GOLDSTREAM INVESTMENT LIMITED
金涌投資有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1328)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

HIGHLIGHTS

- Aggregated customer relationship management ("CRM") service income and investment management ("IM") service income was approximately HK$327,325,000, representing an increase of approximately 6% as compared with approximately HK$310,170,000 in 2019. Aggregated income generated from strategic direct investment ("SDI") was approximately HK$55,425,000 representing an increase of approximately 12 times as compared with approximately HK$4,147,000 in 2019.

- Profit attributable to equity holders of the Company was approximately HK$17,254,000, while loss attributable to equity holders of the Company was approximately HK$38,852,000 in 2019. The profit attributable to equity holders of the Company for the year ended 31 December 2020 were mainly attributable to overall improved performance of operating segments.

- Basic earnings per share was HK0.15 cents, while basic loss per share was HK0.34 cents in 2019.

- The Board does not recommend the payment of a final dividend for the year ended 31 December 2020.

RESULTS

The board of Directors (the "Board") of Goldstream Investment Ltd. (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2020, all of which have been reviewed by the audit committee, together with the comparative figures for the corresponding period of last year, as follows:

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2020

	Note	**2020** **HK$'000**	2019 *HK$'000*
Income			
Customer relationship management ("CRM") services income		**215,166**	239,412
Investment management ("IM") services income		**112,159**	70,758
Dividend income from investments	*10*	**12,006**	1,636
Net fair value gains on financial assets at fair value through profit or loss	*10*	**22,993**	2,511
Share of net profits of associates accounted for using the equity method		**20,426**	–
	3(a)	**382,750**	314,317
Other income	*3(b)*	**11,144**	10,745
Expenses			
Employee benefits expenses		**(240,680)**	(254,732)
Depreciation of right-of-use-assets		**(5,309)**	(5,601)
Depreciation of property, plant and equipment		**(4,392)**	(4,509)
Amortisation of intangible assets		**(15,379)**	(27,605)
Impairment provision for intangible assets		**(20,745)**	(6,876)
Write off of intangible assets		**(7,204)**	(7,952)
Provision for loss allowances		**(3,952)**	(204)
Subcontracting charges		**(13,534)**	(13,080)
Operating lease charges		**(6,201)**	(6,270)
Utilities		**(4,261)**	(4,724)
Legal and professional fees		**(7,540)**	(5,675)
Advertising expenses for customers' projects		**(26,555)**	(5,291)
Other expenses	*5*	**(31,788)**	(30,726)
Total expenses		**(387,540)**	(373,245)

	Note	2020 HK$'000	2019 HK$'000
Operating profit/(loss)		**6,354**	(48,183)
Finance income		**8,648**	6,875
Finance costs		**(6,751)**	(4,511)
Finance income, net		**1,897**	2,364
Profit/(loss) before income tax		**8,251**	(45,819)
Income tax credit	*6*	**9,003**	6,967
Profit/(loss) for the year		**17,254**	(38,852)
Profit/(loss) attributable to:			
Owners of the Company		**17,254**	(38,852)
Earnings/(loss) per share attributable to the owners of the Company during the year (expressed in HK cents per share)			
Basic	*8*	**0.15**	(0.34)
Diluted	*8*	**0.15**	(0.34)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2020

	2020	2019
	HK$'000	*HK$'000*
Profit/(loss) for the year	**17,254**	(38,852)
Other comprehensive income/(loss)		
Item that may be reclassified to profit or loss		
– Currency translation differences	**11,380**	(3,539)
Other comprehensive income/(loss) for the year, net of tax	**11,380**	(3,539)
Total comprehensive income/(loss) for the year, net of tax	**28,634**	(42,391)
Total comprehensive income/(loss) for the year attributable to owners of the Company	**28,634**	(42,391)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2020

	Note	2020 HK$'000	2019 HK$'000
Assets			
Non-current assets			
Property, plant and equipment		**44,141**	43,105
Right-of-use assets		**10,609**	7,676
Goodwill	*9*	**197,965**	197,833
Intangible assets		**29,989**	72,775
Deferred tax assets		**1,371**	–
Long term deposits	*12*	**867**	490
Interests in associates	*11*	**98,426**	–
Financial assets at fair value through profit or loss	*10*	**91,798**	78,000
		475,166	399,879
Current assets			
Trade receivables and contract assets	*12*	**133,637**	110,430
Amounts due from brokers	*12*	**118,093**	–
Prepayments, deposits and other receivables	*12*	**45,281**	50,213
Financial assets at fair value through profit or loss	*10*	**253,612**	89,125
Cash and cash equivalents		**232,805**	484,375
		783,428	734,143
Total assets		**1,258,594**	1,134,022
Equity			
Capital and reserves attributable to owners of the Company			
Share capital		**113,465**	113,465
Reserves		**716,317**	679,477
Total equity		**829,782**	792,942

	Note	2020 HK$'000	2019 HK$'000
Liabilities			
Non-current liabilities			
Borrowings from a former director	*14*	**206,823**	–
Lease liabilities		**6,335**	4,114
Deferred tax liabilities		**4,735**	12,008
		217,893	16,122
Current liabilities			
Borrowings from a former director	*14*	**–**	209,617
Trade and other payables	*13*	**127,938**	110,505
Amounts due to brokers	*13*	**73,814**	–
Lease liabilities		**4,617**	3,793
Contract liabilities		**325**	370
Financial liabilities at fair value through profit or loss	*10*	**3,923**	–
Income tax payable		**302**	673
		210,919	324,958
Total liabilities		**428,812**	341,080
Total equity and liabilities		**1,258,594**	1,134,022

Notes:

1. GENERAL INFORMATION

Goldstream Investment Limited (the "Company") and its subsidiaries (collectively, the "Group") are principally engaged in the provision of CRM services, which include inbound services and outbound services, to companies in various service-oriented industries, and the provision of IM services following the acquisition of Goldstream Capital Management Limited ("GCML") and Goldstream Securities Limited ("GSL") (collectively, the "Goldstream Companies") in November 2018. To support the growth of IM business, the Group commenced to engage in strategic direct investment ("SDI") during 2019.

The Company was incorporated in the Cayman Islands on 18 September 2000 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Its registered office is at Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KYI-1104, Cayman Islands. The Company has been listed on the Main Board of the Hong Kong Stock Exchange since 25 May 2009.

These consolidated financial statements are presented in Hong Kong thousand dollars ("HK$'000"), unless otherwise stated.

2. BASIC OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost basis, except for financial assets at fair value through profit or loss measured at fair value.

The preparation of the consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(i) New, amended standards and interpretation adopted by the Group

The following new, amended standards and interpretation have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2020:

IAS 1 and IAS 8 (Amendments)	Definition of Material
IFRS 3 (Amendments)	Definition of a Business
IFRS 7, IFRS 9 and IAS 39 (Amendments)	Interest Rate Benchmark Reform
Conceptual Framework for financial reporting 2018	Revised Conceptual Framework for financial reporting

The adoption of amended standards and new interpretation did not have any material impact on the current year or any prior periods.

(ii) New and amended standards and new interpretation that have been issued but are not yet effective during the year and have not been early adopted by the Group

		Effective for accounting periods beginning on or after
IFRS 16 (Amendment)	Covid-19-related Rent Concessions	30 June 2020
Amendments to Annual Improvements Progress	Annual Improvements to IFRS Standards 2018–2020	1 January 2022
IAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2022
IAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
IFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
IAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
IFRS 17	Insurance Contracts	1 January 2023
IFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group will adopt the new and amended standards and conceptual framework when they become effective. The Group has already commenced an assessment of the related impact of adopting the above new and amended standards and conceptual framework, none of which is expected to have a significant effect on the consolidated financial statements of the Group.

3. INCOME AND OTHER INCOME

(a) Income

The amount of each category of income recognised during the year is as follows:

	2020	2019
	HK$'000	*HK$'000*
– CRM services income	**215,166**	239,412
– IM services income	**112,159**	70,758
– Dividend income from investments *(Note 10)*	**12,006**	1,636
– Net fair value gains on financial assets at fair value through profit or loss ("FVPL") *(Note 10)*	**22,993**	2,511
– Share of net profits of associates accounted for using the equity method	**20,426**	–
	382,750	314,317

The Group has five customers whose transactions accounted for 10% or more of the Group's aggregate revenue for 2020 (2019: four customers). The amounts of revenue from the customers are as follows:

	2020	2019
	HK$'000	*HK$'000*
Customer 1	**77,156**	33,661
Customer 2	**50,231**	65,811
Customer 3	**46,348**	54,077
Customer 4	**39,709**	N/A
Customer 5	**37,947**	N/A
Customer 6	**N/A**	43,726

(b) Other income

	2020	2019
	HK$'000	*HK$'000*
Interest income from financial assets at FVPL	**3,860**	–
Government grants *(Note a)*	**2,603**	2,739
Resources dispatching income	**1,745**	–
Bank interest income	**936**	6,730
Rental income	**649**	700
Value-added tax return	**368**	–
Others	**983**	576
	11,144	10,745

Note:

(a) Government grants of HK$2,383,000 were provided by the local authorities to support the Group's enhancement of service provision to overseas customers and the Group's application of technical patents. There are no unfulfilled conditions or contingencies relating to these grants.

The remaining amounts mainly represent Employment Support Scheme under the Anti-epidemic Fund of the Government of the Hong Kong Special Administrative Region.

4. SEGMENT INFORMATION

Operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the key management team of the Group. The CODM reviews the Group's internal reports in order to assess performance, allocate resources and determine the operating segments.

The CODM assesses the performance of the operating segments based on the results and assets attributable to each operating segment. Interest expense are not allocated to segment, as this type of activity is driven by the central treasury function, which manages the cash position of the Group.

The CODM has determined the operating segments based on these reports. The Group is organised into three operating segments.

(i) CRM services ("CRMS") business: this segment includes (a) inbound services which include customer hotline services and built-in secretarial services, a personalised message taking services; and (b) outbound services which include telesales services and market research services.

(ii) IM business: this segment includes (a) advisory services on securities and asset management; and (b) securities trading.

(iii) SDI business: this segment includes provision of making proprietary investments in the financial markets.

No other operating segments have been aggregated to form the operating segments.

(a) Segment results and assets

The CODM assesses the performance of the operating segments based on the income and reportable segment profit (i.e. earnings before interest, tax and amortisation and impairment provision for and write off of intangible assets).

Income and expenses are allocated to the reportable segments with reference to income generated by those segments and the expenses incurred by those segments including depreciation of assets attributable to those segments.

Segment assets include all tangible, intangible assets and current assets with the exception of deferred tax assets and other corporate assets.

Information relating to segment liabilities is not disclosed as such information is not regularly reported to the CODM.

The following tables present income, reportable segment profit/(loss) and certain assets and expenditure information for the Group's business segments for the years ended 31 December 2020 and 2019:

	IM business *HK$'000*	CRMS business *HK$'000*	SDI business *HK$'000*	Total *HK$'000*
For the year ended 31 December 2020				
CRM services income	**–**	**215,202**	**–**	**215,202**
Inter-CRM segment services income	**–**	**(36)**	**–**	**(36)**
IM services income	**113,261**	**–**	**–**	**113,261**
Inter-IM segment services income	**(1,102)**	**–**	**–**	**(1,102)**
Dividend income from investments	**–**	**–**	**12,006**	**12,006**
Net fair value gains on financial assets at FVPL	**2,123**	**–**	**20,870**	**22,993**
Share of net profits of associates accounted for using the equity method	**–**	**–**	**20,426**	**20,426**
Total segment income	**114,282**	**215,166**	**53,302**	**382,750**
Reportable segment profit	**3,905**	**849**	**53,576**	**58,330**
Depreciation and amortisation	**16,583**	**6,386**	**2,111**	**25,080**
Provision for loss allowances	**3,952**	**–**	**–**	**3,952**
Reportable segment assets	**334,416**	**120,411**	**569,591**	**1,024,418**
Additions to non-current segment assets during the year	**769**	**5,616**	**119,979**	**126,364**
For the year ended 31 December 2019				
CRM services income	–	239,479	–	239,479
Inter-CRM segment services income	–	(67)	–	(67)
IM services income	70,783	–	–	70,783
Inter-IM segment services income	(25)	–	–	(25)
Dividend income from investments	–	–	1,636	1,636
Net fair value gains on financial assets at FVPL	–	–	2,511	2,511
Total segment income	70,758	239,412	4,147	314,317
Reportable segment (loss)/profit	(8,643)	2,889	6,879	1,125
Depreciation and amortisation	29,148	8,006	561	37,715
Provision for loss allowances	–	204	–	204
Reportable segment assets	331,787	133,090	184,770	649,647
Additions to non-current segment assets during the year	2,890	11,258	78,000	92,148

(b) Reconciliations of reportable segment income, profit or loss and assets

	2020	2019
	HK$'000	*HK$'000*
Income		
Reportable segment income	**382,750**	314,317
Consolidated income	**382,750**	314,317
Profit/(loss)		
Reportable segment profit	**58,330**	1,125
Impairment provision for and write off of intangible assets	**(27,949)**	(14,828)
Finance costs	**(6,751)**	(4,511)
Amortisation of intangible assets	**(15,379)**	(27,605)
Consolidated profit/(loss) before income tax	**8,251**	(45,819)
Assets		
Reportable segment assets	**1,024,418**	649,647
Cash and cash equivalents	**232,805**	484,375
Deferred tax assets	**1,371**	–
Consolidated total assets	**1,258,594**	1,134,022

(c) Geographical information

The following tables set out information about the geographical locations of (i) the Group's CRM services income and IM services income ("Services income") and (ii) the Group's property, plant and equipment, intangible assets, right-of-use assets, long term deposits and non-current financial assets at FVPL ("specified non-current assets"). The geographical location of customers is based on the location at which the services and goods were provided. The geographical location of the specified non-current assets is based on the location of the operation to which they are allocated.

	Hong Kong	**PRC**	**The United States of America**	**Macao and others**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Year ended 31 December 2020					
Services income	**201,145**	**120,378**	**–**	**5,802**	**327,325**
Specified non-current assets	**232,038**	**51,532**	**91,798**	**98,427**	**473,795**
Year ended 31 December 2019					
Services income	202,181	99,269	–	8,720	310,170
Specified non-current assets	274,587	47,244	78,000	48	399,879

(d) Disaggregation of revenue from contracts with customers

The Group derives services income over-time and at point in time for the following types.

	IM business *HK$'000*	CRMS business *HK$'000*	Total *HK$'000*
For the year ended 31 December 2020			
At point in time	**87,042**	**151,412**	**238,454**
Over-time	**25,117**	**63,754**	**88,871**
	112,159	**215,166**	**327,325**
For the year ended 31 December 2019			
At point in time	47,360	157,884	205,244
Over-time	23,398	81,528	104,926
	70,758	239,412	310,170

5. OTHER EXPENSES

	2020 *HK$'000*	2019 *HK$'000*
Auditors' remuneration		
– Audit services	**3,287**	2,403
– Non-audit services	**150**	827
Loss on disposal of property, plant and equipment	**833**	46
Information system expenses	**5,526**	8,716
Exchange differences, net	**4,322**	(379)
Consultancy fee	**656**	991
Travelling and entertainment	**2,401**	2,551
Telecommunication	**956**	1,307
Recruitment expenses	**1,381**	1,983
Fund operation expenses	**1,312**	–
Staff benefits	**865**	1,112
Insurance	**1,055**	705
Vehicles expenses	**441**	1,504
Others	**8,603**	8,960
	31,788	30,726

6. INCOME TAX CREDIT

	2020	2019
	HK$'000	*HK$'000*
Current income tax:		
Hong Kong corporate income tax	**150**	–
PRC corporate income tax	**–**	687
Over provision in the prior year	**(522)**	(771)
Total current tax credit	**(372)**	(84)
Deferred tax	**(8,631)**	(6,883)
Income tax credit	**(9,003)**	(6,967)

(i) Hong Kong profits tax

The Group is eligible to nominate one Hong Kong incorporated entity in the Group to be chargeable at the two-tiered profits tax rates, whereby profits tax will be chargeable on the first HK$2 million of assessable profits at 8.25% and assessable profits above the threshold will be subject to a rate of 16.5%. Hong Kong profits tax of other Hong Kong incorporated entities in the Group has been provided for at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits.

(ii) PRC corporate income tax

China Elite Info. Co. Ltd. ("China Elite") is eligible for a preferential income tax rate of 15% as a High and New Technology Enterprise for 2020.

Other than the above, remaining subsidiaries located in the PRC are subject to the PRC Corporate income tax rate of 25% (2019: 25%) on its assessable profits.

(iii) Macao complementary tax

Pursuant to Article 12 of Decree-Law No. 58/99/M issued by the Macao Government, the Group is exempted from Macao Complementary Tax. As a result, no provision for Macao Complementary Tax has been made by the Group for the year (2019: Nil).

7. DIVIDENDS

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

8. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing the profit/loss attributable to equity owners of the Company by the weighted average number of ordinary shares outstanding during the year, excluding shares held for employee share scheme.

	2020	2019
Profit/(loss) attributable to owners of the Company (HK$'000)	**17,254**	(38,852)
Weighted average number of ordinary shares outstanding (thousand)	**11,346,314**	11,346,472
Basic earnings/(loss) per share (HK cents)	**0.15**	(0.34)

(b) Diluted earnings/(loss) per share

For diluted earnings/(loss) per share, the weighted average number of ordinary shares outstanding is adjusted to assume conversion of all potentially dilutive ordinary shares.

Diluted earnings/(loss) per share is equal to the basic earnings/(loss) per share for the year ended 31 December 2019 as there were no potential dilutive ordinary shares outstanding during the year.

For the year ended 31 December 2020, the diluted earnings per share was calculated by considering the impact of the 2020 Share Option Scheme and the Share Award Scheme, in which certain portion of the Company's share options was vested and is in the money and has dilutive impact on the earnings per share calculation. For the Company's share awards, they have dilutive impact on the earnings per share calculation. The diluted earnings per share would not consider those portion of the Company's share options which are expected to be vested and has anti-dilutive impact on the earnings per share calculation.

	2020	2019
Profit/(loss) attributable to owners of the Company (HK$'000)	**17,254**	(38,852)
Weighted average number of ordinary shares outstanding (thousand)	**11,379,242**	11,346,472
Diluted earnings/(loss) per share (HK cents)	**0.15**	(0.34)

(c) Weighted average number of shares used as the denominator

	2020	2019
	'000	*'000*
Weighted average number of ordinary shares used as the denominator in calculating basic earnings/(loss) per share	**11,346,314**	11,346,472
Adjustments for calculation of diluted earnings/(loss) per share:		
Share options	**4,380**	–
Share awards	**28,548**	–
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings/(loss) per share	**11,379,242**	11,346,472

9. GOODWILL AND BUSINESS COMBINATION

(a) Goodwill

	2020	2019
	HK$'000	*HK$'000*
At 1 January	**197,833**	197,833
Business combination *(Note b)*	**132**	–
At 31 December	**197,965**	197,833

The goodwill of HK$197,965,000 arising from the acquisition of Goldstream Capital Management Limited and Goldstream Securities Limited ("Goldstream Companies") in November 2018 and Shenzhen JinCheng Enterprise Management Limited (深圳金晟企業管理有限公司) and its subsidiary, (the "JinCheng Acquisition" (Note 9(b)) is attributable to the synergies expected to arise from the business combination and future growth of IM businesses in Hong Kong and the PRC respectively. None of the goodwill recognised was expected to be deductible for income tax purposes.

Management reviews the business performance of the Group based on the services the respective businesses provide. Goodwill is monitored by management at the operating segment level.

The recoverable amount of goodwill was determined based on value in use. No impairment charge is noted as at 31 December 2020 (2019: Nil). Goodwill arising from the JinCheng Acquisition is considered immaterial by management.

As at 31 December 2020 and 2019, key assumptions used for assessing the recoverable amount of the goodwill arising from the acquisition of Goldstream Companies are as follows:

2020

Estimated services income growth rate from 2020 to 2021	22.9%
Estimated services income growth rate from 2021 to 2022	17.7%
Estimated services income growth rate from 2022 to 2023	7.6%
Estimated services income growth rate from 2023 to 2024	4.4%
Estimated services income growth rate from 2024 to 2025	3.3%
Discount rate	17.0%
Terminal growth rate	3.0%

2019

Estimated services income growth rate from 2019 to 2020	49.0%
Estimated services income growth rate from 2020 to 2021	37.0%
Estimated services income growth rate from 2021 to 2022	13.4%
Estimated services income growth rate from 2022 to 2024	10.0%
Discount rate	18.0%
Terminal growth rate	3.0%

If expected discount rate for the projection period had been 0.5% lower/higher than management's estimates with all other variables held constant, the carrying amount of goodwill would have been approximately HK$10,447,000 higher/lower (2019: HK$11,410,000 higher/lower). If the services income growth rate had been 0.5% higher/lower than management's estimate at 31 December 2020 with all other variables held constant, the carrying amount of goodwill would have been approximately HK$6,838,000 higher/lower (2019: HK$15,181,000 higher/lower). If the terminal growth rate had been 0.5% higher/lower than management's estimate at 31 December 2020 with all other variables held constant, the carrying amount of goodwill would have been approximately HK$2,080,000 higher and HK$975,000 lower respectively (2019: HK$7,373,000 higher and HK$6,897,000 lower).

(b) Business combination

On 5 June 2020, Goldstream Investment Management (Shanghai) Limited (金涌投資管理(上海)有限公司), a wholly-owned subsidiary of the Company, completed the acquisition of the entire issued share capital of Shenzhen JinCheng Enterprise Management Limited (深圳金晟企業管理有限公司) and its subsidiary, companies principally engaged in the provision of mainland domestic asset management business in the PRC, for a total consideration of RMB10,000 (equivalent to approximately HK$12,000). Certain license and goodwill were recognised from the JinCheng Acquisition. The Group is expected to broaden and make new product offerings to the PRC investors.

10. FINANCIAL ASSETS/(LIABILITIES) AT FAIR VALUE THROUGH PROFIT OR LOSS

(i) Classification of financial assets/(liabilities) at fair value through profit or loss

The Group classifies the following financial assets/(liabilities) at FVPL:

- debt investments that do not qualify for measurement at either amortised cost or fair value through other comprehensive income (“FVOCI”)
- equity investments that are held for trading, and
- equity investments for which the entity has not elected to recognise fair value gains and losses through OCI.

Financial assets/(liabilities) measured at FVPL include the following:

	2020	2019
	HK$'000	*HK$'000*
Non-current assets		
Investment funds		
– US investment funds	**91,798**	78,000
Current assets		
Investment funds		
– Cayman Islands investment funds	**51,085**	47,448
– BVI investments funds	**22,382**	20,112
– Ireland investments funds	**538**	810
Contracts for difference		
– PRC contracts for difference	**44,252**	–
– Hong Kong contracts for difference	**17,061**	–
Listed equity securities		
– PRC listed equity securities	**47,445**	20,755
– Hong Kong listed equity securities	**3,491**	–
Exchange traded funds		
– US exchange traded funds	**31,673**	–
– Hong Kong exchange traded funds	**5,552**	–
Collateralised Mortgage Obligation		
– US collateralised mortgage obligation	**21,226**	–
Corporate bonds		
– PRC corporate bonds	**7,859**	–
Forward foreign exchange contracts	**661**	–
Depository receipts		
– PRC depository receipts	**387**	–
	253,612	89,125
	345,410	167,125

	2020	2019
	HK$'000	*HK$'000*
Current liabilities		
Forward foreign exchange contracts	**(2,727)**	–
Contracts for difference		
– PRC contracts for difference	**(349)**	–
– Hong Kong contracts for difference	**(276)**	–
– Singapore contracts for difference	**(165)**	–
Index futures		
– Hong Kong Index futures	**(404)**	–
Listed equity securities		
– US listed equity securities	**(2)**	–
	(3,923)	–

(ii) Amounts recognised in the consolidated income statement

During the year, the following income was recognised in the consolidated income statement:

	2020	2019
	HK$'000	*HK$'000*
Net fair value gains on financial assets at FVPL *(Note 3(a))*	**22,993**	2,511
Dividend income from investments *(Note 3(a))*	**12,006**	1,636

11. INTERESTS IN ASSOCIATES

On 1 March 2020, the Group invested in Goldstream Healthcare Focus Fund and Goldstream Macro Fund for cash consideration of USD5 million (equivalent to approximately HK$39 million) and USD5 million (equivalent to approximately HK$39 million) respectively. As at 31 December 2020, the Group held 19.6% and 12.2% equity interest in these funds and has the power to participate in the financial and operating policy decision. Accordingly, the Group has significant influence over these two funds.

Details of such investment funds are summarised as follows

	Place of incorporation	**2020 Interests held %**	**Measurement method**	**2020 Carrying amount HK$'000**
Goldstream Healthcare Focus Fund SP	Cayman Islands	19.6	Equity method	**54,496**
Goldstream Macro Fund SP	Cayman Islands	12.2	Equity method	**43,930**
				98,426

12. TRADE AND OTHER RECEIVABLES, PREPAYMENTS, DEPOSIT AND AMOUNTS DUE FROM BROKERS

	2020	2019
	HK$'000	*HK$'000*
Trade receivables		
– related parties	**12,299**	29,038
– third parties	**111,729**	50,558
	124,028	79,596
Loss allowances	**(4,337)**	(385)
Trade receivables, net	**119,691**	79,211
Contract assets		
– third parties	**13,946**	31,219
	133,637	110,430
Other financial assets at amortised cost		
Amounts due from brokers	**118,093**	–
Deposits and other receivables		
– related parties	**23,681**	21,516
– third parties	**16,551**	22,294
Prepayments	**5,916**	6,893
Less: Non-current deposits	**(867)**	(490)
	45,281	50,213
Total	**297,011**	160,643

Ageing analysis

Included in trade receivables and contract assets are trade debtors (net of loss allowance) with the following ageing analysis based on the dates on which the relevant services income was recognised:

	2020	2019
	HK$'000	*HK$'000*
Aged within 1 month	**89,177**	69,080
Aged between 1 to 3 months	**19,839**	21,281
Aged between 3 to 6 months	**7,468**	9,518
Aged between 6 months to 1 year	**6,125**	2,154
Aged over 1 year	**11,028**	8,397
	133,637	110,430

13. TRADE AND OTHER PAYABLES AND AMOUNTS DUE TO BROKERS

	2020	2019
	HK$'000	*HK$'000*
Trade payables		
– third parties	**3,873**	14,552
	3,873	14,552
Other payables		
– related parties	**3,865**	9
– third parties	**48,136**	48,133
Accruals		
– Accrued salaries	**69,435**	45,613
– Accrued audit fee	**2,050**	1,734
– Others	**579**	464
	127,938	110,505
Amounts due to brokers	**73,814**	–

The carrying amounts of trade and other payables and amounts due to brokers are considered to be approximated to their fair values, due to their short-term nature.

Ageing analysis

The ageing analysis of trade payables based on invoice date are follows:

	2020	2019
	HK$'000	*HK$'000*
0-30 days	**2,966**	13,896
31-90 days	**368**	484
91-180 days	**407**	118
181 days-1 year	**81**	1
Over 1 year	**51**	53
	3,873	14,552

14 BORROWINGS FROM A FORMER DIRECTOR

	2020	2019
	HK$'000	*HK$'000*
Borrowings from a former director	**206,823**	209,617

The amount due represents balance with a former director, Mr. Li Kin Shing and denominated in HK$. He was a director of the Company until he resigned on 28 December 2018. The amount is unsecured, non-interest bearing and repayable in its full principal amounted of HK$214,999,000 on 29 November 2020. On 30 November 2020, the loan was extended by 18 months from 30 November 2020 to 29 May 2022. The imputed interest of HK$8,648,000 is unwinded (2019: HK$6,875,000), incurring a finance cost of HK$5,854,000 for the year ended 31 December 2020 (2019: HK$4,048,000).

As at 31 December 2020, the Group has a facility of HK$215 million (2019: HK$215 million) from Mr. Li for financing its business operation. Unused facilities as at the same date amounted to nil (2019: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The Group is a customer relationship management ("CRM") outsourcing service provider with business focus in Hong Kong, Macau and the People's Republic of China (the "PRC") markets. CRM is a process of providing services to customers with the use of communication and computer networks. During the year under review, the Group continued to provide services to established telecommunications service providers, including Hutchison Telecommunications, HGC Global Communications, China Unicom Guangdong, China Telecom Guangzhou and PCCW Mobile. Besides, management continued to diversify the Group's CRM customer base to non-telecommunications industries, the clients of which include, but not limited to China Guangfa Bank, Pizza Hut (Hong Kong & Macau), KFC (Hong Kong & Macau) and Beijing Yazhan.

Upon the purchase of the entire issued share capital of Goldstream Capital Management Limited ("GCML") and Goldstream Securities Limited ("GSL") (collectively, "Goldstream Companies") in November 2018, the Group is also engaged in investment management business.

Since the third quarter of 2019, the Group has made strategic direct investments to enhance the yield of excess idle cash while at the same time support our IM business by selectively subscribing to both externally and internally managed investment funds that meet the Group's risk and returns requirement. These investments made by the Group since 2019 met our target and generated more favorable returns as compared with interest gains from keeping same amount of idle cash in commercial bank deposit accounts.

The principal business of the Group is classified into the following three segments:

CRM Service ("CRMS") Business

CRMS business includes the provision of inbound services and outbound services. Inbound services comprise a range of customer hotline services, including general enquiry, technical support, broadband connection arrangement, service installation, account activation, subscriber details update, account enquiry, account termination, order placement, member registration, built-in secretary ("BIS") and super secretarial services ("Super BIS"). BIS service is a personalized message taking service, where its operators transmit messages left to the subscriber via SMS. The Super BIS service is a concierge service where the operators can provide advanced functions such as making restaurant reservation and purchasing flight tickets for highend subscribers. Outbound services, on the other hand, include telesales services and market research services. The Group's operators run on behalf of their customers promotions and ongoing telemarketing via unsolicited phone calls (cold calls). The operators can also conduct large scale surveys to efficiently collect feedback, opinions, and in some cases, complaints for their customers.

Investment Management ("IM") Business

IM business includes (i) the provision of advisory services on securities and asset management; and (ii) securities trading.

Strategic Direct Investment ("SDI") Business

SDI business includes proprietary investments in the financial market.

BUSINESS ENVIRONMENT

Mature development of China's service outsourcing base cities leads to the fierce competition of CRM market. It becomes a big challenge to the Group. Due to the robust domestic demand of CRM services, the risk exposure to the operation of the Group is still at a manageable level. In 2020, China's economic growth rate reached 2.3%. Capitalizing on the valuable opportunities arising from a number of favorable government policies in China, including the growth in 4G mobile communications, the rapid development of 5G mobile communications technology, the "Internet Plus" strategy, the increase in domestic demand and the demand arising from the 14th Five-Year Plan for the development of "Smart City", the Group continues to explore the PRC market.

CRM outsourcing is relatively common in the traditional telecommunications industry. CRM customer base has been extended to a wide range of industries, stretching across finance, postal, travel, healthcare, logistics, information technology, online business, media, public utilities and retail. Meanwhile, new concepts such as "Services in China", online services, mobile internet applications ("APP") and the government's "Internet Plus" strategy are getting increasingly popular and these new elements have been integrated into traditional CRM services. In 2020, the Group continued to expand its internet CRM services to customers to operate intelligent online business for them. Therefore, the immense potential scale of a rising intelligent CRM market will be further enhanced along with the swift growth in China's booming consumer market. The Group is well-prepared for capturing the opportunities and meeting the challenges ahead.

The year under review was a challenging year to the CRMS business although the PRC government has been persevering in its reform and opening up the market, which has brought about unprecedented changes across the industries. Growth in China's economy has been slowing down. The Sino-US trade friction has intensified the global economic uncertainty. To alleviate the adverse situation the industry is facing, the PRC government successively introduced a series of policies such as "The Private Economy Shall Grow Stronger, Not Weaker", "Taking Special Actions to Increase Financial Support to the Private Businesses to Ease Their Difficulty in Financing" and "Taking Innovation-Driven Development as a Major Strategy for the Future with Unremitting Determination" under the guidance of its core strategic policy of unremitting reform and opening up.

For the financial markets, the year 2020 proved to be one of the most turbulent in recent times, and few predicted that COVID-19 would cause an unprecedented and extremely challenging year for people, businesses and economies. The global lockdowns during the pandemic resulted in a deep contraction for the global economy. Heavy falls in stock market in the last week of February were followed by a massive selloff in March. But the financial markets recovered much faster than the real economy with the huge stimulus packages from federal governments around the world.

The rapid recovery was underlined by the Dow Jones Industrial Average Index, for instance, plunged by 37% during the height of the pandemic in March 2020, before staging a stunning recovery with a huge rebound to reach record high in December.

Financial markets rallied in December on the prospects of COVID-19 vaccines becoming available and ultimate agreement of another tranche of stimulus. Looking back in 2020, despite of the economic and market tumult, the markets continue to function and that people can adapt to difficult circumstances. Even ignoring the pandemic for a moment, 2020's stock market defied expectation and markets performed strong even in weak global economy. A good lesson that market performance is not always tied to economic performance.

Moving into 2021, many questions remain about the pandemic, new vaccines, business activity, changes in how people work and socialize, and the direction of global markets. If new vaccines are successful, they could help accelerate the global economic recovery, driving corporate earnings and financial markets even higher. On the other hand, we should not expect all of 2020's many challenges to disappear as a result of a medical breakthrough, no matter how impressive. The logistics of mass vaccination are complex, and further waves of the pandemic cannot be ruled out, which could still cause major problems for some businesses.

Going forward, reducing costs, strengthening of risk management and improving operating model remain a high priority to protect assets and improve profit margins. The industry will continue to evolve and develop new operating models to deal with different market environments and volatility.

As we enter an uncertain phase for investment management, there are many reasons to remain positive. The outlook for Asia and China remains positive for fund managers and investor appetite for the region remains strong. As returns from traditional asset classes become challenging, this is arguably the time to increase allocation to alternative asset classes which the IM business focuses on.

The SDI business is a relatively new business segment with the initial objective of enhancing the returns on excess cash balance, the Group is prudent in selecting its investments and has invested using market-neutral investment strategies with low exposure to market volatilities. During the year under review, the investments met our objectives with returns more favorable than keeping cash in interest bearing commercial bank deposit accounts.

FINANCIAL REVIEW

Income

Service income from CRMS business for the year ended 31 December 2020 was approximately HK$215,166,000 (2019: approximately HK$239,412,000), representing a decrease of approximately 10% as compared with last year. With the new business driver, IM and SDI businesses the Group recorded investment management services income stream of approximately HK$112,159,000 (2019: approximately HK$70,758,000) for the year ended 31 December 2020. Dividend income from investment funds of approximately HK$12,006,000 (2019: HK$1,636,000), aggregated income generated from fair value gains on financial assets of fair value through profit or loss and share of net profits of associates accounted for using the equity method of approximately HK$43,419,000 (2019: HK$2,511,000) also increased overall income of the Group. For the year ended 31 December 2020, income of the Group amounted to approximately HK$382,750,000, representing an increase of approximately 22% as compared with last year. Income from CRMS, IM and SDI businesses accounted for approximately 56%, 29% and 15% of the Group's total income for the year ended 31 December 2020 respectively.

Other income

The Group's other income was approximately HK$11,144,000 (2019: approximately HK$10,745,000), representing an increase of approximately 4% as compared with last year. The increment was mainly due to net impact of sundry income generated from the provision of miscellaneous services by idle staff to third parties, interest income from financial asset at fair value through profit and loss, and drop of bank interest income.

Operating expenses

In terms of expenses, the Group continued to exercise stringent cost discipline. Total expenses increased from approximately HK$373,245,000 for the year ended 31 December 2019 to approximately HK$387,540,000 for the year ended 31 December 2020. During the year, the Group recorded amortisation expense and non-recurring expense including impairment provision for and write off of intangible assets of approximately HK$20,745,000 and HK$7,204,000 respectively. These expense items had no impact on cash flows.

Profit Attributable to Equity Holders of the Company

The Group's profit attributable to equity holders of the Company for the year ended 31 December 2020 was approximately HK$17,254,000, while the Group's loss attributable to equity holders of the Company for the year ended 31 December 2019 was approximately HK$38,852,000. The turnaround of profit attributable to equity holders of the Company for the year ended 31 December 2020 was mainly attributable to the net positive impact from improved performance of operating segments.

CRMS BUSINESS

Business Review

Customers in Telecommunications Industry

In 2020, the Group continued to provide services to established telecommunications service providers. The Group continued to seek further cooperation with customers in the telecommunications industry, as well as business opportunities with other telecommunications service providers. The Group has successfully acquired service contracts from new customers, details of which are set out in the paragraph - "New Customers" of this announcement. However, due to the fierce competition in the CRM and telecommunications industry and the economic impact of COVID-19, there was a decrease in income of the Group from telecommunications service providers for the year ended 31 December 2020 of approximately 10.5% as compared with last year.

During the second quarter of 2020, the Group started to operate a new project for a client in the telecommunications industry: Mobile Virtual Network Operator project. The project provides corporate, agential and end customer's service hotline, complain handling, live chat customer service and new subscriber information review service to a mobile virtual network operator ("MVNO"). The Group has years of operational experience in the industry to facilitate the launch of the project. It has been running smoothly and developing steadily during the year under review.

The Group has made use of its profound knowledge in the telecommunications industry and launched successfully in December, 2020 a new project: South China Customer Service Centre project. The Group provides human resource and management services for the client at the client's operational site. The project mainly provides business inquiry, service failure report and handling, complain handling and other call centre related support services. Although the project is still in its earliest stage, the Group believes that the performance of the project is promising.

Customers in Non-Telecommunications Industries

In 2020, the Group continued to develop its non-telecommunications customer base through active negotiation with potential customers in various industries such as finance, broadcast communication, social welfare, food and beverage, slimming and beauty shops, education, information technology, banking, exposition and property development and has successfully acquired service contracts from new customers. However, due to the economic impact of COVID-19, there was a decrease in income of the Group from non-telecommunications customers for the year ended 31 December 2020 of approximately 3.9% as compared with last year.

During the second quarter of 2020, the Group started to operate two new projects for clients in non-telecommunications industries: E-commerce project and Premium Membership Card Promotion project.

The E-commerce project undertakes certain operational tasks for a self-owned e-mall of a customer in the financial industry, including arranging promotional campaign materials, operating campaigns on various platforms, organizing sale event, coupons issuing, back-end review and release of merchandises. Professional operators are dispatched to the operational site of the customer. Income is generated from the monthly service fee. The project was running smoothly during the year under review.

The Premium Membership Card Promotion project is to promote the premium membership card of a customer in the tourist industry and acquire new card members for the customer. The Group has launched promotional campaigns on certain platforms free of charge such as WeChat. After the potential users see the promotional advertisements and scan the QR codes, they are redirected to the system to fill in their information and membership cards are applied. The customer will then issue membership cards to the applicants. Commission income is calculated based on monthly assessment. The project is in its early stage and does not incur much additional cost.

The Group continued to cooperate with and provide CRM services to well-established customers and customers with business established outside Guangdong Province, China. These customers have stronger demand for the Group's services in line with their development and expansion. With the new and established customers, the Group has built a consolidated customer base and they have witnessed the achievement of the Group's development in non-telecommunications industries.

Multi-Skill Training

Benefiting from the government's favorable training policy for CRM industry in China, the Group provided various training programs for its staff, including a multi-skill-and-management training program. This training program is designed to imbue experienced operators with skills that will allow them to work on multiple projects. This makes the project teams more versatile and better allocates the Group's resources. Consequently, operators that would otherwise be idle can now serve customers of different projects. That has significantly enhanced the Group's efficiency, particularly in small projects with volatile call volume.

An additional benefit of the training program is the further improvement in service quality. The multi-skill operators who have attended at least two structured training programs have demonstrated superior performance in terms of customer satisfaction and telesales success rate. The Directors believe that the operators with multi-skills can form an elite CRM team that particularly caters high-end customers.

CRM Service Centres

The Group has established four CRM service centres and the production capacity is at an impressive level of 4,500 seats, securing the Group's leading position in China. During the year under review, the Group continued to improve facilities and environment of its CRM service centres so as to enhance the general operational efficiency.

New Customers

During the year under review, the Group entered into service contracts with the following major customers for the provision of CRM services.

Customer	Service	Contract date
China United Network Communications Co., Ltd. Qingyuan City Branch (中國聯合網絡通信有限公司清遠市分公司)	Telesales	March 2020
China United Network Communications Co., Ltd. Kunming City Branch (中國聯合網絡通信有限公司昆明市分公司)	Telesales	March 2020
China Unicom Womusic Culture Co., Ltd. (聯通沃音樂文化有限公司)	Telesales	May 2020
China United Network Communications Co., Ltd. Taishan City Branch (中國聯合網絡通信有限公司台山市分公司)	Telesales	May 2020

Awards and Certification

In March 2020, China Elite Info. Co., Ltd. ("China Elite") obtained the ISO 14001:2015 (Registration No. USA20E40691R1S).

In March 2020, China Elite obtained the ISO 45001:2018 (Registration No. USA20S20692R1S).

Internet CRM

During the year under review, the Group continued to provide Internet CRM service named Intelligent Internet Chat Application ("iChat") service, to established telecommunications service providers as well as customers in non-telecomunications industries. The users' usage pattern nowadays is shifting from traditional voice services to value-added online services, therefore Internet CRM service will be the focus of the Group. With the introduction of iChat service, the labour force structure of the traditional CRM service has been optimized. Furthermore, iChat service creates unique value to the Group's customers. The Group believes that by changing the cost structure and increasing the income source, the service will enhance profit margin of the Group.

In order to meet the requirements of market development, the Group continued to invest in research and development, and achieved a series of results, including: Shenghua A.I. telephone robot system (EliteUCVAI), integrated customer service system (EUC) and 20 other software copyrights.

Development

Reference is made to the composite offer and response document dated 6 December 2018 (the "Composite Document") jointly issued by the Company and Hony Gold Holdings, L.P. (the "Offeror"). As disclosed in the Composite Document, the Offeror intended to continue the development of the CRMS business of the Group in three ways, namely (i) improvement of infrastructure for the CRMS business; (ii) development of business with existing customers; and (iii) possible development of CRMS business with new customers introduced by the Offeror.

(i) Improvement of infrastructure

Based on the review of the business operation and financial position of the Group, in light of the adverse business environment, the Group intends to defer some of the infrastructure upgrades and business developments in respect of the CRMS business until there is more clarity in the market conditions.

With the emergence of "portable number transfer" service and 5G technology, and the gaining momentum in 5G licensing in Hong Kong, the Group will continue to explore cooperation with operators to carry out related sales business projects in the future. The Group is adjusting its approach to identify and explore new business opportunities brought about by new technologies such as artificial intelligence, big data processing and virtualization.

(ii) ***Development of business with existing and new customers***

The Group has continued to provide services to established telecommunications service providers and strive to increase the presence of its CRMS business in the PRC market and the possibility of developing non-telecommunications markets and has been constantly seeking business improvement.

During the year under review, the Group has entered into service contracts with new customers and customer with business established outside Guangdong Province, China for the provision of telesales services including Qingyuan City Branch, Kunming City Branch, Taishan City Branch and a subsidiary of China United Network Communications Co., Ltd..

The Group has continued to develop new business initiatives through various projects. During the year under review, the Group has operated two new projects for clients in the telecommunications industry. The Group has also operated two other new projects for clients in non-telecommunications industries. For details of such projects, please refer to the paragraphs — "Business Review — Customers in Telecommunications Industry" and "Business Review — Customers in Non-Telecommunications Industries" of this announcement.

(iii) ***Possible development with new customers introduced by the Offeror***

During the year under review, the Group has made major effort in developing the CRMS business with clients in non-telecommunications industries covering:

- Food and Beverage – The Group negotiated with a few food chain stores to provide order hotline, online ordering and other client related services.
- Healthcare – The Group negotiated with a hospital management company to provide telephone appointment and customer hotline services.
- Media – The Group negotiated with different online shopping and internet service providers and cable TV companies to provide online customer services.
- Tourism – The Group commenced negotiation with three tourist companies in Mainland China to provide online bookings, booking hotline and client relationship management.

- Insurance – The Group's wholly-owned subsidiary has an insurance agency license issued by the PRC government, and its business includes online and offline sales. The Group expects to provide specialized telemarketing and online sales services to insurance companies based on big data and artificial intelligence.

- Retail – The banking industry continues to transform and the Group plans to open up the market to the banking industry. At present, the Group has cooperated with a Chinese bank in financial business process outsourcing and will use this as a basis to develop businesses with more banks. The Group made some progress to establish initial commercial contacts with an international bank card financial service provider. The Group will vigorously deepen the sales and support service to banking products by applying artificial intelligence and big data.

Prospects

The Group is committed to enhancing the penetration in the PRC market and exploring the possibility of developing the non-telecommunications market. The Group expects that the launch of the 14th Five-Year Plan will bring new market opportunities and will attract more customers to recognize the importance of the Group's professional services and may cooperate with the Group to reduce operating costs, expand their market and enhance their customers' loyalty management. The Group expects to enter into service agreements with these potential customers.

Within the technologically innovative environment in China, including but not limited to the growth of 4G mobile communications, the rapid development of 5G mobile communication technologies, the popularization of mobile Internet in daily life, the emerging of "Smart City" related applications and the "Internet Plus" strategy, the Directors expect that there will be more opportunities in the PRC market for the Group to develop its business. Now that the Mainland China has entered into the "portable number transfer" and 5G commercial eras, and the gaining momentum in 5G licensing in Hong Kong, the Group will continue to conduct in-depth cooperation with operators to carry out related sales business projects in the future.

The market trend changes and the artificial intelligent ("A.I.") industry rises so the Group will be exploring the application of A.I. technology in iChat to optimize its services. Furthermore, the PRC government has become more supportive of the development of A.I. industry. The Directors believe that the applications of A.I. will become an irresistible trend and will further invest the Group's resources in the research and development of CRM related A.I. applications, and seek further business opportunities.

In addition, the Group has the intellectual property rights of certain A.I. voice technology. As the A.I. application service matures, the Group will also accelerate the pace of applying A.I. technology to CRMS business, thereby increasing service-added value.

In 2021, the Group will continue to identify business opportunities with government departments and companies with operations outside the provinces of Guangdong Province, China. In addition, the Group is leveraging on the Group's resources and applying its knowledge in non-telecommunications industries and is expected to provide CRM services to a large food chain company as well as CRM services and mobile communication sales for pay TV members.

IM BUSINESS

Business Review

The first quarter of 2020 was a challenging period for the fund management industry. Nobody could have predicted at the start of 2020 that large parts of the global economy would be brought to a sudden stop by COVID-19. Equities fell sharply, with the worst performance coming in March and this caused some redemptions from some of our investors due to liquidity crisis. Consequently, the Group has to make some necessary impairment on our intangible assets in the first half of the year.

During the second quarter of 2020, as central banks and governments provided enormous amounts of stimulus and economies started to reopen, both the equities and credit market rebounded from the first quarter sharp decline to end the year with some record highs.

Overall, during 2020 the Group continued to develop its IM business in accordance with our plan. The redemptions from the first quarter were mostly offset by new inflows and although market was volatile due to COVID-19, through proper risk control and continuous adjustment made to the market exposure of our investment strategies, our asset under management remained stable with an overall moderate growth in most of our funds and investments.

The Group has continued to make steady progress in developing its proprietary algorithm-based methods for asset allocation, manager selection and risk management. This initiative will continue to be an important focus for the IM business in 2021. In parallel to the above, the Group will continue to transform its business through digitalization in areas including investment research, idea generations and improving investor experience.

The Group has successfully obtained RQFII licence which will allow our investment funds to invest directly in mainland onshore financial instruments using foreign capital and hence enhances our access to a much broader range of products across the capital structure.

In the second quarter of 2020, the Group has built up our mainland domestic asset management business to broaden and make new product offerings to mainland investors.

Prospects

Looking ahead, we anticipate that 2021 will return gradually to normalcy with sustained recovery, in which sectors affected by the pandemic will improve. The size of this recovery will, of course, be influenced by the scale of the contraction in 2020, as well as by breakthroughs in vaccine research and the immense levels of economic stimulus deployed. The recovery is expected to drive corporate earnings growth and asset appreciation over time. The Group is most positive about China and US, with China likely to be the biggest contributor to global GDP growth in 2021. There are also enough positives to suggest that equities will outperform bonds and cash. With greater confidence resulting from the vaccines, alongside continued technological innovation, and a recovery in global economic growth should provide a positive landscape for investors. While some challenges remain, we are alert to the opportunities and challenges that these present.

For our IM business, the challenge is to work out how best to take advantage of the recovery while guarding ourselves against unexpected shocks. The year's positive equity and fixed income returns remind that, with a solid investment approach and a commitment to staying the course, we can focus on building long-term wealth, even in challenging times.

The Group intends to continue its plan to develop its IM business with a focus on becoming a provider of products, solutions, platform and infrastructure as follows:

(1) The Group shall continue building sound track-records for all our products.

(2) The Group shall continue developing its asset allocation models and risk management models. These models, together with our fund products, enable us to provide holistic investment solutions to our clients – with a particular focus on Chinese investors investing into global markets and global investors investing into Chinese markets.

(3) The Group shall promote its funds to institutional clients and family offices to extend our client base geographically and increase our assets under management. We will continue to develop our business relationships with financial institutions, mainly banks and insurance companies, product distributors like securities companies, high net worth individuals and large conglomerates, both in China and outside China.

(4) The Group shall continue its investment in financial technologies and in our operating platform to enhance our client services, risk management and operations capabilities to support our diversifying set of products and business services.

The Group shall continue with its prudence approach in building up the IM revenue along with our CRMS business. The Group remains positive that Hong Kong and China offer attractive long term investment opportunities with limited correlation to other markets and local investment managers with the right expertise could deliver risk adjusted returns.

SDI BUSINESS

Business Review

SDI is to leverage on the Group's human and physical capital in pursuit of outstanding risk-adjusted returns. This also strategically supports growth of the Group's new business initiatives such as the IM segment. The investments include funds, debt and equity investments and exchange traded funds ("ETF"). Having taking into consideration of the cash requirements of the Group for the next 12 months and the level of cash and cashflow position of the Group, the Group continued to make investments to generate better return on idle cash for the Group and made positive returns in these investments managed by the Group's subsidiary Goldstream Capital. The Group is encouraged by the results from this new initiative through effective deployment of Group's resources, investment management and risk management expertise, and will continue to develop it along with the CRM and IM businesses.

Prospects

The Group will continue to look for investment opportunities for the Group to enhance the return on its financial resources as a whole. The Group recognises market instability and volatility, and struck a balance between the risk and return, especially at a time of great uncertainty. Our cautious and balanced allocation among Chinese and global assets, together with diversified strategies investing into different markets, are expected to deliver relatively stable returns to our investments. If we succeed in building a good track record in such a difficult time, we expect to attract more clients for our IM business once the market calms down.

EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the reporting period up to the date of this announcement.

CAPITAL STRUCTURE

As at 31 December 2020, the Group's shareholders' equity was approximately HK$829,782,000 and the total number of shares issued was 11,346,472,321. The Group obtained an unsecured, non-interest bearing loan from a former director, Mr. Li Kin Shing in November 2018 and approximately HK$214,999,000 was drawn down as at 31 December 2020. The loan will mature and be repayable in full on 29 May 2022. As at 31 December 2020, the gearing ratio (being ratio of total borrowings outstanding less cash and deposits to the sum of total equity and total borrowings) was therefore not applicable.

MATERIAL ACQUISITIONS AND DISPOSALS

During 2020, the Group provided seed capital in two investment funds, of which the Group acts as the investment manager. Where the Group has an interest in the investment funds the Group has significant influence, but not control, the Group records such investments as associates. For details, please refer to note 11. The Group did not have any other material acquisition and disposal of subsidiaries, associates and joint ventures during the year under review.

INVESTMENT

The Group provides investment management services to our clients and also make strategic direct investment on behalf of the Group. As at 31 December 2020, the Group recorded strategic direct investments of approximately HK$341,487,000. Given that the Group is engaged in making strategic direct investments in various listed and unlisted financial instruments through investment funds. The Board considers investments with a carrying amount that accounted for more than 5% of the Group's total assets as at 31 December 2020 as significant investments.

As at 31 December 2020, the Group has financial assets at fair value through profit or loss with details as follows:

	Note	**Market/fair value as at 31 December 2020**	Dividend income received during the year	Net realised/ unrealised fair value gain/(loss) during the year	Carrying value as at 31 December 2019	Percentage of individual investment to the Group's total assets as at 31 December 2020	Percentage of individual investment to the Group's total financial assets at FVPL as at 31 December 2020
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*		
Investment A	*(a)*	**60,399**	9,996	9,730	78,000	4.8%	17.5%
Other investments	*(b)*	**285,011**	2,010	13,263	89,125		
		345,410	12,006	22,993	167,125		

Notes:

(a) The balance is related to the Group's investment in a non-listed pooled investment fund, Prelude Opportunity Fund, LP., (the "Prelude Fund") organised for the purpose of generating capital appreciation by investing the fund's assets through a number of managed accounts held in the name of the Prelude Fund ("Sub-Account"). During 2020, the Group had an investment balance of HK$78,000,000 in one of the Sub-Accounts with unaudited asset under management value of HK$780,000,000, representing 10% of the assets of that Sub-Account. The unaudited Year-To-Date performance rate per annum of the Sub-Account was approximately 12% and dividend income received during the year amounted to HK$9,996,000. The investment returns met the Group's expectation in participating in this investment and the Group remained positive on the potential return it could bring in the future. Please refer to the announcements of the Company dated 1 July 2019 and 14 August 2019 for further details of the investment, including investment strategy of the Prelude Fund.

(b) The balance comprised the Group's investments in private funds which invest in a diversified portfolio of investments, including but not limited to fixed income securities, mortgage-backed securities and asset-backed securities etc. The Group also invests other financial assets including bonds, exchange traded fund, a portfolio of companies whose shares are listed on the Main Board or the GEM of the Stock Exchange of Hong Kong and the PRC. The business/investment sectors of the securities mainly relates to various industries, including but not limited to medical and healthcare, banking and insurance, information technologies, manufacturing and retail etc. Each of such investments has a market value or fair value that account for less than 5% of the Group's unaudited total assets as at 31 December 2020.

To mitigate relevant risks, the Group will optimise its investment strategies in response to market conditions. Save as disclosed above, the Group had no other significant investments held during the year. Details of the Group's investment objective and strategies are set out in the paragraphs — "SDI Business — Business Review and Prospects".

DIVIDENDS

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

DISCLOSURE UNDER CHAPTER 13 OF THE LISTING RULES

The Directors confirmed that they were not aware of any circumstances which would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Rules (the "Listing Rules") Governing the Listing of Securities on the Stock Exchange during the year under review.

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

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

CORPORATE GOVERNANCE

The Company has committed to maintaining high standards of corporate governance to protect the interests of the shareholders of the Company. The Company has complied with all the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 of the Listing Rules.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted its own code of conduct which is not more lenient than Appendix 10 of the Listing Rules. Upon requires made to each Directors by the Company, all Directors confirmed they have complied with the required standard set out in the code of conduct during the year ended 31 December 2020.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement and consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in this preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers. These figures were the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in respect of this announcement did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in accordance with the requirements of the CG Code. The primary duties of the audit committee are among others, to review and supervise the financial reporting processes and internal control procedures of the Group and to provide advice and comments to the Board accordingly. The audit committee consists of the three independent non-executive Directors of the Company, namely, Mr. Jin Qingjun, Mr. Lee Kin Ping Christophe and Mr. Shu Wa Tung Laurence. Mr. Shu Wa Tung Laurence is chairman of the audit committee.

The audit committee of the Company has reviewed the consolidated results of the Group for the year ended 31 December 2020.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The results announcement is published on Company's website (www.goldstreaminvestment.com) and the Stock Exchange's website (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2020 will also be available at the Company's and the Stock Exchange's websites and despatched to the Company's shareholders in due course.

By order of the Board
Goldstream Investment Limited
Zhao John Huan
Chairman

Hong Kong, 31 March 2021

As at the date of this announcement, the executive directors of the Company are Mr. Zhao John Huan, Dr. Lin Tun, Mr. Yuan Bing and Ms. Li Yin and the independent non-executive directors of the Company are Mr. Jin Qingjun, Mr. Lee Kin Ping Christophe and Mr. Shu Wa Tung Laurence.