Development Limited; Chengdu Xingfu Koudai Enterprise Management Consulting Company Limited（成都幸福口袋企業管理諮詢有限公司）("WOFE"); and Koudai Network Services Company Limited（口貸網絡服務股份有限公司）("OPOC") (collectively, the "Affluent Group"), from Tai Quan Enterprises Limited and Extreme Rich Corporate Development Limited (collectively, the "Vendors") for consideration of HK$380,000,000 ("Acquisition"). The Acquisition was completed on 28 November 2017 ("Completion Date").

The consideration for the Acquisition was satisfied by (i) HK$120,000,000 in cash; (ii) promissory notes with principal amount of HK$100,000,000 ("Promissory Notes"); (iii) convertible bonds with principal amount of HK$80,000,000 ("Convertible Bonds"); and (iv) convertible bonds with principal amount of HK$80,000,000 subject to the profit guarantee ("Contingent Consideration"). The Promissory Notes were subsequently transferred to Radiant Thrive Enterprises Limited ("Radiant") on 19 June 2018.

During the year ended 31 December 2018, the management of the Company became aware several incidents ("Incidents") which resulted in the investigation as disclosed in note 3 and 35 to the consolidated financial statements for the year ended 31 December 2018 ("Investigation"). Based on the findings in the Investigation, the Group considered that the Vendors were in breach of the representations and warranties contained in the Acquisition Agreement in respect of the concealment of unrecorded liabilities in the financial records of the OPCO provided to the Company prior to the Acquisition. Details of the Incidents and Investigation has been set out the Company's announcement dated 30 October 2019.

Given the situation of the Incidents, the Group faced obstructions in exercising control over, and gathering information and documents from the WOFE and OPOC (collectively, the "De-consolidated Subsidiaries"). The Group regards it has lost control over the entire operations of the De-consolidated Subsidiaries and the directors had determined to exclude the financial position, results and cash flows of the De-consolidated Subsidiaries since 1 September 2018 from the Group's consolidated financial statements ("Deconsolidation").

On 16 January 2020, the Company commenced legal proceedings at the High Court of the Hong Kong Special Administrative Region (Case no. HCA 88/2020) ("Court Hearing") against the Vendors and Radiant (together as "Defendants") for (i) rescission of the Acquisition Agreement; the instruments of the Convertible Bonds and Promissory Notes for fraudulent misrepresentation, (ii) declaration that the Vendors are not entitled to enforce the Acquisition Agreement, the instrument of the Convertible bonds and Promissory Notes for fraudulent misrepresentation; (iii) declaration that the Vendors and Radiant are not entitled to enforce the Promissory Notes; (iv) return of HK$120,000,000 money from the Vendors (the "Refund Receivable"); and (v) Damages for fraudulent misrepresentation against the Vendors.

In the opinion of the directors, the Company considered it is more than probable that the Acquisition Agreement will be rescinded by the order of the High Court and the Company has no further obligation to satisfy the liabilities of the Convertible Bonds and Promissory Notes. Accordingly, the Company discharge the liabilities of the Convertible Bonds and Promissory Notes ("Discharge of liabilities") and recognised the Refund Receivable during the year ended 31 December 2020 to reflect the rescind of the Acquisition Agreement.

1. Opening balances and comparative figures

(a) Opening balance on comparative figures

The consolidated financial statements of the Group for the year ended 31 December 2019 contained qualified opinion in respect of the opening balances and comparative figures ("Comparative Figures"), in view of the possible effects of the Deconsolidation in respect of the departure from Hong Kong Financial Reporting Standard 10 "Consolidated Financial Statements". Details of which has been set out in the auditor's report dated 31 March 2020.

As the consolidated financial statements of the Group for the year ended 31 December 2019 formed the Comparative Figures in the consolidated financial statements of the Group for the year ended 31 December 2020, any adjustments found to be necessary in the comparative figures would have a significant effect to consolidated financial position as at 1 January 2019, consolidated results and cash flows for the year ended 31 December 2019 and the related disclosures.

(b) Fair value of the Convertible Bonds on initial recognition for business combination of Affluent Group at the Completion Date

As a part of consideration of the Acquisition, the Company issued the Convertible Bonds with principal amount of HK$80,000,000. The Group appointed a valuer to assess the fair value of the Convertible Bonds at the Completion Date. According to the valuation report issued by the valuer, the fair value of the Convertible Bonds as a whole at Completion Date was approximately HK$53,196,000, of which HK$35,617,000 was liabilities component and the remaining balance of HK$17,579,000 was equity component.

However, as referred to note 26 of the Group's consolidated financial statements for the year ended 31 December 2017, the fair value of the Convertible Bonds was accounted for approximate to its principal amount of HK$80,000,000 as at the Completion Date, of which HK$35,617,000 recognised as liability component and the remaining balance of HK$44,383,000 recognised as equity component under the equity heading "Convertible Bonds Equity Reserve".

In accordance with Hong Kong Financial Reporting Standard 3 (Revised) "Business Combination", the consideration transferred in a business combination should be measured at fair value. Accordingly, we are unable to obtain sufficient appropriate audit evidence and explanation for (i) the fair value of the Convertible Bonds of HK$80,000,000 as at the Completion Date; (ii) the equity component of the Convertible Bonds of approximately HK$44,383,000 recognised at the Completion Date; (iii) goodwill arising from the Acquisition of approximately HK$161,961,000 recognised at the Completion Date; and (iv) the loss arising from the Derecognition of approximately HK$288,084,000 for the year ended 31 December 2018 were free from material misstatement.

(c) Fair value of Contingent Consideration

The fair value of the Contingent Consideration at the Completion Date and at 31 December 2017 were appropriately HK$42,530,000 and HK$42,775,000 respectively. As disclosed in note 35 to consolidated financial statements for the year ended 31 December 2018, the Contingent Consideration of HK$42,775,000 had been derecognised together with the De-consolidated Subsidiaries on 1 September 2018. Since then, no fair value of the Contingent Consideration were recognised for the years ended 31 December 2018 and 2019.

According to the Acquisition Agreement, the Contingent Consideration represent the Company's obligation to settle the consideration to the Vendors should the Affluent Group satisfied the Profit Guarantee. Accordingly, we were unable to satisfy ourselves as to whether (i) the derecognition of the Contingent Consideration during the year ended 31 December 2018 were appropriate; (ii) the loss arising from the Derecognition of approximately HK$288,084,000 for the year ended 31 December 2018 were accurate and free from material misstatement; (iii) no fair value recognition of the Contingent Consideration as at 31 December 2018 and 2019 were appropriate and free from material misstatement; and (iv) the opening balance of the Contingent Consideration for the year ended 31 December 2020 were free from material misstatement.

In addition, any adjustment found to be necessary in respect of the fair value of the Convertible Bonds and the Contingent Consideration as mentioned above would have significant effect on the net liabilities position of the Group as at 31 December 2019 and the result for the year then ended; (i) the opening balance of consolidated statement of financial position of the Group for the year ended 31 December 2020; (ii) the result for the year ended 31 December 2020; and (iii) the related disclosures in the consolidated financial statements.

2. **Limitation of scope – Discharge of Liabilities and Refund Receivable**

During the year ended 31 December 2020, the Company recorded certain adjustments to reflect the rescind of the Acquisition Agreement ("Rescind Adjustments"), including (i) derecognised the liabilities and equity component of the Convertible Bonds of approximately HK$50,924,000 and HK$44,383,000 respectively; (ii) derecognised the Promissory Note of approximately HK$92,082,000; iii) accrued interest of the promissory notes of approximately HK$13,154,000; and (iv) recognised the Refund Receivable of HK$120,000,000 in the consolidated statement of financial position as at 31 December 2020. As a result, the Group recognised a gain from the Rescind Adjustments of approximately HK$276,160,000 for the year ended 31 December 2020.

Due to the circumstances leading to the Rescind Adjustments which is subject to the outcome of the litigation, we are unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to (i) the timing for the recognition of Rescind Adjustments during the year ended 31 December 2020 were appropriate; and (ii) the net gain arising from the Rescind Adjustment of approximately HK$276,160,000 were accurate.

Any adjustment found to be necessary in respect of the Rescind Adjustments would have a significant effect on the net assets of the Group as at 31 December 2020 and the profit of the Group for the year ended 31 December 2020, and the related disclosures thereof in the consolidated financial statements.

3. **Limitation of scope – Recoverability of the Refund Receivable**

As mentioned in (2) above, the directors recognised the Refund Receivable based on the consideration that it is more than probable that the Acquisition Agreement will be rescinded. However, we were unable to obtain sufficient appropriate audit evidence regarding the existence and recoverability of the Refund Receivable because we were unable to carry out any effective confirmation procedures in relation to the Refund Receivable for the purpose of our audit. There were no alternative audit procedures that we could perform to satisfy ourselves as to the recoverability of the Refund Receivable included in the consolidated statement of financial position as at 31 December 2020.

RESPONSIBILITIES OF THE 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 Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor's report. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liabilities to any other person for the contents of this report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

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.

The engagement partner on the audit resulting in the independent auditor's report is Chan Wai Nam, William with Practising Certificate Number P05957.

Elite Partners CPA Limited
Certified Public Accountants

10/F, 8 Observatory Road
Tsim Sha Tsui
Kowloon, Hong Kong

29 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Revenue	6	**23,318**	62,839
Cost of sales		**(22,562)**	(52,280)
Gross profit		**756**	10,559
Other income, gains and losses, net	8	**262,025**	(50,800)
Selling and distribution expenses		**(3,533)**	(4,332)
Administrative expenses		**(46,459)**	(38,572)
Finance costs	9	**(11,260)**	(46,263)
Profit (Loss) before tax		**201,529**	(129,408)
Income tax (expense) credit	10	**(385)**	286
Profit (Loss) for the year	11	**201,144**	(129,122)
Profit (Loss) for the year attributable to:			
Owners of the Company		**201,145**	(129,126)
Non-controlling interests		**(1)**	4
		201,144	(129,122)
Earinings (Loss) per share			
Basic and diluted	14	**HK6.64 cents**	(HK4.26 cents)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020	2019
	HK$'000	*HK$'000*
Profit (Loss) and total comprehensive income (expense) for the year	**201,144**	(129,122)
Total comprehensive income (expense) attributable to:		
Owners of the Company	**201,145**	(129,126)
Non-controlling interests	**(1)**	4
Total comprehensive income (expense) for the year	**201,144**	(129,122)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment	15	**143**	3,353
Right-of-use assets	16	**878**	3,511
Deferred tax assets	30	**167**	572
Goodwill	17	**–**	23,584
Other intangible assets	18	**–**	–
Deposits and prepayments	22	**–**	1,210
		1,188	32,230
Current assets			
Inventories	20	**18,310**	89,269
Trade receivables	21	**108**	27,656
Financial assets at fair value through profit or loss	19	**–**	4,080
Other receivables, deposits and prepayments	22	**121,780**	1,125
Tax receivables		**905**	–
Bank balances and cash	23	**19,860**	9,304
		160,963	131,434
Current liabilities			
Trade payables	24	**6,267**	720
Accruals, other payables and deposits received	25	**4,462**	19,377
Amounts due to directors	26	**3,653**	2,906
Tax liabilities		**1,203**	814
Promissory notes	28	**–**	115,984
Other loan	29	**15,000**	–
Lease liabilities	31	**966**	2,804
		31,551	142,605
Net current assets (liabilities)		**129,412**	(11,171)
Total assets less current liabilities		**130,600**	21,059

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current liabilities			
Convertible bonds	27	–	50,924
Promissory notes	28	–	39,713
Lease liabilities	31	–	966
		–	91,603
NET ASSETS (LIABILITIES)		**130,600**	(70,544)
Capital and Reserves			
Share capital	32	**15,156**	15,156
Reserves		**115,065**	(86,080)
Equity (Deficit) attributable to owners of the Company		**130,221**	(70,924)
Non-controlling interests		**379**	380
TOTAL EQUITY (DEFICIT)		**130,600**	(70,544)

The consolidated financial statements on pages 38 to 110 were approved and authorised for issue by the board of directors on 29 March 2021 and are signed on its behalf by:

Cheng Wing Tsan	**Wong Chi Ho**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to owners of the Company							
	Share capital	**Share premium account**	**Merger reserve**	**Convertible bonds equity reserve**	**Accumulated losses**	**Subtotal**	**Non-controlling interests**	**Total**
	HK$'000	*HK$'000*	*HK$'000* *(Note i)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2019	15,156	1,995,281	(46,815)	54,131	(1,959,551)	58,202	376	58,578
Loss (profit) and total comprehensive (expense) income for the year	–	–	–	–	(129,126)	(129,126)	4	(129,122)
Elimination upon redemption of convertible bonds	–	–	–	(9,748)	9,748	–	–	–
At 31 December 2019	15,156	1,995,281	(46,815)	44,383	(2,078,929)	(70,924)	380	(70,544)
Profit (Loss) and total comprehensive income (expense) for the year	–	–	–	–	201,145	201,145	(1)	201,144
Transfer of convertible bonds equity reserve	–	–	–	(44,383)	44,383	–	–	–
At 31 December 2020	15,156	1,995,281	(46,815)	–	(1,833,401)	130,221	379	130,600

Note:

(i) The Group's merger reserve represents the difference between the nominal value of the shares of subsidiaries acquired and the nominal value of the shares issued by the Company as consideration thereof pursuant to a reorganisation in prior years.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	2020 HK$'000	2019 HK$'000
OPERATING ACTIVITIES		
Profit (loss) before tax	**201,529**	(129,408)
Adjustments for:		
Finance costs	**11,260**	46,263
Impairment loss on goodwill	**23,584**	46,500
Impairment loss on property, plant and equipment	**2,917**	–
Allowance for credit losses	**27,687**	10,149
Write off of property, plant and equipment	**–**	773
Depreciation of property, plant and equipment	**927**	1,094
Depreciation of right-of-use assets	**2,633**	2,633
Reversal of allowance for doubtful debts	**–**	(1,040)
Gain on rescind adjustment	**(276,160)**	–
Gain on settlement of promissory notes	**(7,979)**	–
Gain on early redemption of convertible bond	**–**	(532)
Gain on disposal of property, plant and equipment	**–**	(550)
Write off of other receivables	**–**	2,761
Write off of trade receivables	**–**	1,857
Rent concessions	**(473)**	–
Realised loss on disposal of financial assets at FVTPL	**344**	–
Unrealised loss on revaluation of financial assets at FVTPL	**–**	3,840
Operating cash flows before movements in working capital	**(13,731)**	(15,660)
Decrease in inventories	**7,578**	42,036
(Increase) decrease in trade receivables	**(139)**	4,831
Decrease in other receivables, deposits and prepayments	**555**	19,144
Increase (decrease) in trade payables	**5,547**	(492)
(Decrease) increase in accruals, other payables and deposits received	**(1,761)**	3,664
Increase (decrease) in amounts due to directors	**747**	(2,210)
Cash (used in) generated from operations	**(1,204)**	51,313
Hong Kong profits tax paid, net	**(496)**	(8)
Net cash flows (used in) generated from operating activities	**(1,700)**	51,305

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	2020	2019
	HK$'000	*HK$'000*
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(634)**	(104)
Proceeds from disposal of property, plant and equipment	**–**	550
Proceeds from disposal of financial asset at FVTPL	**346**	–
Net cash flows (used in) generated from investing activities	**(288)**	446
FINANCING ACTIVITIES		
Interest paid	**–**	(17,896)
Repayment of promissory notes	**–**	(44,743)
Repayment of lease liabilities	**(2,456)**	(2,928)
Advance from other loan	**15,000**	–
Net cash flows generated from (used in) financing activities	**12,544**	(65,567)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**10,556**	(13,816)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**9,304**	23,120
CASH AND CASH EQUIVALENTS AT END OF YEAR	**19,860**	9,304

1. GENERAL INFORMATION

China Forture Investments (Holding) Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands on 13 October 1999 under the Companies Law of the Cayman Islands and its shares are listed on GEM of the Stock Exchange of Hong Kong Limited ("Stock Exchange").

The registered office address of the Company is Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681, George Town, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at Shops 212-213, 2nd Floor, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong.

The principal activity of the Company is investment holding. Details of principal activities of the principal subsidiaries are set out in note 40.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

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

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

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

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendment to HKFRS 16	Covid-19-Related Rent Concessions

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year 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.

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

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

(a) Impacts on application of Amendments to HKAS 1 and HKAS 8 Definition of Material

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

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

(b) Impacts on application of Amendments to HKFRS 3 Definition of a Business

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

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

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

The application of the amendments in the current year had no impact on the consolidated financial statements, but may impact future periods should the Group make any acquisition.

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

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

(c) Impacts on application of Amendments to HKFRS 9, HKAS 39 and HKFRS 7 Interest Rate Benchmark Reform

The Group has applied the amendments for the first time in the current year. The amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reform. The amendments are relevant to the Group given that it applies hedge accounting to its benchmark interest rate exposures.

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

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

The Group has applied the amendment for the first time in the current year. The amendment introduces a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 that meets all of the following conditions:

– the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

– any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

– there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 Leases if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs. The application of the amendment had no impact to the opening retained profits at 1 January 2020. The Group has benefited from six months waiver of lease payments on several leases in Hong Kong. The Group has derecognised the part of lease liability that has been extinguished by the forgiveness of lease payments using the discount rates originally applied to these leases respectively, resulting in a decrease in the lease liabilities of HK$473,000, which has been recognised as variable lease payments in profit or loss for the current year.

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

(B) NEW AND AMENDMENTS TO HKFRSS IN ISSUE BUT NOT YET EFFECTIVE

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

		Effective for annual periods beginning on or after
HKFRS 17	Insurance Contracts and the related Amendments	1 January 2023
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	A date to be determined
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)	1 January 2023
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020	1 January 2022

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

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

(B) NEW AND AMENDMENTS TO HKFRSS IN ISSUE BUT NOT YET EFFECTIVE (Continued)

(a) Amendments to HKFRS 3 Reference to the Conceptual Framework

The amendments:

– update a reference in HKFRS 3 Business Combinations so that it refers to the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (the "Conceptual Framework") instead of Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting 2010 issued in October 2010);

– add a requirement that, for transactions and other events within the scope of HKAS 37 Provisions, Contingent Liabilities and Contingent Assets or HK(IFRIC)-Int 21 Levies, an acquirer applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and

– add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The Group will apply the amendments prospectively to business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

(b) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2 relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements and disclosure requirements applying HKFRS 7 Financial Instruments: Disclosures to accompany the amendments regarding modifications and hedge accounting.

– Modification of financial assets, financial liabilities and lease liabilities. A practical expedient is introduced for modifications required by the reform (modifications required as a direct consequence of the interest rate benchmark reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current HKFRSs requirements. A similar practical expedient is proposed for lessee accounting applying HKFRS 16;

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

(B) NEW AND AMENDMENTS TO HKFRSs IN ISSUE BUT NOT YET EFFECTIVE (Continued)

(b) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2 *(Continued)*

– Hedge accounting requirements. Under the amendments, hedge accounting is not discontinued solely because of the interest rate benchmark reform. Hedging relationships (and related documentation) are required to be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements; and

– Disclosures. The amendments require disclosures in order to allow users to understand the nature and extent of risks arising from the interest rate benchmark reform to which the Group is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from interbank offered rates to alternative benchmark rates, and how the entity is managing this transition.

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

(c) Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to HKFRS 10 Consolidated Financial Statements and HKAS 28 Investments in Associates and Joint Ventures deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

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

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

(B) NEW AND AMENDMENTS TO HKFRSs IN ISSUE BUT NOT YET EFFECTIVE (Continued)

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

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

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

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

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

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

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

Based on the Group's outstanding liabilities as at 31 December 2020, the application of the amendments will not result in reclassification of the Group's liabilities.

(e) Amendments to HKFRSs Annual Improvements to HKFRSs 2018 – 2020

The annual improvements make amendments to the following standards.

HKFRS 9 Financial Instruments

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

HKFRS 16 Leases

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

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

(B) NEW AND AMENDMENTS TO HKFRSs IN ISSUE BUT NOT YET EFFECTIVE (Continued)

(e) Amendments to HKFRSs Annual Improvements to HKFRSs 2018 – 2020 (Continued)

HKAS 41 Agriculture

The amendment ensures consistency with the requirements in HKFRS 13 Fair Value Measurement by removing the requirement in paragraph 22 of HKAS 41 to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") and by the Hong Kong Companies Ordinance.

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

– Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

– Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

– Level 3 inputs are unobservable inputs for the asset or liability.

4. SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

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

– has power over the investee;

– is exposed, or has rights, to variable returns from its involvement with the investee; and

– has the ability to use its power to affect its returns.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

– the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

– potential voting rights held by the Group, other vote holders or other parties;

– rights arising from other contractual arrangements; and

– any additional facts and circumstances that indicate the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Consolidation (Continued)

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

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

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

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Loss of control of subsidiaries

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs).

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill (Continued)

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units). Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Revenue from Contracts with Customers

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

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

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

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

– the Group's performance creates and enhances an asset that the customer controls as the Company performs; or

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from Contracts with Customers (Continued)

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer.

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

Refund liabilities

The Group recognised a refund liability if the Group expects to refund some or all of the consideration received from customers.

Leases

Definition of a lease

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

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

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

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

Short-term leases

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessee *(Continued)*

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received; and
- any initial direct costs incurred by the Group.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities other than adjustments to lease liabilities resulting from Covid-19-related rent concessions in which the Group applied the practical expedient.

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

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

Lease liabilities

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

The lease payments include fixed lease payments (including in-substance fixed payments).

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessee *(Continued)*

Lease liabilities (Continued)

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

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

– the lease payments change due to changes in expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

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

Covid-19-related rent concessions

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

– the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

– any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

– there is no substantive change to other terms and conditions of the lease.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign Currencies

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

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

– exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

– exchange differences on transactions entered into in order to hedge certain foreign currency risks; and

– exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

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

On the disposal of a foreign operation, (i.e. a disposal of the Group's entire interest in a foreign operation, a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing Costs

Effective 1 January 2019, 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 borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement Benefit Costs

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

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

Taxation

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of 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 associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

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

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

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government Grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income/a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Property, Plant and Equipment

Property, plant and equipment including building are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

Leasehold improvements	33% to 50%
Furniture, fixture and equipment	10% to 20%
Computer equipment	33%
Motor vehicles	10% to 33%

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible Assets

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses. Alternatively, intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment of property, plant and equipment and right-of-use assets other than goodwill below).

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible assets, measured as the difference between the net disposal proceeds and the carrying amounts of the assets, are recognised in profits and loss when the asset is derecognised.

Impairment of Property, Plant and Equipment and Right-Of-Use Assets and Other Than Goodwill

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

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

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of Property, Plant and Equipment and Right-Of-Use Assets and Other Than Goodwill (Continued)

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

Inventories

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

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

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

Financial Instruments

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

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 January 2019. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

***Financial assets** (Continued)*

All other financial assets are subsequently measured at FVTPL. A financial asset is held for trading if:

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

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

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

Amortised cost and interest income

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

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or fair value through other comprehensive income ("FVTOCI") or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any interest earned on the financial asset.

Impairment of financial assets

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

Financial assets *(Continued)*

Impairment of financial assets (Continued)

The Group always recognise lifetime ECL for trade receivables. Except for those debtors with credit-impaired are assessed individually, the ECL on trade receivables are assessed collectively using a provision matrix with appropriate groupings.

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

Significant increase in credit risk

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

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

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

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

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

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

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

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 60 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

Financial assets *(Continued)*

Impairment of financial assets (Continued)

Definition of default

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

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than one year 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 of default 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 borrower;

– a breach of contract, such as a default or past due event;

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

– it is becoming probable that the borrower 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 counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, 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. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

Financial assets *(Continued)*

Impairment of financial assets (Continued)

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

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

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

– Past-due status;

– Nature, size and industry of debtors; and

– External credit ratings where available.

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

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

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

***Financial assets** (Continued)*

Derecognition of financial assets

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

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

Financial liabilities and equity instruments

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

Equity instruments

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

Perpetual instruments, which include no contractual obligation for the Group to deliver cash or other financial assets or the Group has the sole discretion to defer payment of distribution and redemption of principal amount indefinitely are classified as equity instruments.

Convertible bonds

The component parts of convertible bonds issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option 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 an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

Financial liabilities and equity instruments *(Continued)*

Convertible bonds (Continued)

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium account. When the conversion option remains unexercised at the maturity date of the convertible bond, the balance recognised in equity will be transferred to accumulated losses. 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 and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and amortised over the period of the convertible bonds using the effective interest method.

Other financial liabilities at amortised cost

Other financial liabilities (including trade payables, financial liabilities included in accruals, other payables and deposits received, amounts due to directors, lease liabilities and promissory note payables) are subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

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

Offsetting of financial instruments

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical Judgements in Applying Accounting Policies

The following is the critical judgments, apart from those involving estimations, that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Key Sources of Estimation Uncertainty

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

Impairment of goodwill

The Group determined whether goodwill is impaired at least on an annual basis. Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating unit to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use requires the Group to estimate the future cash flows from the cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than 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, including potential disruptions of the Group's operations.

As at 31 December 2020, the carrying amount of goodwill is HK$Nil (2019: approximately HK$23,584,000). Details of the recoverable amount calculation are disclosed in note 17.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key Sources of Estimation Uncertainty (Continued)

Allowance for ECL on trade receivables

Trade receivables with significant balances and credit-impaired are assessed for ECL individually.

In addition, the Group uses practical expedient in estimating ECL on trade receivables which are not assessed individually using a provision matrix. The provision rates are based on aging of debtors as groupings of various debtors taking into consideration the Group's historical default rates and forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. 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 led to increased credit default rates. The information about the ECL and the Group's trade receivables are disclosed in note 21.

As at 31 December 2020, the carrying amount of trade receivables was approximately HK$108,000 (2019: HK$27,656,000) (net of allowance for expected credit losses of approximately HK$39,632,000 (2019: approximately HK$11,945,000)).

Net realisation value of inventories

Net realisation value of inventories is based on estimated selling prices less any estimation costs necessary to make the sale. These estimates are based on the current market condition and the historical experience in selling goods of similar nature. It could change significantly as a result of changes in market conditions. The Group will reassess the estimation at the end of each reporting period.

6. REVENUE

	Year ended 31 December	
Revenue from contracts with customers	**2020**	2019
within the scope of HKFRS 15	***HK$'000***	*HK$'000*
Revenue recognised at point in time	**23,318**	62,839
Sale of goods	**23,318**	62,825
Travel agency service income	**–**	14
	23,318	62,839

7. SEGMENT INFORMATION

The Group's operating segments are determined based on information reported to the chief operating decision maker of the Group (the "CODM"), for the purposes of resource allocation and assessment of segment performance focuses on (loss) profit, which is a measure of adjusted profit (loss) before tax. Segment performance is evaluated based on reportable segments.

The Group's operating and reportable segments include (i) sale of wine and cigar; (ii) sale of golf products, (iii) sale of watch and jewellery; (iv) provision of money lending service and (v) others. The provision of money lending service and others suspended during the year ended 31 December 2020.

(a) Segment revenue and results

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

For the year ended 31 December 2020

	Wine and cigar	Golf products	Watch and jewelry	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE				
External sales	12,616	7,287	3,415	23,318
Inter-segment sales	–	–	–	–
Segment revenue	12,616	7,287	3,415	23,318
RESULTS				
Segment loss	(15,754)	(1,182)	(21,190)	(38,126)
Finance costs				(11,260)
Unallocated corporate income				264
Gain on rescind adjustment				276,160
Gain on settlement of promissory notes				7,979
Impairment loss on goodwill				(23,584)
Unallocated corporate expenses				(9,904)
Profit before tax				201,529

7. SEGMENT INFORMATION (Continued)

(a) Segment revenue and results (Continued)

For the year ended 31 December 2019

	Wine and cigar *HK$'000*	Golf products *HK$'000*	Watch and jewelry *HK$'000*	Money lending *HK$'000*	Others *HK$'000*	Total *HK$'000*
REVENUE						
External sales	36,560	13,539	12,726	–	14	62,839
Inter-segment sales	–	–	–	–	–	–
Segment revenue	36,560	13,539	12,726	–	14	62,839
RESULTS						
Segment loss	(4,822)	(660)	(5,628)	(2,816)	(3,048)	(16,974)
Finance costs						(46,263)
Unallocated corporate income						550
Gain on early redemption of convertible bonds						532
Impairment loss on goodwill						(46,500)
Unallocated corporate expenses						(20,753)
Loss before tax						(129,408)

7. SEGMENT INFORMATION (Continued)

(b) Segment assets and liabilities

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

At 31 December 2020

Segment assets

	Wine and cigar *HK$'000*	Golf products *HK$'000*	Watch and jewellery *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
ASSETS					
Segment assets	**14,291**	**10,785**	**1**	**(3,164)**	**21,913**
Bank balances and cash					**19,860**
Unallocated corporate assets					**120,378**
Consolidated assets					**162,151**
LIABILITIES					
Segment liabilities	**4,979**	**4,563**	**3,158**	**(3,164)**	**9,536**
Unallocated corporate liabilities					**22,015**
Consolidated liabilities					**31,551**

At 31 December 2019

Segment assets

	Wine and cigar *HK$'000*	Golf products *HK$'000*	Watch and jewellery *HK$'000*	Money lending *HK$'000*	Others *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
ASSETS							
Segment assets	48,025	11,016	68,373	4,080	59	(1,943)	129,610
Bank balances and cash							9,304
Unallocated corporate assets							24,750
Consolidated assets							163,664
LIABILITIES							
Segment liabilities	2,261	3,929	2,535	250	51	(1,943)	7,083
Unallocated corporate liabilities							227,125
Consolidated liabilities							234,208

7. SEGMENT INFORMATION (Continued)

(c) Other segment information

For the year ended 31 December 2020

	Wine and cigar *HK$'000*	Golf products *HK$'000*	Watch and jewellery *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Addition to non-current assets	**623**	**–**	**–**	**11**	**634**
Depreciation of property, plant and equipment	**287**	**203**	**304**	**133**	**927**
Impairment of property, plant and equipment	**658**	**139**	**2,109**	**11**	**2,917**
Depreciation of right-of-use assets	**728**	**1,905**	**–**	**–**	**2,633**

For the year ended 31 December 2019

	Wine and cigar *HK$'000*	Golf products *HK$'000*	Watch and jewellery *HK$'000*	Money lending *HK$'000*	Others *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Addition to non-current assets	52	52	–	–	–	–	104
Depreciation of property, plant and equipment	297	241	304	–	5	247	1,094
Depreciation of right-of-use assets	728	1,905	–	–	–	–	2,633

(d) Geographical information

All of the Group's operations are located in Hong Kong.

(e) Information about major customers

For the year ended 31 December 2020, no single customer contribute 10% or more to the Group's turnover.

For the year ended 31 December 2019, revenues from continuing operations from the Group's largest customer represented 42% of the Group's total turnover. No other single customer contribute 10% or more to the Group's turnover.

8. OTHER INCOME, GAINS AND LOSSES, NET

	Year ended 31 December	
	2020	2019
	HK$'000	*HK$'000*
Other income		
Sundry income	**90**	157
Other gains and losses, net		
Net exchange gains, net	**–**	22
Government grant	**1,251**	–
Gain on rescind adjustment	**276,160**	–
Gain on disposal of property, plant and equipment	**–**	550
Gain on early redemption of convertible bond	**–**	532
Gain on settlement of promissory notes	**7,979**	–
Write off of other receivables	**–**	(2,761)
Impairment loss on goodwill	**(23,584)**	(46,500)
Reversal of allowance for doubtful debts	**–**	1,040
Rent concessions	**473**	–
Realised loss on disposal of financial assets at FVTPL	**(344)**	–
Unrealised loss on revaluation of financial assets at FVTPL	**–**	(3,840)
	261,935	(50,957)
Total other income, gains and losses, net	**262,025**	(50,800)

9. FINANCE COSTS

	Year ended 31 December	
	2020	2019
	HK$'000	*HK$'000*
Interest on convertible bonds	**–**	16,126
Interest on promissory notes	**11,135**	29,876
Interest on lease liabilities	**125**	261
	11,260	46,263

10. INCOME TAX EXPENSE (CREDIT)

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2019 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of assessable profits of a corporation will be taxed at 8.25%, and assessable profits above HK$2 million will be taxed at 16.5%. For the years ended 31 December 2020 and 2019, the profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, Hong Kong profit tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

	Year ended 31 December	
	2020	2019
	HK$'000	*HK$'000*
Hong Kong Profits Tax		
Current year provision	**–**	70
Over-provision in prior years	**(20)**	–
Deferred taxation *(note 30)*	**405**	(356)
	385	(286)

The reconciliation between the income tax expense (credit) and the profit (loss) before tax per the consolidated statement of profit or loss is as follows:

	Year ended 31 December	
	2020	2019
	HK$'000	*HK$'000*
Profit (Loss) before tax	**201,529**	(129,408)
Tax at the applicable statutory income tax rates	**33,252**	(21,352)
Income not subject to tax	**(47,071)**	(256)
Expenses not deductible for tax	**7,313**	20,859
Tax effect of deductible temporary difference not recognised	**(1,479)**	(6)
Tax effect of tax loss not recognised	**8,391**	579
Overprovision in prior years	**(20)**	–
Tax concession	**(1)**	(110)
Tax expense (credit) for the year	**385**	(286)

11. PROFIT (LOSS) FOR THE YEAR

The Group's profit (loss) before tax has been arrived after charging (crediting) the following:

	Year ended 31 December	
	2020	2019
	HK$'000	*HK$'000*
Employee benefit expenses (excluding directors' and chief executive's remuneration – note 12):		
Wages and salaries	**6,542**	9,203
Retirement benefits scheme contributions	**279**	371
	6,821	9,574
Cost of inventories sold	**18,272**	52,280
Auditors' remuneration		
– audit services	**620**	1,100
– non-audit services	**–**	100
Depreciation of property, plant and equipment	**927**	1,094
Depreciation of right-of-use assets	**2,633**	2,633
Gain on early redemption of convertible bonds	**–**	(532)
Gain on rescind adjustment	**(276,160)**	–
Gain on settlement of promissory notes	**(7,979)**	–
Government grant	**(1,251)**	–
Gain on disposal of property, plant and equipment	**–**	(550)
Write off of property, plant and equipment	**–**	773
Impairment loss on property, plant and equipment	**2,917**	–
Impairment loss on goodwill	**23,584**	46,500
Allowance for credit losses	**27,687**	10,149
Reversal of allowance for doubtful debts	**–**	(1,040)
Write down of inventories	**4,290**	–
Write off of trade receivables	**–**	1,857
Write off of other receivables	**–**	2,761

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' REMUNERATIONS

Directors' and the chief executive's emoluments for the year, disclosed pursuant to the applicable Listing Rules and the disclosure requirement of the Hong Kong Companies Ordinance, is as follows:

(a) Directors' and chief executive's emoluments

	Directors' fee *HK$'000*	Salaries, allowances and benefits in kind *HK$'000*	Retirement benefits scheme contribution *HK$'000*	Total *HK$'000*
2020				
Executive directors				
Cheng Wing Tsan *(note a)*	70	–	–	70
Zhou Deng Chao *(note a)*	21	–	–	21
Pan Xuemei *(note a)*	21	–	–	21
Cheng Chun Tak	747	–	–	747
Stephen William Frostick	510	–	–	510
Li Ka Ki *(note b)*	30	30	3	63
Wong Chi Ho *(note c)*	120	220	19	359
Non-executive director				
Huang Shenglan	115	–	–	115
Independent non-executive directors				
Chang Jun	60	–	–	60
Lee Chi Hwa Joshua *(note g)*	60	–	–	60
Xu Jingan	60	–	–	60
	1,814	250	22	2,086

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' REMUNERATIONS (Continued)

(a) Directors' and chief executive's emoluments (Continued)

	Directors' fee *HK$'000*	Salaries, allowances and benefits in kind *HK$'000*	Retirement benefits scheme contribution *HK$'000*	Total *HK$'000*
2019				
Executive directors				
Pan Xiaodong *(note d)*	600	–	–	600
Cheng Chun Tak	813	–	–	813
Stephen William Frostick	420	–	–	420
Li Ka Ki *(note b)*	120	510	18	648
Liu Yunming *(note d)*	120	–	–	120
Wong Chi Ho *(note c)*	32	–	–	32
Non-executive director				
Huang Shenglan	120	–	–	120
Independent non-executive directors				
Chang Jun	60	–	–	60
Lee Chi Hwa Joshua *(note g)*	60	–	–	60
Ching Wai Han *(note e)*	15	–	–	15
Xu Jingan	60	–	–	60
	2,420	510	18	2,948
Senior management				
Cheung Ho Man Allan *(note f)*	–	320	5	325
	2,420	830	23	3,273

Notes:

(a) Appointed on 14 November 2020.

(b) Resigned on 1 April 2020.

(c) Appointed on 29 November 2019.

(d) Removed on 30 April 2019.

(e) Resigned on 1 April 2019.

(f) Appointed on 13 April 2018 and removed on 29 March 2019.

(g) Resigned on 29 March 2021.

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' REMUNERATIONS (Continued)

(a) Directors' and chief executive's emoluments (Continued)

The emolument for one (2019: one) executive director shown above was mainly for her services in connection with the management of the affairs of the Company and the Group.

The emoluments for the executive directors (except for above one executive director), non-executive director and independent non-executive directors shown above were mainly for their services as directors of the Company.

There was no other arrangement under which a director or a chief executive had waived or agreed to waive any remuneration during the year.

During the year, no retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors, nor any are payable (2019: Nil). No consideration was provided to or receivable by third parties for making available directors' services (2019: Nil). Save as disclosed in note 22(ii), there are no loans, quasi-loans and other dealing arrangements in favour of the directors, their controlled body corporates and connected entities.

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

(b) Five highest paid employees

The five highest paid individuals of the Group for the year ended 31 December 2020 included three (2019: three) directors of the Company, whose remunerations are disclosed above. The remaining two (2019: two) is employee of the Group, details of whose remuneration is as follows:

	Year ended 31 December	
	2020	2019
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**1,384**	1,376
Retirement benefits scheme contribution	**35**	36
	1,419	1,412

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' REMUNERATIONS (Continued)

(b) Five highest paid employees (Continued)

The number of the highest paid employees who are neither a director nor chief executive of the Company whose remuneration fell within the following bands is as follows:

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

13. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during 2019, nor has any dividend been proposed for the year ended 31 December 2020 (2019: Nil).

14. EARNINGS (LOSS) PER SHARE

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

	2020	2019
	HK$'000	*HK$'000*
Profit (Loss) for the purpose of basic earnings (loss) per share		
Profit (Loss) for the year attributable to owners of the Company	**201,145**	(129,126)
Profit (Loss) for the purpose of basic earnings (loss) per share	**201,145**	(129,126)

	2020	2019
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**3,031,101,766**	3,031,101,766

Diluted earnings (loss) per share is calculated by adjusting the number of ordinary shares outstanding due to the effect of all dilutive potential ordinary shares and the Group's profit (loss) attributable to owners of the Company.

During the year ended 31 December 2020, the Company has no dilutive potential ordinary shares.

During the year ended 31 December 2019, the Company has dilutive potential ordinary shares attributable to convertible bonds. The calculation of diluted loss per share does not assume the conversion of convertible bonds since they are anti-dilutive. Accordingly, the diluted loss per share is the same as the basic loss per share.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Computer equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
COST					
At 1 January 2019	2,773	3,881	1,209	4,932	12,795
Additions	104	–	–	–	104
Disposals	–	–	–	(3,480)	(3,480)
Write off	(1,527)	(429)	–	–	(1,956)
At 31 December 2019	1,350	3,452	1,209	1,452	7,463
Additions	–	623	11	–	634
At 31 December 2020	1,350	4,075	1,220	1,452	8,097
DEPRECIATION					
At 1 January 2019	1,398	687	1,039	4,555	7,679
Charge for the year	449	415	97	133	1,094
Eliminated upon disposals	–	–	–	(3,480)	(3,480)
Write off	(836)	(347)	–	–	(1,183)
At 31 December 2019	1,011	755	1,136	1,208	4,110
Charge for the year	224	518	69	116	927
Impairment	115	2,802	–	–	2,917
At 31 December 2020	1,350	4,075	1,205	1,324	7,954
CARRYING AMOUNTS					
At 31 December 2020	–	–	15	128	143
At 31 December 2019	339	2,697	73	244	3,353

16. RIGHT-OF-USE ASSETS

	Leased properties *HK$'000*
At 31 December 2020	
Carrying amount	878
At 31 December 2019	
Carrying amount	3,511
For the year ended 31 December 2020	
Depreciation	(2,633)
For the year ended 31 December 2019	
Depreciation	(2,633)

	2020 ***HK$'000***	2019 *HK$'000*
Expense relating to short-term leases	**290**	2,476
Total cash outflow for leases	**2,746**	5,404

For both years, the Group leases shops and warehouse for its operations. Lease contracts are entered into for fixed terms of 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.

17. GOODWILL

	2020	2019
	HK$'000	*HK$'000*
COST		
At 1 January and 31 December	**98,626**	98,626
IMPAIRMENT		
At 1 January	**75,042**	28,542
Impairment loss recognised during the year	**23,584**	46,500
At 31 December	**98,626**	75,042
CARRYING AMOUNTS		
At 31 December	**–**	23,584

Impairment test for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generating units ("CGUs") identified according to country of operation and operating segments as follows:

	2020	2019
	HK$'000	*HK$'000*
Wine, cigar and golf products – Hong Kong ("Wine CGU")	**–**	23,584

The directors have reviewed the carrying amounts of goodwill in accordance with HKAS 36 as follows:

As at 31 December 2020, the recoverable amount of Wine CGU was assessed with reference to a valuation report by using a value-in-use calculation from Peak Vision Appraisals Limited, an independent valuation firm. These calculations use discounted cash flow projection based on financial forecasts approved by management covering a five-year period. Cash flows beyond the five-year period uses estimated growth rate of 2.5% (2019: 3%). The cash flows are discounted using a discount rate of 12.44% (2019: 14.29%).

17. GOODWILL (Continued)

Impairment test for cash-generating units containing goodwill (Continued)

Due to continue unstable economic environment in Hong Kong and the PRC, keen competition of the market and drop in demand for wine, cigar and golf products from both Hong Kong and PRC customers, the Group expected the sales orders would be decreased in the next five years and revised the five-year period projection after taking into account the current operating environment and market condition. The key assumptions used in calculating the recoverable amount of Wine CGU were forecasted revenue, forecasted gross margin and discount rate. Management determined forecasted revenue and forecasted gross margin based on past performance, current economic environment and its expectations of the market development. The discount rate used was pre-tax and reflected specific risks relating to the business.

As at 31 December 2020, the net carrying amount of goodwill allocated to Wine CGU was reduced to its recoverable amount of HK$Nil (2019: approximately HK$23,584,000).

18. OTHER INTANGIBLE ASSETS

	Customer relationship *HK$'000*
COST	
At 1 January 2019, 31 December 2019 and 31 December 2020	14,220
IMPAIRMENT	
At 1 January 2019, 31 December 2019 and 31 December 2020	14,220
CARRYING AMOUNT	
At 31 December 2019 and 2020	–

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 ***HK$'000***	2019 *HK$'000*
Equity securities listed in Hong Kong	–	4,080

The fair value of equity securities is based on quoted closing price in an active market.

20. INVENTORIES

	2020 HK$'000	2019 HK$'000
Wine, cigar and golf instrument products	**18,310**	40,791
Watches and jewellery	**–**	48,478
	18,310	89,269

21. TRADE RECEIVABLES

	2020 HK$'000	2019 HK$'000
Trade receivables	**39,740**	39,601
Less: Allowance for credit losses	**(39,632)**	(11,945)
	108	27,656

As at 31 December 2020, trade receivables from contracts with customers (net of allowance for credit losses amounted to approximately HK$108,000 (2019: HK$27,656,000).

Ageing analysis of the Group's trade receivables, net of allowance for credit losses as at 31 December 2020 and 2019, based on the invoice date is as follows:

	2020 HK$'000	2019 HK$'000
Within 30 days	**66**	4,724
31 – 60 days	**39**	26
61 – 90 days	**2**	17
91 – 180 days	**1**	38
181 – 360 days	**–**	119
Over 360 days	**–**	22,732
	108	27,656

21. TRADE RECEIVABLES (Continued)

The Group normally grants a credit period of 30 to 180 days to its customers.

Before accepting new customers, the Group assesses the potential customers' credit quality by investigating their historical credit record and defines credit limits by customers on individual basis. The Group seeks to maintain strict control over its outstanding receivables. Recoverability and credit limit of the existing customers and overdue balances are reviewed by the senior management of the Group on regular basis.

As at 31 December 2020, included in trade receivables were an aggregate amount of approximately HK$42,000 (2019: HK$22,908,000) which were past due and regarded as having low default risk by the management of the Company based on regular repayment history in the ECL assessment.

On 30 October 2019, the former convertible bond holder (the "former CB holder") has signed a guarantee document to the Company pursuant to which the former CB Holder unconditionally and irrevocably guaranteed to the Company the due and punctual payment and discharge of trade receivables amounting to approximately HK$24,171,000 due by certain trade debtors in accordance with agreed repayment schedule.

Ageing of trade receivables which are past due but not impaired is as follows:

	2020	2019
	HK$'000	*HK$'000*
Within 30 days	**39**	31
31 – 60 days	**2**	–
61 – 90 days	**1**	18
91 – 180 days	**–**	114
181 – 360 days	**–**	20,223
Over 360 days	**–**	2,522
	42	22,908

21. TRADE RECEIVABLES (Continued)

Changes in the loss allowance for trade receivables are mainly due to:

	Lifetime ECL (not credit-impaired) *HK$'000*	Lifetime ECL (credit-impaired) *HK$'000*	Total *HK$'000*
At 1 January 2019	1,796	–	1,796
Changes due to financial instruments recognised as at 1 January 2019:			
– Impairment losses recognised	10,149	–	10,149
At 31 December 2019	11,945	–	11,945
Changes due to financial instruments recognised as at 1 January 2020:			
– Transfer to credit-impaired	(11,944)	11,944	–
– Impairment losses recognised	–	27,687	27,687
At 31 December 2020	**1**	**39,631**	**39,632**

Included in the allowance for ECL are individually impaired trade debtors with an aggregate balance of approximately HK$39,632,000 (2019: HK$11,945,000). For overdue debts, the Group assessed the customers for potential impairment losses based on the past default experience, payment history of the customers and subsequent settlement.

22. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2020	2019
	HK$'000	*HK$'000*
Other receivables *(note)*	**120,296**	218
Rental and other deposits	**1,301**	1,277
Purchase deposits	**–**	18
Other prepayments	**183**	822
	121,780	2,335
Analysed as		
Current assets	**121,780**	1,125
Non-current assets	**–**	1,210
	121,780	2,335

Note:

i) At 31 December 2020, other receivables included the refund receivable amounted to HK$120,000,000 (2019: Nil) in relation to the litigation which disclosed in note 39 to the consolidated financial statements.

ii) At 31 December 2020, other receivables included the amount due from a director amounted to approximately HK$200,000 (2019: HK$200,000) which is unsecured, interest-free and has no fixed term of repayment.

23. BANK BALANCES AND CASH

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with banks with good credit rating and with no recent history of default.

Included in bank balances and cash in the consolidated statement of financial position are the following amounts denominated in currencies other than the functional currency of the Group.

	2020	2019
	HK$'000	*HK$'000*
United Stated dollars ("US$")	**1**	45
Renminbi ("RMB")	**67**	379
New Taiwan dollars ("NTD")	**3**	9

24. TRADE PAYABLES

The average credit period on purchase of goods is 30 to 60 days. The following is an ageing analysis of trade payables based on the invoice date.

	2020	2019
	HK$'000	*HK$'000*
Within 30 days	**5,946**	437
31 – 60 days	**88**	109
61 – 90 days	**194**	105
91 – 180 days	**35**	52
Over 180 days	**4**	17
	6,267	720

25. ACCRUALS, OTHER PAYABLES AND DEPOSITS RECEIVED

	2020	2019
	HK$'000	*HK$'000*
Deposit received in relation to sale of goods	**924**	1,077
Interest payable on promissory notes	**–**	13,154
Other payables and accruals	**3,538**	5,146
	4,462	19,377

26. AMOUNTS DUE TO DIRECTORS

The balance of amounts due to directors are unsecured, interest-free and have no fixed terms of repayment.

27. CONVERTIBLE BONDS

The various components of the Group's convertible bonds recognised on initial recognition are as follows:

	CB I	**CB II**	**CB III**
	HK$'000	*HK$'000*	*HK$'000*
Proceeds of issue, at face value	236,376	80,000	51,267
Equity component	(12,554)	(44,383)	(7,551)
Liability component at date of issue	223,822	35,617	43,716

27. CONVERTIBLE BONDS (Continued)

The movements of the liability component of the Group's convertible bonds are as follows:

	CB I	CB II	CB III	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2019	56,960	42,894	49,134	148,988
Interest charged during the year *(note 9)*	370	8,030	7,726	16,126
Redeemed during the year	(57,330)	–	(56,860)	(114,190)
At 31 December 2019	–	50,924	–	50,924
Derecognized during the year	–	(50,924)	–	(50,924)
At 31 December 2020	–	–	–	–
At 31 December 2020				
Classified as				
Current liabilities	–	–	–	–
Non-current liabilities	–	–	–	–
	–	–	–	–
At 31 December 2019				
Classified as				
Current liabilities	–	–	–	–
Non-current liabilities	–	50,924	–	50,924
	–	50,924	–	50,924

During the year ended 31 December 2020, with reference to the litigation disclosed in note 39 to the consolidated financial statements, in the opinion of the directors of the Company, the Company derecognised the balance of liabilities portion and equity portion of CB II of approximately HK$50,924,000 and HK$44,383,000 respectively.

28. PROMISSORY NOTES

	Total
	HK$'000
At 1 January 2019	159,940
Issued during the year, at fair value	57,330
Repaid during the year	(71,153)
Effective interest charge *(note 9)*	29,876
Interest payable/paid	(20,296)
At 31 December 2019	155,697
Effective interest charge *(note 9)*	11,135
Settled during the year	(74,750)
Derecognised during the year	(92,082)
	–

	2020	2019
	HK$'000	*HK$'000*
Analysed for reporting purpose as:		
Current liabilities	–	115,984
Non-current liabilities	–	39,713
	–	155,697

On 30 August 2019, the Company issued a promissory note with principal amount of HK$57,330,000 with interest at 10% p.a. and which has been fully settled by way of cash of HK$32,000,000 and the Group's trade receivables of approximately HK$26,410,000 during the year ended 31 December 2019.

On 13 November 2019, the Company and two holders of promissory notes with aggregate principal amount of approximately HK$65,526,000 as at 31 December 2019 entered into supplementary agreements, pursuant to which the parties agreed that the promissory notes would be repaid by installments and the maturity date of last installment of the two promissory notes to be extended from 4 June 2019 to 1 August 2022.

On 31 December 2020, the Company and two holders of promissory notes with aggregate amount of approximately HK$74,750,000 as at 31 December 2020 entered into supplementary agreements, pursuant to which the parties agreed that the promissory notes would be settled by financial assets at FVTPL and inventories of the Group.

During the year ended 31 December 2020, with reference to the litigation disclosed in note 39 to the consolidated financial statements, in the opinion of the directors of the Company, the Company derecognised the balance of Promissory Notes of approximately HK$92,082,000 during the year ended 31 December 2020.

29. OTHER LOAN

The balance is unsecured, interest-free and repayable on demand.

30. DEFERRED TAX ASSETS

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset where there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred taxes relate to the same fiscal authority. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2020	2019
	HK$'000	*HK$'000*
Deferred tax assets	**167**	572
Deferred tax liabilities	**–**	–
	167	572

The movements in deferred tax assets (liabilities) of the Group during the year were as follows:

	Accelerated tax depreciation	**Tax losses**	**Unrealised profit arising from internal transaction**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2019	(241)	310	147	216
Credit to profit or loss *(note 10)*	55	300	1	356
At 31 December 2019	(186)	610	148	572
Credit (charged) to profit or loss *(note 10)*	186	(610)	19	(405)
At 31 December 2020	–	–	167	167

As at 31 December 2020, the Group has unused tax losses of approximately HK$91,689,000 (2019: HK$43,580,000) available for offset against future profits.

31. LEASE LIABILITIES

	2020 **HK$'000**	2019 *HK$'000*
Within one year	**966**	2,804
Within a period of more than one year but exceeding two years	**–**	966
	966	3,770
Less: Amount due for settlement within 12 months shown under current liabilities	**(966)**	(2,804)
Amount due for settlement after 12 months shown under non-current liabilities	**–**	966

The weighted average incremental borrowing rates applied to lease liabilities is 5% (2019: 5%).

32. SHARE CAPITAL OF THE COMPANY

	2020 **HK$'000**	2019 *HK$'000*
Authorised:		
100,000,000,000 (2019: 100,000,000,000) ordinary shares of HK$0.005 (2019: HK$0.005) each	**500,000**	500,000
Issued and fully paid:		
3,031,101,766 (2019: 3,031,101,766) ordinary shares of HK$0.005 (2019: HK$0.005) each	**15,156**	15,156

33. SHARE OPTION SCHEME

The Company adopted a new share option scheme on 16 June 2017 ("the Scheme"), which became effective for a period of 10 years commencing on 16 June 2017. Under the Scheme, the Directors of the Company may, at their discretion, grant options to any eligible person to subscribe for the shares of the Company ("Share") at the highest of: (i) the closing price of the Share as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of the Share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share. The offer of a grant of option shall remain open for acceptance within 28 days from the date of offer. A nominal consideration of HK$1 is payable on acceptance of the grant of the option. The exercise period of the option must not be more than 10 years from the date of grant of the option.

33. SHARE OPTION SCHEME (Continued)

The Company operates the Scheme for the purpose of advancing the interests of the Company and its shareholders by enabling the Company to grant options to attract, retain and reward any eligible persons which include any director of the Group, any employee of the Group, any consultant, adviser, agent, supplier, customer, business partner or shareholder of the Group for their contribution or potential contribution to the Group.

The total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes in force from time to time must not in aggregate exceed 30% of the Shares in issue from time to time.

The total number of Shares which may be issued upon exercise of all options to be granted under the Scheme shall not in aggregate exceed 10% of the total number of Shares in issue as at the date of the passing of the relevant resolution adopting the Scheme.

During the years ended 31 December 2020 and 2019, no share option was granted under the Scheme and no share option was lapsed or cancelled. As at 31 December 2020 and 2019, no share options were outstanding.

34. CAPITAL MANAGEMENT

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

The capital structure of the Group consists of equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated losses.

The management of the Group reviews the capital structure periodically. The Group considers the cost of capital and the risks associated with the capital, and will balance its overall capital structure through payment of dividends, issuance of new shares and share buy-backs as well as the raising of new debts, if required.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issues new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 2019.

35. FINANCIAL INSTRUMENTS

(a) Financial instruments by category

	2020 HK$'000	2019 HK$'000
Financial assets		
Financial assets at FVTPL	–	4,080
Financial assets at amortised cost		
– Trade receivables	108	27,656
– Financial assets included in other receivables and deposits	121,597	1,513
– Bank balances and cash	19,860	9,304
	141,565	42,553

	2020 HK$'000	2019 HK$'000
Financial liabilities		
Financial liabilities at amortised cost		
– Trade payables	6,267	720
– Accruals, other payables and deposits received	4,462	19,377
– Amounts due to directors	3,653	2,906
– Convertible bonds	–	50,924
– Promissory notes	–	155,697
– Other loan	15,000	–
– Lease liabilities	966	3,770
	30,348	233,394

(b) Financial risk management objectives and policies

The Group's principal financial instruments, comprise trade receivables, financial assets at FVTPL, financial assets included in other receivables and deposits and bank balances and cash, trade payables, financial liabilities included in accruals, other payables and deposits received, amounts due to directors, promissory notes, other loan, lease liabilities and convertible bonds. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for these risks and they are summarised below.

35. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Currency risk

The Group has foreign currency assets and liabilities which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's major foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follow:

	2020		2019	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
RMB	**67**	**–**	379	–

Sensitivity analysis

The Group is mainly exposed to the effects of fluctuation in RMB. For the currency risk of the Group's financial assets and liabilities the exposure is mainly in RMB against HKD.

	2020	2019
	HK$'000	*HK$'000*
Increase/decrease in profit for the year	**3**	n/a
Decrease/increase in loss for the year	**n/a**	19

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank deposits.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis points (2019: 100 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points (2019: 100 basis points) higher/lower and all other variables held constant, the Group's profit for the year ended 31 December 2020 would increase/decrease by approximately HK$6,000 (2019: decrease/increase in loss by approximately HK$93,000). This is mainly attributable to the Group's exposure to interest rates on its interest-bearing bank deposits.

35. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk is primarily attributable to trade receivables. The exposure to the credit risk is closely monitored on an ongoing basis by established credit policies. There is no significant credit risk within the Group.

The credit risk of the Group's other financial assets, which comprise bank balances and cash, other receivables and deposits, arises from default of the counterparty, has a maximum exposure equal to the carrying amounts of these instruments.

The Group has concentration of credit risk as approximately 33.3% (2019: approximately 57.5%) and approximately 51.4% (2019: approximately 87.4%) of the total trade receivables (net of allowance for credit losses) which was due from the Group's largest customer and the total two largest customers respectively.

The ECL for bank balances and financial assets at FVTPL are limited because the counterparties are reputable banks located in Hong Kong.

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers in relation to its operation because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade receivables which are assessed on a collective basis by using provision matrix within lifetime ECL (not credit-impaired). For trade receivables relating to accounts which are long overdue with significant amounts or known insolvencies or non-response to collection activities, they are assessed individually for impairment allowance.

	2020		2019	
	Average loss rate	**Trade receivables**	Average loss rate	Trade receivables
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Current (not past due)	**0.15%**	**66**	0.05%	4,749
1-30 days past due	**16.55%**	**47**	0.39%	32
31-60 days past due	**0.81%**	**2**	–	–
61-90 days past due	**0.19%**	**1**	0.01%	18
91-180 days past due	**–**	**–**	1.57%	115
181-360 days past due	**100%**	**243**	31.77%	29,643
Over 360 days past due	**100%**	**39,381**	50%	5,044
		39,740		39,601

35. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

***Credit risk and impairment assessment** (Continued)*

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated. 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 led to increased credit default rates.

As at 31 December 2020, allowance for ECL of approximately HK$39,632,000 (2019: approximately HK$11,945,000) represents individually credit impaired trade debtors as the management considered the outstanding balances from these customers were uncollectible.

The Group performs ECL estimates based on collaterals against loan receivables, borrowers' creditworthiness, the payment delinquency of default in interest or principal payments, borrowers' business and the industry to which borrowers belong and local economic conditions. The directors are of the opinion that no allowance for ECL is necessary for these balances as there is no significant credit risk.

Liquidity risk

The Group monitors its risk to a shortage of funds by considering the maturity of both its financial liabilities and financial assets (e.g. trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of the internal source of funds to meet its working capital and capital expenditure requirements.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

At 31 December 2020

	Weighted average interest rate	On demand or less than 12 months	1 to 2 years	2 to 6 years	Total undiscounted cash flows	Carrying amounts
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	–	6,267	–	–	6,267	6,267
Accruals, other payables and deposits received	–	4,462	–	–	4,462	4,462
Amounts due to directors	–	3,653	–	–	3,653	3,653
Other loan	–	15,000	–	–	15,000	15,000
Lease liabilities	5%	976	–	–	976	966
		30,358	–	–	30,358	30,348

35. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

***Liquidity risk** (Continued)*

At 31 December 2019

	Weighted average interest rate	On demand or less than 12 months *HK$'000*	1 to 2 years *HK$'000*	2 to 6 years *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amounts *HK$'000*
Trade payables	–	720	–	–	720	720
Accruals, other payables and deposits received	–	19,377	–	–	19,377	19,377
Amounts due to directors	–	2,906	–	–	2,906	2,906
Convertible bonds	18.7%	–	–	84,000	84,000	50,924
Promissory notes	16.4%	153,957	28,146	16,779	198,882	155,697
Lease liabilities	5%	2,928	976	–	3,904	3,770
		179,888	29,122	100,779	309,789	233,394

(c) Fair value measurements of financial instruments

At the end of the reporting period, the carrying amounts of the Group's and the Company's financial assets and financial liabilities approximated their fair values.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs).

	2020 ***HK$'000***	2019 *HK$'000*
Level 1		
Financial assets at FVTPL (note 19)	**–**	4,080

During the year, there were no transfers of fair value measurement between Level 1 and Level 2 and no transfers into or out of Level 3 (2019: Nil).

36. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Other loan	Interest payable on promissory notes	Promissory notes	Convertible bonds	Lease liabilities	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2019	–	10,754	159,940	148,988	6,437	326,119
Changes from financing cash flows						
Raised	–	–	57,330	(57,330)	–	–
Repayment	–	–	(44,743)	–	(2,928)	(47,671)
Interest paid	–	(17,896)	–	–	–	(17,896)
Other changes						
Interest charges	–	20,296	9,580	16,126	261	46,263
Set-off by trade receivables	–	–	(26,410)	(56,328)	–	(82,738)
Gain on early redemption of convertible bonds	–	–	–	(532)	–	(532)
At 31 December 2019	**–**	**13,154**	**155,697**	**50,924**	**3,770**	**223,545**
Changes from financing cash flows						
Raised	**15,000**	**–**	**–**	**–**	**–**	**15,000**
Repayment	**–**	**–**	**–**	**–**	**(2,456)**	**(2,456)**
Other changes						
Interest charges	**–**	**–**	**11,135**	**–**	**125**	**11,260**
Set-off by inventories and equity securities	**–**	**–**	**(74,750)**	**–**	**–**	**(74,750)**
Derecognition	**–**	**(13,154)**	**(92,082)**	**(50,924)**	**–**	**(156,160)**
Rent concessions	**–**	**–**	**–**	**–**	**(473)**	**(473)**
At 31 December 2020	**15,000**	**–**	**–**	**–**	**966**	**15,966**

37. MAJOR NON-CASH TRANSACTIONS

On 30 October 2019, the Company and the holder of CB III ("CB Holder"), entered into a deed of novation pursuant to which the CB Holder agreed to takeover the Group's outstanding trade receivables amounting to approximately HK$56,327,000 by way of set-off against the CB III. The CB Holder agreed to accept trade receivables in the sum of approximately HK$56,327,000 as full and final settlement of CB III. The Company has confirmed the trade receivables amounting to approximately HK$56,327,000 have been fully settled and the CB Holder has also confirmed that the amount of CB III has been fully settled and discharged.

On 30 August 2019, the Company issued a promissory note with principal amount of HK$57,330,000 with interest at 10% p.a. The promissory note was subsequently settled by way of cash of HK$32,000,000 and the Group's novation of trade receivables of approximately HK$26,410,000 during the year ended 31 December 2019.

During the year ended 31 December 2019, the loan and interest receivables amounted to HK$10,450,000 had defaulted and was recovered by the loan's collateral and which are listed equity securities in Hong Kong with market value of HK$7,920,000 and has been transferred to the Group on 18 February 2019 and recognised as the Group's financial assets at FVTPL.

During the year ended 31 December 2020, the Company fully derecognised the liabilities portion of the convertible bonds, equity portion of convertible bonds, promissory notes and accrued interest of promissory notes of approximately HK$50,924,000, HK$44,383,000, HK$92,082,000 and HK$13,154,000 respectively and resulted in gain on derecognition.

On 31 December 2020, the Group has settled the promissory notes with the carrying amount of approximately HK$74,750,000 by way of the ownership the financial assets at FVTPL and certain inventories of the Group.

38. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group

	2020 ***HK$'000***	2019 *HK$'000*
Fees, salaries and allowances	**2,064**	3,250
Retirement benefits scheme contribution	**22**	23
	2,086	3,273

39. LITIGATION

On 16 January 2020, the Company has commenced legal proceedings at the High Court of the Hong Kong Special Administrative Region (Case no. HCA 88/2020) against Tai Quan Enterprises Limited, Extreme Rich Corporate Development Limited (collectively, the "Vendors") and Radiant Thrive Enterprises Limited ("Radiant"). The Company's principal claims are for:

(i) rescission of the acquisition agreement entered between the Company and the Vendors for acquiring the entire share capital of Affluent Grand Limited on 28 April 2017 ("Acquisition Agreement"), the convertible bonds instruments and promissory notes (subsequently transferred to Radiant on 19 June 2018) issued to the Vendors on 27 November 2017 for fraudulent misrepresentation;

(ii) declaration that the Vendors are not entitled to enforce the Acquisition Agreement dated 28 April 2017, the convertible bonds Instruments and promissory notes (subsequently transferred to Radiant on 19 June 2018) issued to the Vendors on 27 November 2017 for fraudulent misrepresentation;

(iii) declaration that the Vendors and Radiant are not entitled to enforce the promissory notes dated 27 November 2017;

(iv) return of HK$120,000,000 money from the Vendors; and

(v) damages for fraudulent misrepresentation against the Vendors.

On 16 January 2020, the Company commenced legal proceedings at the High Court of the Hong Kong Special Administrative Region (Case no. HCA 88/2020) against the Vendors and Radiant.

The Company's principal claims are for: i) Rescission of the Acquisition Agreement; the instruments of the Convertible Bonds and Promissory Notes (subsequently transferred to Radiant on 19 June 2018) for fraudulent misrepresentation; ii) Declaration that the Vendors are not entitled to enforce the Acquisition Agreement, the instrument of the Convertible bonds and Promissory Notes (subsequently transferred to Radiant on 19 June 2018) for fraudulent misrepresentation; iii) Declaration that the Vendors and Radiant are not entitled to enforce the Promissory Notes; iv) Return of HK$120,000,000 money from the Vendors (the "Refund Receivable"); and v) Damages for fraudulent misrepresentation against the Vendors.

In respect of the recission of the Acquisition Agreement, in the opinion of the directors of the Company, the Company considered it is more than probable that claims will be success and the Acquisition Agreement will be rescinded by the High Court and the Company has no further obligation to satisfy the liabilities of the Convertible Bonds and Promissory Notes. As such, the balance of liabilities portion of the Convertible Bonds, equity portion of Convertible Bonds and Promissory Note of approximately HK$50,924,000, HK$44,383,000 and HK$92,082,000 were fully derecognised during the year ended 31 December 2020. In addition, the Refund Receivable of HK$120,000,000 was recognised and included in the other receivables, deposits and prepayments in the consolidated statement of financial position as at 31 December 2020.

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below.

Name of subsidiary	Place of incorporation/ registration/ operations	Paid up issued/ registered capital	Proportion ownership interest and voting power held by the Company		Principal activities
			2020	2019	
Directly held					
Ample Rich Capital Limited	British Virgin Islands ("BVI")	US$1	**100**	100	Investment holding
Forever Wise Developments Limited	BVI	US$1	**100**	100	Investment holding
Maxpark Enterprises Limited	BVI	US$1	**100**	100	Investment holding
Affluent Grand Limited**	BVI	US$2	**100**	100	Investment holding
Indirectly held					
Sky Topworld Limited	Hong Kong	HK$1	**100**	100	Holding of a motor vehicle
Queensway Wine International Limited	Hong Kong	HK$2,000,000	**100**	100	Sales of wine (wholesales)
Queensway Wine (Hong Kong) Limited	Hong Kong	HK$2,000,000	**100**	100	Sales of wine (retail sales)
Queensway Golf International Limited	Hong Kong	HK$800,000	**100**	100	Sales of golf products (retail sales)
Mass Fortune (Asia) Limited	Hong Kong	HK$1	**100**	100	Sales of wine (wholesales)
Kasco (HK) Limited	Hong Kong	HK$1,500,000	**90.5**	90.5	Sales of golf products (wholesales)

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiary	Place of incorporation/ registration/ operations	Paid up issued/ registered capital	Proportion ownership interest and voting power held by the Company 2020	2019	Principal activities
Queensway Travel Limited**	Hong Kong	HK$500,000	**100**	100	Dormant
Queensway Watch & Jewellery Limited***	Hong Kong	HK$1	**100**	100	Sales of watch and jewellery
China Fortune Investments Finance Limited	Hong Kong	HK$1	**100**	100	Provision of financing service
Win Wave Development Limited*	Hong Kong	HK$2	**100**	100	Investment holding
成都幸福口袋企業管理諮詢有限公司*#	PRC	RMB1,000,000	**100**	100	Investment holding

* Acquired on 28 November 2017.

** Incorporated on 27 January 2017.

*** Incorporated on 13 December 2017.

A wholly-owned foreign enterprise established in the PRC. The statutory financial statements of these subsidiaries are not audited by Elite Partners CPA Limited.

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at 31 December 2020 and 2019.

41. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(a) Financial position of the Company

	2020 HK$'000	2019 HK$'000
Non-current assets		
Property, plant and equipment	15	16
Investment in subsidiaries	10,506	132,653
	10,521	132,669
Current assets		
Deposits and other receivables	120,228	900
Bank balances and cash	448	1,224
	120,676	2,124
Current liabilities		
Accruals, other payables and deposits received	1,807	16,345
Amounts due to directors	3,953	2,906
Promissory notes	–	115,984
	5,760	135,235
Net current assets (liabilities)	114,916	(133,111)
Total assets less current liabilities	125,437	(442)
Non-current liabilities		
Promissory notes	–	39,713
Convertible bonds	–	50,924
	–	90,637
Net assets (liabilities)	125,437	(91,079)
Capital and reserves		
Issued capital	15,156	15,156
Reserves (Note b)	110,281	(106,235)
Total equity (deficit)	125,437	(91,079)

The Company's statement of financial position was approved and authorised for issue by the board of directors on 29 March 2021 and are signed on its behalf by:

Cheng Wing Tsan	**Wong Chi Ho**
Director	*Director*

41. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(Continued)

(b) Movement of the reserves of the Company

	Share premium account	Convertible bonds equity reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2019	1,995,281	54,131	(2,050,522)	(1,110)
Eilimination upon redemption of convertible bonds	–	(9,748)	9,748	–
Loss and total comprehensive expense for the year	–	–	(105,125)	(105,125)
At 31 December 2019	1,995,281	44,383	(2,145,899)	(106,235)
Eilimination upon derecognition of convertible bonds	–	(44,383)	44,383	–
Profit and total comprehensive income for the year	–	–	216,516	216,516
At 31 December 2020	1,995,281	–	(1,885,000)	110,281

FINANCIAL SUMMARY

31 December 2020

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below:

	Year ended 31 December				
	2020	2019	2018	2017	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Re-presented)	
REVENUE	**23,318**	62,839	249,033	215,806	179,791
Profit (loss) before tax	**201,529**	(129,408)	(74,747)	7,361	(11,787)
Income tax credit (expense)	**(385)**	286	(2,898)	(6,952)	(7,246)
Profit (loss) for the year from continuing operations	**201,144**	(129,122)	(77,645)	409	(19,033)
Profit (loss) before tax from discontinued operations	**–**	–	(257,068)	2,815	(87,905)
Income tax expense	**–**	–	(7,754)	(879)	(7,550)
Profit (loss) for the period/year from discontinued operation	**–**	–	(264,822)	1,936	(95,455)
Profit (loss) for the year	**201,144**	(129,122)	(342,467)	2,345	(114,488)
Attributable to:					
Owners of the Company	**201,145**	(129,126)	(342,473)	2,461	(114,476)
Non-controlling interests	**(1)**	4	6	(116)	(12)
	201,144	(129,122)	(342,467)	2,345	(114,488)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**162,151**	163,664	388,192	848,901	524,726
TOTAL LIABILITIES	**(31,551)**	(234,208)	(329,321)	(452,723)	(318,626)
NON-CONTROLLING INTERESTS	**(379)**	(380)	(376)	(370)	(486)
EQUITY (DEFICIT) ATTRIBUTABLE TO OWNERS OF THE COMPANY	**130,221**	(70,924)	58,495	395,808	205,614