盛源 SHENG YUAN

盛源控股有限公司

SHENG YUAN HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code : 851

ANNUAL REPORT 2020

SHENG YUAN HOLDINGS LIMITED
ANNUAL REPORT 2020

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Liu Yang (Appointed on 31 January 2020)
Mr. Zhou Quan
Mr. Zhao Yun (Re-designated on 25 March 2020)

Non-Executive Director

Mr. Huang Shuanggang (Appointed on 25 March 2020)

Independent Non-Executive Directors

Mr. Zhang Jinfan (Appointed on 6 May 2020)
Ms. Wen Han Qiuzi (Appointed on 19 June 2020)
Ms. Huang Qin (Appointed on 19 June 2020)
Ms. Fang Fang (Resigned on 6 May 2020)
Mr. An Dong (Resigned on 19 June 2020)
Mr. Fung Tze Wa (Resigned on 19 June 2020)

AUDIT COMMITTEE

Ms. Huang Qin *(Chairman)*
Mr. Zhang Jinfan
Mr. Huang Shuanggang

REMUNERATION COMMITTEE

Mr. Zhang Jinfan *(Chairman)*
Ms. Wen Han Qiuzi
Ms. Huang Qin

NOMINATION COMMITTEE

Mr. Liu Yang *(Chairman)*
Mr. Zhang Jinfan
Ms. Wen Han Qiuzi

COMPANY SECRETARY

Mr. Chiu Ming King *(FCIS FCS (PE))*
(Appointed on 8 May 2020)

STOCK CODE

851

WEBSITE

www.shengyuan.hk

SHARE REGISTRAR

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183 Queen's Road East
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL OFFICE IN HONG KONG

26/F, 238 Des Voeux Road Central
Sheung Wan, Hong Kong

AUDITOR

BDO Limited
Certified Public Accountants
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

SOLICITORS

Paul Hastings LLP
21–22 Floor
Bank of China Tower
1 Garden Road
Hong Kong

PRINCIPAL BANKERS

The Hong Kong and Shanghai Banking Corporation
Bank of China (Hong Kong) Limited

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

Financial Summary

The Group's business performance has improved substantially in the year of 2020 and performed better compare to the year of 2018 and 2019, despite of the negative impact from COVID-19. For the year ended 31 December 2020, the fee and commission income of the Group substantially increased to approximately HK$44.5 million, representing 406% increase as compared with approximately HK$8.8 million for the year ended 31 December 2019. Profit for the year ended 31 December 2020 was approximately HK$12.0 million, as compared with loss of approximately HK$77.4 million of the year ended 31 December 2019. Such overturn is primarily attributable to both increase in revenue and decreases in staff costs, finance costs, and other operating expenses for the year ended 31 December 2020.

Operation and Financial Results of Business Segments

Securities Brokerage and Financial Services

The Group provides securities brokerage and financial services via two of its subsidiaries, Sheng Yuan Securities Limited ("SYS") and Sheng Yuan Capital (Hong Kong) Limited ("SYC").

SYS is licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in future contract), and Type 4 (advising on securities) regulated activities under the Securities and Futures Ordinance ("SFO"). Through SYS, the Group provides underwriting and placing services in equity and debt capital transactions, securities and future brokerage services for securities, futures and options contracts, margin financing services, and custodian and handling services for client accounts on securities, futures, and options contracts. The fee and commission are based on certain percentage of the total transaction amounts. As at 31 December 2020, SYS had a total number of 5 employees. 2 employees are licensed as responsible officers to conduct Type 1, Type 2, and Type 4 regulated activities. 2 employees are licensed as representative to conduct both Type 1 and Type 4 regulated activities. As at 31 December 2020, SYS maintained 727 client accounts, which is largely unchanged compared to the number of client accounts as at 31 December 2019. There was approximately HK$12.6 million in client trust bank accounts, representing a 27% decrease from HK$17.4 million as at 31 December 2019. Such decrease was mainly due to clients withdrawing funds out of their accounts.

SYC is licensed to conduct Type 6 (advising on corporate finance) regulated activity under the SFO. SYC provides corporate advisory services, for a fee, to corporate clients for their corporate actions to ensure the client's compliance with the Listing Rules and the Takeovers Code. Such corporate actions include IPO, placing of shares and other securities, mergers and acquisitions, and business restructuring, etc. As at 31 December 2020, SYC had only 3 employee, 2 are licensed as responsible officer and 1 as representative to conduct Type 6 (advising on corporate finance) regulated activity under the SFO.

Revenue from securities brokerage and financial services during the year ended 31 December 2020 increased significantly by 8,688% to approximately HK$32.5 million (2019: approximately HK$0.4 million); segment result recorded a profit of approximately HK$24.4 million (2019: loss of approximately HK$12.7 million). Such increase in both revenue and profit were mainly because mainly due to the Group's effort to expand its securities brokerage and financial services business, which further led to the completion of multiple Debt Capital Market ("DCM") and Equity Capital Market ("ECM") projects during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

Asset Management

The Group provides asset management services via two of the Group's subsidiaries, Sheng Yuan Asset Management Limited ("SYAM") and Sheng Yuan Sino Asset Management Limited ("SYSAM"). Both SYAM and SYSAM are licensed to conduct Type 4 and Type 9 (asset management) regulated activities under the SFO. Via these two subsidiaries, the Group provides investment recommendations to clients on securities trading or portfolio management as an investment advisor, as well as investment management services for funds or discretionary accounts. The Group would charge a fixed rate management fee calculated based on value of the net assets within the funds or discretionary accounts, as well as a performance fee calculated based on increase in value of the net assets within the funds or discretionary accounts.

As at 31 December 2020, the asset management segment had 4 employees, of which 3 are employed by SYAM and 1 by SYSAM. Among the 3 employees of SYAM, 2 are licensed as responsible officers, and 1 as representative. The employee of SYSAM is licensed as responsible officer. All responsible officers and representatives at SYAM and SYSAM are licensed to conduct Type 4 and Type 9 regulated activities under SFO.

For asset management business, as at 31 December 2020, Sheng Yuan Asset Management Limited ("SYAM") acted as the fund manager or investment adviser for 1 funds and 3 discretionary accounts. The total assets under management (the "AUM") of SYAM increased by nearly 692% to approximately HK$1.8 billion for the year ended 31 December 2020 (2019: approximately HK$23.8 million). During the year ended 31 December 2020, SYAM recorded segment revenue of approximately HK$12.0 million (2019: approximately HK$8.5 million), representing an increase of approximately 42%; it recorded segment profit of approximately HK$3.3 million (2019: loss of approximately HK$16.3 million). The overturn from loss to profit was mainly due to the Group's efforts to develop business opportunities within this segment, as well as to stringent cost control imposed by the Group. SYAM knows well of the dynamics in the capital market and owns experienced investment team and unique analysis and advice.

Proprietary Trading

For proprietary trading business, the SYFS Group mainly invests in the listed shares and private funds in Hong Kong market. During the years ended 31 December 2020 and 2019, as the Group has no additional investment in proprietary trading business, the segment loss from proprietary trading business was approximately HK$0.5 million (2019: HK$7.1 million). Such loss was mainly due to allocation of various operating expenses.

As the Group focuses on the development of financial services business and the recovery of commodity market remains slow, the Group has continued to suspend its trading business for the year ended 31 December 2020. The segment loss for trading business for the year ended 31 December 2020 was approximately HK$0.4 million (2019: segment loss of HK$2.2 million).

Product Trading

As the Group focuses on the development of financial services business and the recovery of commodity market remains slow, the Group has continued to suspend its product trading business for the year ended 31 December 2019. The segment loss for product trading business for the year ended 31 December 2020 was approximately HK$0.04 million (2018: segment loss of HK$2.2 million). Since the suspension of product trading, the Group has maintained only the basic operation of the office but kept looking out for appropriate business opportunity to resume the product trading business should such opportunity arise.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS AND FUTURE PLANS

The global outbreak of COVID-19 made 2020 a particularly unusual year, and COVID-19 is undoubtfully the biggest disruptor to not only the world's economy, but also the everyday life in almost all countries. As a result, certain measures were undertaken by the governments, including but not limited to implementation of travel restrictions, and business shutdowns.

Looking forward to 2021, the market conditions for Hong Kong remain uncertain and continue to face new challenges, as the city is still trying to control and recover from COVID-19. According to the Government of HKSAR, Hong Kong economy is expected to resume growth in 2021, but the breadth and strength of the recovery are subject to the high uncertainty associated with the pandemic. Evolving China-US relations and geopolitical tensions are also risk factors that warrant attention. Due to the abovementioned factors, the Directors expect that there are still existences of uncertainties and adverse effects on the overall business of our Group with the weak economic conditions in Hong Kong. To cope with the challenging environments, the Group will continue to evaluate development opportunities to strengthen our competitive advantage through deploy more resources for seizing this market potential and broaden its revenue so as to generate value for Shareholders. The Directors are confident to achieve sustainable growth from 2021 and bring greater returns to our Shareholders.

The Group has formulated a business plan to enhance its financial positions, as well as to the develop its existing business operations. For securities brokerage business, the Group will utilize its expertise and network to secure DCM and ECM deals in order to generate underwriting income. The Group will also step up its efforts in asset management business by establishing additional funds of various types, developing more financial products, and expanding its customer base to keep abreast of the market trends by focusing on high-valued customers and potential professional investor groups. In addition, the Group will continue to expand its financial consultancy businesses including corporate finance advisory services and mergers and acquisitions transactions. Furthermore, the management team is dedicated to continually taking active steps to control the Group's operating costs and improve operating efficiency in order to generate greater returns to is shareholders. A shareholder's loan in the principal amount of HK$99,800,000 is owing by the Group to Yuanyin Holdings Limited ("YHL"). To further ease the Group's financial and liquidity burden and allow time for the Company to develop its business with the implementation with its new business plan, the parties have agreed to extend the maturity date of the shareholder's loan of HK$99,800,000 to 22 January 2023 with interest rate of 5% per annum.

Further, the management team has also taken active steps to obtain additional financial resources to provide additional capital for future expansion of its underwriting and other businesses. Yuanyin International Limited also signed a letter of commitment in favour of the Company pursuant to which a total loan facility of up to HK$50 million can be made available to the Company at the interest rate of 5% per annum for a term of one year. In addition, Yuanyin International Limited has signed a letter of commitment to provide an additional facility of up to HK$50 million in order to provide sufficient funding support to satisfy the Company's working capital and other financing requirements during the 12 months from 29 March 2021.

It is expected that with the successful implementation of these business plans, the Company may be able to generate positive cash flows from operations and significantly improving its operating performance.

MANAGEMENT DISCUSSION AND ANALYSIS

ACQUISITION AND DISPOSAL

There was no material acquisition or disposal during the year ended 31 December 2020.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2020, cash and bank balances in general accounts maintained by the Group were approximately HK$34.6 million, representing an increase of approximately 16% from approximately HK$29.8 million as at 31 December 2019. Balances in trust and segregated accounts were approximately HK$12.6 million (2019: HK$17.4 million). Trade and other receivables and prepayments were approximately HK$21.8 million as at 31 December 2020 (2019: HK$4.1 million), which mainly represented increased receivables from asset management and securities brokerage as due to the Group's effort to expand such businesses. Trade and other payables and accruals were approximately HK$15.9 million as at 31 December 2020 (2019: HK$18.7 million), which was due to decrease in trade payable from securities brokerage.

The Group's current assets and current liabilities as at 31 December 2020 were approximately HK$69.1 million (2019: HK$52.1 million) and approximately HK$21.0 million (2019: HK$121.2 million), respectively. The borrowings as at 31 December 2020 were approximately HK$105.0 million (2019: HK$100.1 million). The gearing ratio of the Group, measured as total debts to total assets, was approximately 131% as at 31 December 2020 (2019: 153%). As at 31 December 2020, the Group recorded net liabilities of approximately HK$51.0 million (2019: HK$62.8 million). During the year ended 31 December 2020, the Group financed its operations with internally generated cash flow and funds from borrowings.

FOREIGN EXCHANGE RISK MANAGEMENT

The Group's transactions are mainly denominated in Hong Kong dollars, United States dollars ("USD"), and Renminbi ("RMB"). The Group has not implemented any foreign currencies hedging policies. However, the Group's management will closely monitor exchange rate movement and will take appropriate actions to reduce the risks.

CAPITAL STRUCTURE

The Directors monitor the Group's capital structure by reviewing cash flow requirements and considering its future financial obligations and commitments. The capital structure of the Group comprises of issued share capital and reserves attributable to Shareholders. The Directors review the Group's capital structure regularly. There are no changes in capital structure during the year.

FUNDING AND TREASURY POLICY

The Group adopts a conservative approach for cash management and investment on uncommitted funds. We place cash and cash equivalents (which are mostly held in Hong Kong dollars, United States dollars and Reminbi) in short term deposits with authorized institutions in Hong Kong.

CONTINGENT LIABILITIES

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

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to the end of the reporting period, on 11 February 2021, a subsidiary of the Company entered into a conditional sale and purchase agreement for disposal of the 100% equity interest in a subsidiary, Sheng Yuan Sino Asset Management Limited, for a cash consideration of HK$1 million.

DIVIDEND POLICY

The Company has a dividend policy, the objective of which is to allow shareholders of the Company to participate in the Company's profits whilst retaining adequate reserves to sustain the Group's future growth. The declaration, form, frequency and amount of dividend paid by the Company must be in accordance with relevant laws and regulations and subject to the byelaws of the Company. In deciding whether to declare any dividend, the Board will take into account of a number of factors, including the financial results, the distributable reserves, the operations and liquidity requirements, and the current and future development plans of the Company. The Board will review the dividend policy of the Company as appropriate from time to time.

PLEDGE OF ASSETS

As at 31 December 2020, the Group did not have any pledged assets.

HUMAN RESOURCES

As at 31 December 2020, the Group employed 28 employees. The remuneration policy and package of the Group's employees are maintained at market level and are reviewed annually by management. In addition to basic salary, discretionary bonuses, mandatory pension fund and medical insurance scheme, share options may also be granted to eligible employees at the discretion of the Board and are subject to the performance of the individual employees as well as the Group.

The Group regards our staff as the most important asset and resource and provides regular training courses and a variety of development programs and has developed relevant training policies and procedures to enhance the effectiveness of such training programs.

During the Reporting Period, the Group has organized both internal and external training courses for employees. Such training courses covered topics including but not limited to industrial updates, compliance matters, occupational health and safety, etc.

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTOR

Mr. Liu Yang, aged 36, was appointed as an executive Director, Chairman of the Board and chief executive officer ("CEO") of the Company in January 2020. Mr. Liu received his Bachelor of Science degree in Mathematics and Applied Mathematics from Peking University, China. Mr. Liu has extensive experience in investment and management experience. Before joining the Company, Mr. Liu was the executive director of an investment management company. Mr. Liu is also currently an executive director and the CEO of Yuanyin Holdings Limited, a substantial shareholder of the Company.

Mr. Zhou Quan, aged 37, was appointed as an executive Director in May 2019. Mr. Zhou obtained his master's degree in accountancy from The George Washington University. Mr. Zhou has extensive experience in finance and accounting field. Currently, Mr. Zhou is the managing director of Yuanyin Finance Limited, a subsidiary of Yuanyin Holdings Limited.

Mr. Zhao Yun, aged 36, was appointed as a non-executive Director in May 2019 and re-designated as an executive Director in March 2020. Mr. Zhao obtained his master's degree in economics from Southwest Jiaotong University. Mr. Zhao had worked as a senior management with various large corporations in mainland China and gain extensive experience in corporate restructuring, IPO listing, business operations management, assets and capital management.

NON-EXECUTIVE DIRECTOR

Mr. Huang Shuanggang, aged 57, had served as the chief financial officer of Henan Zhaoteng Investment Co., Ltd. from 2010 to 2018 and a deputy director of Huajian Certified Public Accountants from 2000 to 2010. He had worked at Henan Guanghua Financial Accounting Co., Ltd. from 1993 to 2000 and the finance department of Zhongyuan Aluminum Plant from 1983 to 1993. Mr. Huang is currently a director of Yuanyin Holdings Limited, a substantial shareholder of the Company. Mr. Huang is a qualified accountant in the PRC. Mr. Huang has extensive experience in financial accounting, corporate management and investment management.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Zhang Jinfan, aged 40, received his Doctor of Philosophy ("PhD") in Finance from Yale University and PhD and Bachelor's degree in Electrical Engineering from Tsinghua University. Mr. Zhang has been an associate professor of finance in the School of Management and Economics and a co-director of Center for Macro-Financial Stability and Innovation under the Shenzhen Finance Institute of Chinese University of Hong Kong (Shenzhen) since 2017. Before that, Mr. Zhang worked as an economist in global macroeconomics in the Monetary Policy and Financial Markets Department of International Monetary Fund and an assistant professor in Cheung Kong Graduate School of Business. Mr. Zhang has extensive experience in research of finance and economics. His main research fields include financial institutions and markets, financial technology and Chinese economy.

BIOGRAPHICAL DETAILS OF DIRECTORS

Ms. Wen Han Qiuzi, aged 39, had served as the associate research professor at School of Mathematical Sciences, Peking University, the director assistant at National Engineering for Big data analysis and Application Technology from June 2019 to present. Before that, Ms. Wen was the research scientist at the Climate Research Division of Environment Canada, Toronto, Canada, and the Assistant researcher at Institute of Atmospheric Physics at Chinese Academy of Sciences, Beijing. Ms. Wen received her Ph.D. in statistics from York University, Toronto, Canada in 2010 and bachelor's degree in mathematical statistics from Peking University, Beijing, China in 2002. Ms. Wen has extensive experience in big data analysis and application technology, fintech technology, etc.

Ms. Huang Qin, aged 35, has served as the finance director of Eyebuydirect Group, a subsidiary of Essilor Group, a leading French optometry company, since 2019. Prior to this, Ms. Huang worked as a senior analyst in Shanghai Roche Pharmaceuticals Co., Ltd., as a senior auditor in Deloitte Touche Tohmatsu and engaged in other financial and audit related work. Ms. Huang received her master's degree in accounting from the California State University, Los Angeles in 2009 and bachelor's degree from Shanghai University of International Business and Economics in 2007. Ms. Huang has extensive experience in financial accounting and corporate management.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain high standard of corporate governance standards and procedures to safeguard the interests of all shareholders and to enhance accountability and transparency. The Company has complied with the code on corporate governance practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year ended 31 December 2020 except the following deviations:

The Code provision A.2.1 stipulates that the roles of the Chairman and the Chief Executive Officer should be separated and should not be performed by the same individual. Mr. Liu Yang was appointed as an Executive Director, CEO and the Chairman with effect from 31 January 2020. All major decisions are made in consultation with the Board members and the senior management of the Company. There are three Independent Non-Executive Directors in the Board. The Board considers that there is sufficient balance of power and safeguards in place, and the current arrangement would not impair the balance of power of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules as a code of conduct of the Company for directors' securities transactions. Having made specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions throughout the year ended 31 December 2020.

BOARD OF DIRECTORS

As at 31 December 2020, the Board comprised three Executive Directors, one Non-Executive Directors and three Independent Non-Executive Directors.

The composition of the Board's members during the year ended 31 December 2020 and up to the date of this report is as follows:

Executive Directors

Mr. Liu Yang *(Chairman of the Board and Chief Executive Officer)* (appointed on 31 January 2020)
Mr. Qiu Bin (resigned on 5 February 2020)
Mr. Zhou Quan (appointed on 2 May 2019)
Mr. Zhao Yun (appointed on 2 May 2019 as Non-Executive Director and re-designated to Executive Director on 25 March 2020)

Non-Executive Directors

Mr. Mu Hao (resigned on 25 March 2020)
Mr. Huang Shuanggang (appointed on 25 March 2020)

Independent Non-Executive Directors

Ms. Fang Fang (resigned on 6 May 2020)
Mr. Zhang Jinfan (appointed on 6 May 2020)
Mr. An Dong (resigned on 19 June 2020)
Mr. Fung Tze Wa (resigned on 19 June 2020)
Ms. Wen Han Qiuzi (appointed on 19 June 2020)
Ms. Huang Qin (appointed on 19 June 2020)

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2020, nine Board meetings were held. Details of the Directors' attendance records were as follows:

Name	Meetings attended/ Eligible to attend
Executive Directors	
Mr. Liu Yang (appointed on 31 January 2020)	7/7
Mr. Qiu Bin (resigned on 5 February 2020)	1/1
Mr. Zhou Quan (appointed on 2 May 2019)	8/8
Mr. Zhao Yun (appointed on 2 May 2019 as Non-executive Director, re-designated from Non-executive director to Executive Director on 25 March 2020)	8/8
Non-executive Directors	
Mr. Mu Hao (resigned on 25 March 2020)	4/4
Mr. Huang Shuanggang (appointed on 25 March 2020)	4/5
Independent Non-executive Directors	
Ms. Fang Fang (resigned on 6 May 2020)	6/6
Mr. Zhang Jinfan (appointed on 6 May 2020)	3/3
Mr. An Dong (resigned on 19 June 2020)	8/8
Mr. Fung Tze Wa (resigned on 19 June 2020)	8/8
Ms. Wen Han Qiuzi (appointed on 19 June 2020)	1/1
Ms. Huang Qin (appointed on 19 June 2020)	1/1

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2020, one general meeting was held. Details of the Directors' attendance records were as follows:

Name	Meetings attended/ Eligible to attend
Executive Directors	
Mr. Liu Yang (appointed on 31 January 2020)	1/1
Mr. Qiu Bin (resigned on 5 February 2020)	0/0
Mr. Zhou Quan (appointed on 2 May 2019)	1/1
Mr. Zhao Yun (appointed on 2 May 2019 as Non-executive Director, re-designated from Non-executive director to Executive Director on 25 March 2020)	1/1
Non-executive Directors	
Mr. Mu Hao (resigned on 25 March 2020)	0/0
Mr. Huang Shuanggang (appointed on 25 March 2020)	1/1
Independent Non-executive Directors	
Ms. Fang Fang (resigned on 6 May 2020)	0/0
Mr. Zhang Jinfan (appointed on 6 May 2020)	1/1
Mr. An Dong (resigned on 19 June 2020)	1/1
Mr. Fung Tze Wa (resigned on 19 June 2020)	1/1
Ms. Wen Han Qiuzi (appointed on 19 June 2020)	0/0
Ms. Huang Qin (appointed on 19 June 2020)	0/0

The Board is responsible for formulation of the Group's strategies and policies, approval of annual budget and business plan, and supervising the management of day-to-day operation of the Group to ensure the business objectives are met. In addition, the Board has also delegated various responsibilities to the remuneration committee (the "Remuneration Committee") and the audit committee (the "Audit Committee") of the Company. Further details of these committees are set out in this report.

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2020, the Board has reserved for its decisions all major matters of the Group including:

1. discussion on the Group's strategies and future development;

2. review of the term of appointment of Directors;

3. discussion on and approval of the financial results of the Group and the recommendation of any dividend;

4. approval of the appointment and resignation of Directors;

5. approval of the change of senior management;

6. approval of the change of company secretary and authorized representative;

7. review of the interim results of the Group for the six months ended 30 June 2020;

8. review of internal control system and risk management of the Group;

9. approval of the borrowing of term loans and renewal of the borrowings;

10. matters as required by laws and ordinance;

11. approval of communication and submissions to regulatory authorities.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Directors are continually updated on developments in the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. Continuing briefing and professional development for Directors will be arranged at the expenses of the Company whenever necessary.

The Directors are committed to complying with the Code provision A.6.5 on Directors' training. All Directors have participated in continuous professional development to develop and refresh their knowledge and skills and provided their training records for the financial year ended 31 December 2020 to the Company.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company has not adopted A.2.1 of the Code by appointing separate individual to take up the roles of the chairman and chief executive officer. In the absence of a chairman, the executive Director will be responsible for the management of the Board and ensure good corporate governance practices will be implemented.

The Non-Executive Directors (including independent Non-Executive Directors) are appointed for a specific term subject to retirement by rotation and re-election as required by the bye-law of the Company (the "Bye-Law").

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

The Company has established the Remuneration Committee with specific written terms of reference which deals clearly with its authority and duties. The principal duties of the Remuneration Committee include:

1. to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management;

2. to determine the specific remuneration packages of all Executive Directors and senior management and make recommendations to the Board of the remuneration of Non-Executive Directors;

3. to review and approve performance-based remuneration from time to time;

4. to review and approve the compensation payable to Executive Directors and senior management and compensation arrangements relating to dismissal or removal of Directors for misconduct; and

5. to ensure that no Director or any of his associates is involved in deciding his own remuneration.

Currently, the members of the Remuneration Committee are Mr, Zhang Jinfan (Chairman), Ms. Wen Han Qiuzi and Ms. Huang Qin. During the year ended 31 December 2020, the Remuneration Committee held four meetings. The attendance of individual members was set out in the following table.

Name	Meetings attended/ Eligible to attend
Ms. Fang Fang (resigned on 6 May 2020)	3/3
Mr. Zhang Jinfan (appointed on 6 May 2020)	1/1
Mr. Fung Tze Wa (resigned on 19 June 2020)	4/4
Mr. An Dong (resigned on 19 June 2020)	4/4
Ms. Huang Qin (appointed on 19 June 2020)	0/0
Ms. Wen Han Qiuzi (appointed on 19 June 2020)	0/0

NOMINATION COMMITTEE

The Nomination Committee was established with specific written terms of reference which deals clearly with its authority and duties. The principal duties of the Nomination Committee include:

1. to review the structure, size and composition of the Board and make recommendations for changes as necessary, to identify individuals suitably qualified to become board members and select or make recommendations to the Board on the selection of, individuals nominated for directorships, to assess the independence of independent non-executive Directors, and 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 CEO. The Nomination Committee should meet at least once a year and when the need arises.

2. to identify, recruit and evaluate new nominees to the Board and assess the qualifications of the directors. The criteria adopted to select and recommend candidates for directorship includes the candidate's experience, professional knowledge, integrity, time commitment and other statutory or regulatory requirements.

CORPORATE GOVERNANCE REPORT

The Board has adopted a Board Diversity Policy (the "Policy") to comply with the Code Provision on board diversity. The Policy aims to set out the approach to achieve diversity in the Board to ensure that the Board has the balance of skills, experience and diversity of perspectives, including but not limited to gender, age, cultural and educational background, professional experience, knowledge and skills. In identifying suitable candidates, the Nomination Committee will consider candidates on merit and against the objective criteria with due regard for the benefits of diversity on the Board.

The Nomination Committee currently consists of three Directors namely Mr. Liu Yang (Chairman), Mr. Zhang Jinfan and Ms. Wen Han Qiuzi. During the year ended 31 December 2020, the Nomination Committee held four meetings. The attendance of individual members was set out in the following table.

Name	Meetings attended/ Eligible to attend
Mr. An Dong (ceased to be the chairman and member on 31 January 2020 and resigned on 19 June 2020)	1/1
Mr. Liu Yang (appointed on 31 January 2020)	3/3
Ms. Fang Fang (resigned on 6 May 2020)	3/3
Mr. Fung Tze Wa (resigned on 19 June 2020)	4/4
Mr. Zhang Jinfan (appointed on 6 May 2020)	1/1
Ms. Wen Han Qiuzi (appointed on 19 June 2020)	0/0

During the meetings, the Nomination Committee reviewed the composition of the Board member.

AUDIT COMMITTEE

The Company has established the Audit Committee with specific written terms of reference which deals clearly with its authority and duties. The principal duties of the Audit Committee include:

1. to make recommendations to the Board on the appointment, reappointment and removal of the external auditors, and review and monitor their independence and objectivity as well as the effectiveness of the audit process;

2. to approve the remuneration and terms of engagement of external auditors, maintain appropriate relationship between the Group and the external auditors and develop policy on the engagement of the external auditors to supply non-audit services;

3. to ensure the integrity of the interim and annual consolidated financial statements and any significant financial reporting judgments contained in them; and review the external auditors' work, including management letter and management's response; and

4. to review the Company's internal control and risk management systems.

CORPORATE GOVERNANCE REPORT

Currently, the members of the Audit Committee are Ms. Huang Qin (Chairman), Mr. Huang Shuanggang and Mr. Zhang Jinfan. During the year ended 31 December 2020, the Audit Committee held two meetings and the attendance of individual members was set out in the following table.

Name	Meetings attended/ Eligible to attend
Mr. An Dong (ceased as member on 25 March 2020 and resigned on 19 June 2020)	0/0
Ms. Fang Fang (resigned on 6 May 2020)	1/1
Mr. Fung Tze Wa (resigned on 19 June 2020)	1/1
Mr. Huang Shuanggang (appointed on 25 March 2020)	2/2
Mr. Zhang Jinfan (appointed on 6 May 2020)	1/1
Ms. Huang Qin (appointed on 19 June 2020)	1/1

During the year ended 31 December 2020, the Board had no disagreement with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditors.

COMPANY SECRETARY

Mr. Chiu Ming King ("Mr. Chiu") has been appointed as the Company Secretary and an Authorized Representative on 8 May 2020. Mr. Chiu currently serves as an Executive Director of Corporate Services of Vistra Corporate Services (HK) Limited. He has over 15 years of experience in the company secretarial field. He is currently the joint company secretary/secretary of various listed companies in Hong Kong. Mr. Chiu has been an associate member of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries ("HKICS") since 2003 and became a fellow member of the HKICS since September 2015. He is also a holder of the Practitioner's Endorsement Certificate issued by HKICS. He has been a council member of HKICS from 2020, vice-chairman of the Membership Committee and chairman of Professional Services Panel of HKICS. Mr. Chiu obtained a Bachelor of Arts from University of Toronto in Canada in June 1999 and received a Master of Arts in professional accounting and information systems from City University of Hong Kong in November 2003.

Ms. Chan Mei Wa, aged 37, who resigned as the Company Secretary of the Group on 8 May 2020, joined the group on 9 March 2020. Ms. Chan holds a Bachelor of Business Administration in Accounting from the Hong Kong University of Science and Technology. Ms. Chan had served as the deputy financial controller of China Asset Management (Hong Kong) Limited from 2015 to 2019 and a senior associate of JPMorgan Chase from 2011 to 2015. Before that, Ms. Chan had worked for the assurance division at Ernst Young. Ms. Chan has over ten years of accounting and auditing experience in the financial services industry, and is a certified public accountant of the Hong Kong Institute of Certified Public Accountants.

Ms. Chan confirmed that she has no disagreement with the Board and there is no matter relating to her resignation that needs to be brought to the attention of The Stock Exchange of Hong Kong Limited or the shareholders of the Company.

CORPORATE GOVERNANCE REPORT

AUDITOR'S REMUNERATION

During the year ended 31 December 2020, the remunerations payable to the auditor of the Company, BDO Limited, are set out as follows:

Name	Services rendered Fee payable HK$'000
Audit services	1,300
Non-audit services	530

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is directly responsible for internal control of the Group and for reviewing its effectiveness. The Board conducts a review on the internal control system of the Group on an annual basis and has the responsibility to maintain an effective internal control system. The Board also reviews and monitors the effectiveness of the internal control and risk management systems on a regular basis to ensure that the systems in place are adequate.

The Group's internal control system is comprised of a system of controlled management wherein various authoritative limits are placed to ensure that the Group is able to supervise, control and assess various functions within Group. The system further permits the Group to safeguard its accounting records to minimize material errors in order to provide as accurate as possible financial information.

During the year under review, the Company engaged an external independent consultant to conduct a review on the internal control system of the Group in order to maintain high standards of corporate governance. The Board has also reviewed the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function. Based on the above, the Board is of the view that the Company has established a proper internal control system which is effective and adequate.

The Company have formulated an inside information policy providing guideline on handling inside information. The Company regularly reminds the Directors and employees about compliance with all policies adopted by the Company regarding inside information including the Model Code set out in Appendix 10 of the Listing Rules in relation to dealings in securities of the Company.

CORPORATE GOVERNANCE REPORT

RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Group in accordance with statutory requirements and applicable accounting standards. The statement of the auditor of the Company, BDO Limited, about their reporting responsibilities on the consolidated financial statements of the Group is set out in the independent auditor's report on pages 47 to 51 of this annual report. Saved as disclosed in the independent auditor's report under the heading "Material Uncertainty Related to Going Concern", the Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern as at 31 December 2020.

The Directors wish to make the following statement with regard to the Material Uncertainty Related to Going Concern in the independent auditor's report:

As at 31 December 2020, the Group had net liabilities of approximately HK$51 million (2019: approximately HK$63 million) that included borrowings with a principal amount of approximately HK$100 million (2019: HK$100 million) from a wholly-owned subsidiary of the Company's substantial shareholder, Yuanyin Holdings Limited, which will be due in January 2022.

These conditions indicate the existence of a material uncertainty which may cast doubt on the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Given the above conditions, the Company's directors have prepared a cash flow projection ("Projection") for a period of twelve months after the end of the reporting period, after taking into consideration the following:

- Subsequent to the end of the reporting period, the substantial shareholder, Yuanyin Holdings Limited, has agreed to provide sufficient working capital to satisfy the Group's working capital and other financing requirement and the Company has entered into an extension agreement with the lender to extend the loan to January 2023 (Note 25); and

- The Group is working on expanding its operations through soliciting new customers and shall continue to apply various measures to tighten its operating expenditures in order to improve its financial performance and cash flows.

Based on the above measures, the Company's directors are of the opinion that the Group will be able to generate sufficient working capital to finance its operations and meet its financial obligations as and when they fall due within the forecast period under the Projection. Accordingly, the consolidated financial statements are prepared on a going concern basis.

CORPORATE GOVERNANCE REPORT

NEW DETAILS OF THE NON-QUALIFIED OPINION

Considered that adequate disclosures of management judgement on such material uncertainty and mitigating factors has been made, the auditor's opinion would not be qualified in this respect, but such matter will be highlighted in the section headed "Materiality Uncertainty related to Going Concern" in the auditor's report.

INVESTOR RELATIONS AND SHAREHOLDERS' RIGHTS

The Board is committed to providing clear and full performance information of the Group to Shareholders through the publication of interim and annual reports. In additional to dispatching circulars, notices, financial reports to Shareholders, addition information is also available to Shareholders from the Group's website. Shareholders are encouraged to attend the annual general meeting for which at least 20 clear business days' notice is given. The chairman and Directors are available to answer question on the Group's business at the meeting.

Pursuant to the Bye-laws, Shareholders 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 a special 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.

Pursuant to rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. Accordingly, all the resolutions put to vote at the annual general meeting will be taken by way of poll. The chairman of the annual general meeting will explain the detailed procedure for conducting a poll at the commencement of the annual general meeting.

Shareholders who have enquiries to put to the Board may write to the company secretary of the Company at the principal place of business in Hong Kong at 26/F, No. 238 Des Voeux Road Central, Sheung Wan, Hong Kong. The Company will not normally deal with verbal or anonymous enquiries. For the avoidance of doubt, the Shareholder(s) must provide their full name, contact details and identification in order that the Company can give them a reply.

The Group values feedback from Shareholders on its effort to promote transparency and foster investor relationships. Comments and suggestions are always welcomed.

CONSTITUTIONAL DOCUMENTS OF THE COMPANY

During the year ended 31 December 2020, the Company has not made any changes to the Bye-laws. An updated version of the Bye-laws is available on the websites of the Company and the Stock Exchange.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION, ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICIES

This Environmental, Social and Governance Report (the "ESG Report") summarises the environmental, social and governance ("ESG") initiatives, plans and performances of Sheng Yuan Holdings Limited (the "Company", together with its subsidiaries, the "Group" or "we"), and demonstrates our commitment to sustainable development.

The Group believes sustainability is a key to achieve continuous success, therefore we have integrated this concept into our business strategy. In order to pursue a successful and sustainable business model, the Group recognises the importance of integrating ESG aspects into our risk management system. We adhere to the ESG management direction in accordance with the concept of sustainable development, and are committed to progressing effectively and responsibly against ESG affairs.

The ESG Governance Structure

The Group has established the ESG taskforce (the "Taskforce"). The Taskforce comprises core members from different departments of the Group and is responsible for collecting relevant information on ESG aspects for the preparation of the ESG Report. The Taskforce reports to the Board of Directors (the "Board") on a regular basis, assists in identifying and assessing the Group's ESG risks, and assesses the effectiveness of the Group's internal control mechanism. The Taskforce also examines and evaluates the performance in different aspects such as environment, labour standards, and product responsibility in the ESG perspectives. The Board sets the general direction of the Group's ESG strategy and ensures the effectiveness of ESG risk management and internal control mechanism.

REPORTING SCOPE

This ESG Report generally covers the Group's business and operational activities in Hong Kong, including the securities brokerage and financial services segment, as well as the asset management services segment, which represent the Group's major sources of revenue. The Group will continue to access the major ESG aspects of different businesses and extend the scope of disclosures when and where applicable.

REPORTING FRAMEWORK

The ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") as set out in Appendix 27 of the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited ("HKEX").

Information relating to the Group's corporate governance practices has been set out in the Corporate Governance Report on pages 10 to 19 of this annual report.

REPORTING PERIOD

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

STAKEHOLDER ENGAGEMENT

We value our stakeholders and their feedback in regards to our businesses and ESG aspects. With the goal to strengthen the sustainability approach and performance of the Group, we put effort in maintaining close communication with our key stakeholders, including but not limited to shareholders and investors, customers, employees, suppliers, government and regulatory bodies, the community, non-governmental organisations ("NGOs") and media. We take stakeholders' expectations into consideration in formulating our businesses and ESG strategies by utilising diversified engagement methods and communication channels, which are shown as below.

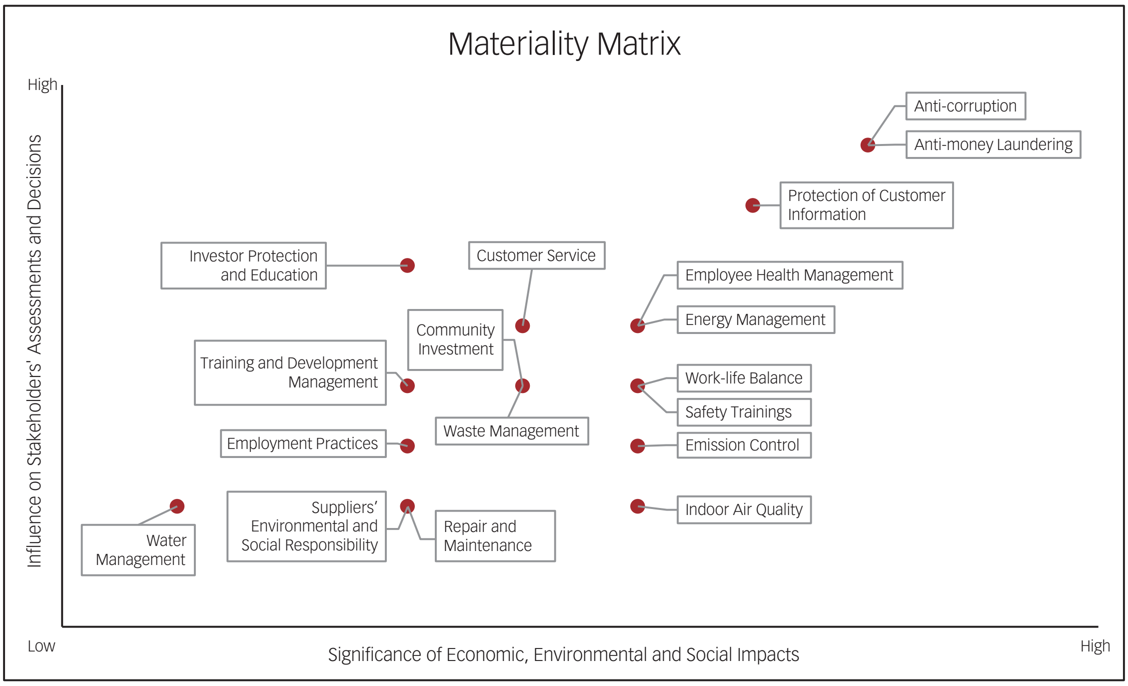
Stakeholders	Expectations and concerns	Communication channels
Shareholders and investors	• Complying with relevant laws and regulations • Disclosing latest information of the corporate in due course • Financial results • Corporate sustainability	• Annual general meeting and other shareholder meetings • Financial reports • Investor meetings • Press releases
Customers	• Product and service responsibility • Customer information and privacy protection	• Emails and customer service hotline • Meetings • Company website • Financial reports
Employees	• Health and safety • Equal opportunities • Remuneration and Benefits • Career development	• Training courses, seminars, and briefing sessions • Conferences • Emails
Suppliers	• Fair competition • Business ethics and reputation • Cooperation with mutual benefits	• Supplier assessment exercise • Business cooperation
Government and regulatory bodies	• Business ethics • Complying with relevant laws and regulations	• Consultations • Meetings • Emails and website
Community, NGOs and media	• Giving back to society • Environmental protection • Compliant operations	• Public or community events • Community Investment Program • ESG reports

We aim to collaborate with our stakeholders to improve our ESG performance and create greater value for the wider community on a continuous basis.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

MATERIALITY ASSESSMENT

The Group's management and staff in major functions are involved in the preparation of the ESG Report to assist the Group in reviewing its operations, identifying relevant ESG issues, and assessing the importance of those relevant matters to our business and stakeholders. We have compiled a survey in accordance with the identified material ESG issues to collect information from relevant departments, business units and stakeholders of the Group. The following matrix is a summary of the Group's material ESG issues:



During the Reporting Period, the Group confirmed that it has established appropriate and effective management policies and internal control systems for ESG issues, and confirmed that the disclosed contents in the ESG Report comply with the requirements of the ESG Reporting Guide.

CONTACT US

We welcome stakeholders to provide their opinions and suggestions. You are welcome to provide valuable feedback on the ESG Report or our sustainability performance by email at enquiries@shengyuan.hk.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL

A1. Emissions

The Group strives to protect the environment through the implementation of control activities and monitoring measures in our business activities and workplace. We are committed to promoting a green environment by introducing environmentally friendly business practices, educating our employees to raise their awareness on environmental protection and complying with the relevant environmental laws and regulations.

In order to enhance our environmental governance practice and mitigate the environmental impacts brought by the Group's operations, we have adopted and implemented relevant environmental policies and have communicated such policies to our employees. These policies apply the waste management principles of "Reduce, Reuse, Recycle and Replace" as well as emission mitigation principle, with an objective of minimising adverse environmental impacts. These policies also ensure the waste disposed or emission generated is managed in an environmentally responsible manner. Within our policy framework, we continually look for different opportunities to pursue environmentally friendly initiatives and enhance our environmental performance by reducing energy and use of other resources.

During the Reporting Period, the Group was not aware of any material non-compliance with environmental related laws and regulations in relation to exhaust gas and greenhouse gas ("GHG") emissions, water and land discharge, and the generation of hazardous and non-hazardous waste that would have a significant impact on the Group. Such laws and regulations include but are not limited to the Waste Disposal Ordinance, the Air Pollution Control Ordinance, and the Water Pollution Control Ordinance of Hong Kong.

Emission Control

Exhaust Gas Emissions

Due to our business nature, the Group considers the relevant air emissions generated as not significant.

GHG Emissions

The major sources of the Group's GHG emissions are generated from petrol consumed by vehicles (Scope 1) and purchased electricity (Scope 2). We have adopted the following measures to reduce GHG emissions during operation:

- Arrange regular examination for business vehicles on exhaust gas emissions;
- Encourage our staff to utilise teleconferences and video conferences in order to reduce air and carbon emissions related to transportation needed for meetings;
- Conduct vehicle and equipment maintenance on a regular basis to prevent inefficient fuel consumption or abnormal operations;
- Actively adopt environmental protection, energy conservation, and water conservation measures. Corresponding measures will be described in the sections "Energy Management" and "Water Management" under Aspect A2; and
- Actively adopt paper saving measures in office. Corresponding measures will be described in the section "Waste Management" under this Aspect.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Through the implementation of the above measures, the Group's total GHG emissions has decreased by approximately 28.50% from approximately 127.46 tCO_2e in 2019 to approximately 91.14 tCO_2e in 2020. This was mainly caused by the disposal of a vehicle. The Group's GHG emissions performances were as follows:

Indicator[1]	Unit	Emissions 2020	2019
Direct GHG emissions (Scope 1)	tCO_2e	**0.21**	17.52
Energy indirect GHG emissions (Scope 2)	tCO_2e	**90.93**	109.94
Total GHG emissions (Scope 1 and 2)	**tCO_2e**	**91.14**	127.46
Total GHG emissions intensity[2]	**tCO_2e/employee**	**3.26**	3.75

Note:

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

2. As at 31 December 2020, the Group had a total of 28 (2019: 34) employees. The data is also used for calculating other intensity data.

Sewage Discharge

The Group does not consume significant volume of water in our daily operation, therefore our business activities did not generate a material portion of discharge into water. The majority of the water supply and discharge facilities are provided and managed by the property management company. The data on water consumption will be described in the section "Water Management" under Aspect A2.

Waste Management

Hazardous Wastes

Due to the business nature, we did not generate a significant amount of hazardous wastes during the Reporting Period. Despite that, the Group has established guidelines governing the management and disposal of hazardous wastes. In case there are any hazardous wastes produced, the Group is required to engage a qualified chemical waste collector to handle such wastes, and comply with relevant environmental regulations and rules.

Non-hazardous Wastes

The non-hazardous wastes generated by the Group are mainly paper. With the aim of minimising the environmental impacts from non-hazardous wastes generated from our business operations, the Group upholds the principles of "Reduce, Reuse, Recycle and Replace", and has developed relevant waste reduction policies and guidelines. Our staff and the assigned administrative staff collectively take the responsibilities for waste management in our offices, and have conducted measures such as:

- Organise, maintain and clean the garbage and waste recycling areas;
- Sort recycled wastes into appropriate containers;
- Place appropriate signage on walls and bins, indicating the types of wastes to be recycled; and
- Ensure that no garbage is to be placed on building colonnade areas.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The procurement and disposal of office stationery serve as another focus of our efforts in operating sustainably. The office stationery has a great hidden environmental and social impact across its product lifespan, and the impact arise from its production to eventual disposal. To minimise such impact, we have launched the following measures:

- Maximise every stationary lifespan (such as plastic binding ring, paper clip, etc.) by searching opportunities to reuse and refurbish them internally whenever feasible;
- Purchase reusable stationary whenever it is possible, such as refillable rollerball pens and correction type paper;
- Avoid disposable items; and
- Use rechargeable batteries where applicable.

At the same time, the Group has adopted the following practices to reduce paper waste at source in order to reduce paper consumption:

- Minimise the paper usage at our workplace by recycling used papers regularly and using double-sided printing;
- Encourage our staff to utilize electronic communications for directories, forms, reports and storage when possible;
- Recycle and reuse papers, carton boxes, envelopes and folders which have been used, including all non-confidential documents from the Group; and
- Explore the opportunity of using Forest Stewardship Council certified paper.

With the aim of minimising the environmental impact resulted from the generation of non-hazardous wastes from our business operation, we had recycled approximately 42 kg of paper during the Reporting Period, which is equivalent to around 0.20 tCO_2e of GHG emissions reduction. Meanwhile, the Group's total non-hazardous wastes has decreased by approximately 55.71% from approximately 0.70 tonnes in 2019 to approximately 0.31 tonnes in 2020. This was mainly caused by the decrease in the number of projects. The Group's non-hazardous wastes discharge performances were as follows:

Non-hazardous waste category	Unit	Consumption 2020	Consumption 2019
Paper[3]	tonnes	**0.31**	0.70
Total non-hazardous wastes intensity	tonnes/employee	**0.01**	0.02

Note:

3. Recycled paper has been deducted.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A2. Use of Resources

The Group is committed to optimising the use of resources in our business operations. Therefore, we have taken initiatives to introduce resource efficiency and eco-friendly measures to the Group's operations on a continuous basis.

The Group has established relevant policies and procedures in governing the efficient use of resources, including petrol, electricity and office consumables, in accordance with the objectives of achieving higher energy efficiency and reducing the unnecessary use of resources.

Energy Management

The Group aims to minimise the environmental impact resulted from our operations by identifying and adopting appropriate measures. Energy policies, measures, and practices have been developed to show our commitment on energy efficiency. All employees are required to adopt such measures and practices, including the purchase of energy-efficient products, and assume responsibility for the Group's overall energy efficiency.

The energy consumption of the Group was mainly contributed by the electricity consumed in operation and petrol consumed by vehicles. The Group has introduced various measures and initiatives to achieve the goal of energy saving and efficient consumption. Such measures and initiatives include but not limited to:

- Adopt lighting control based on actual needs;
- Replace energy-inefficient light bulbs to energy efficient LED lightings by phases;
- Utilise higher energy-efficiency office equipment in workplace;
- Place reminders and posters next to power switches and power buttons to encourage our staff to take initiatives in energy saving;
- Encourage employees to turn off idling equipment, computers and lightings when not in use or after working hours;
- Monitor the energy usage on a monthly basis, along with investigating significant variance noted;
- Utilise natural lightings where possible; and
- Adopt power-saving features for office equipment and computers.

Apart from the above measures, the Group has also supported the Energy Saving Charter 2020 organised by the Environmental Bureau and Earth Hour organised by WWF during the Reporting Period. We have also promoted environmental protection messages and green tips to our staff through message board, staff newsletters and emails regularly.

Through the implementation of the above initiatives and participation in energy saving programs, the Group's total energy consumption has decreased by approximately 43.80% from approximately 201.09 MWh in 2019 to approximately 113.01 MWh in 2020. This was mainly caused by the disposal of a vehicle. The Group's energy consumption performances were as follows:

Energy type	Unit	Consumption 2020	Consumption 2019
Direct energy consumption			
Petrol	MWh	**0.75**	63.67
Indirect energy consumption			
Purchased electricity	MWh	**112.26**	137.42
Total energy consumption	**MWh**	**113.01**	201.09
Total energy consumption intensity	**MWh/employee**	**4.04**	5.91

Water Management

The Group's water use was mainly domestic water in office areas. We have educated and encouraged all employees to develop the habit of water conservation. We have been strengthening our water-saving promotion, posting water saving reminders, and guiding employees to use water reasonably. The following are some measures we have implemented to improve the utilisation efficiency of water resources:

- Fix dripping taps promptly to avoid water leakage and wastage; and

- Strengthen the inspection and maintenance on water tap, water pipelines and water storage.

In addition to the above measures, the Group has also posted green messages and water conservation labels to remind staff to avoid unnecessary water consumption. The Group's total freshwater consumption has decreased by approximately 53.00% from approximately 3.00 m^3 in 2019 to approximately 1.41 m^3 in 2020. This was mainly caused by the relocation of the office. The Group's water consumption performances were as follows:

Indicator	Unit	Consumption 2020	Consumption 2019
Freshwater	m^3	**1.41**	3.00
Freshwater consumption intensity	m^3/employee	**0.05**	0.09

Apart from domestic water consumed in office areas, the Group has also consumed distilled water for drinking purposes. During the Reporting Period, we have consumed 4.02 tonnes (2019: 6.39 tonnes) of drinking water.

In view of our operating locations, the Group does not encounter any significant issue in sourcing water that is fit for purpose.

Use of Packaging Material

Due to the Group's business nature, we do not consume significant amount of packaging materials for product packaging as we have no industrial production or any factory facilities.

A3. The Environment and Natural Resources

Although the core business of the Group has remote impact on the environment and natural resources, we recognise the responsibility for minimising the negative environmental impacts of our business operations in order to achieve sustainable development for generating long-term values to our stakeholders and the community as a whole. We regularly assess the environmental risks of our businesses, and adopt preventive measures as necessary to reduce the risks and ensure the compliance of relevant laws and regulations.

Indoor Air Quality

Indoor air quality in our workplace is regularly monitored and measured. We maintain indoor air quality by installing air purification equipment in workplace and cleaning air-conditioning systems regularly to filter pollutants and dust. Green plants are also placed in offices to improve the overall air quality.

Repair and Maintenance

From time to time, our offices may undergo repair and maintenance work. To lessen the disturbance of these activities to our staff and customers, we request our suppliers to use materials or equipment with less emissions and noises when conducting such repair and maintenance work.

B. SOCIAL

B1. Employment

Human resources are the foundation in supporting the development of the Group. The Group treasures employee's talent, and recognises it as the most valuable asset of the Group. We have formulated the Human Resources Management Policy to fulfil our vision on people-oriented management. The captioned policy is formally documented in the Staff Handbook, covering resource planning, recruitment, transfer and promotion, remuneration and benefits, performance evaluations, trainings, etc. We review and update the relevant policies regularly in accordance with the latest laws and regulations.

During the Reporting Period, the Group was not aware of any material non-compliance with employment related laws and regulations that would have a significant impact on the Group. Such laws and regulations include but are not limited to the Employment Ordinance of Hong Kong.

Employment Practices

Recruitment, Promotion and Dismissal

The Group hires employees through a robust and transparent recruitment process, and we recruit employees based on merit selection in accordance with the standard of "having both ability and integrity", regardless of their race, gender, religion, physical disability, marital status, sexual orientation, etc.

The Group offers promotion and development opportunities for outperforming employees through an open and fair assessment system. Employees are subjected to review regularly, and the Group has established objective performance indicators for annual performance evaluation. To facilitate an effective two-way communication, every supervisor has to discuss the work performance with their subordinates regularly. Based on employees' assessment result, we offer career development opportunities in encouraging their continuous improvement.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Besides, the Group does not tolerate the dismissal of employees under any unreasonable basis. Any termination of employment contract would be based on reasonable, lawful grounds and internal policies. The Group strictly prohibits any kind of unfair or unreasonable dismissals.

Remuneration and Benefits

The Group has established a fair, reasonable and competitive remuneration system to employees. Employees of the Group are remunerated according to their performance and experience. Remuneration packages include holidays, annual leave, medical scheme, dental scheme, group insurance, mandatory provident fund, year-end double pay and discretionary bonus. The Group reviews the remuneration packages annually to ensure it is up-to-date and competitive enough to attract and retain talents.

Communication Channels

To understand the work satisfaction of our employees, we have established various channels to communicate with them, including briefing sessions for new joiners, mailbox for recommendation, and employee satisfaction survey. Survey forms are distributed on a semi-annual basis to collect employees' opinions on work responsibility, working environment, organisation and employee relationship, compensation and benefits, etc. The management reviews the result of the survey and implements corresponding improvement actions.

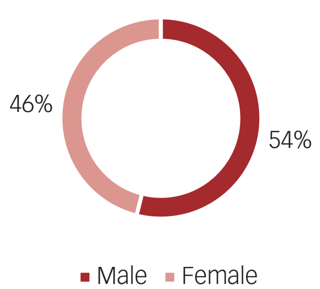
Diversity, Equal Opportunity and Anti-discrimination

We are committed to creating and maintaining an inclusive and collaborative workplace culture in which all can thrive. The Group has Staff Handbook outlining the terms and conditions of employment, expectation for employees' conducts and behaviours as well as employees' rights and benefits. The Group has also established and implemented policies in promoting a harmonious and respectful workplace. We are dedicated to providing equal opportunities in all aspects of employment and maintaining workplace that are free from any forms of discrimination and harassment against any individual on the basis of race, religion, colour, gender, physical or mental disability, age, place of origin, marital status, and sexual orientation.

The Group also has zero tolerance in any forms of sexual harassment or abuse at workplace. Any employee who is intimidated, humiliated, bullied or harassed (including sexual harassment) may report to the employee's representative, or file complaints directly to the management representative or the general manager, and we will take serious approaches to resolve these issues upon receiving the said complaints.

As at 31 December 2020, the Group had a total of 28 employees. The following table shows employees' gender diversity of the Group.

Employees' Gender Diversity



Work-life Balance

We value the importance of maintaining a healthy lifestyle and work-life balance of our employees. The Group actively engages employees through social and employee bonding, outing, volunteer works and charity activities. During the Reporting Period, we had organised work-life balancing activities, for example, birthday celebrations and festival celebrations for employees.

B2. Health and Safety

The Group believes that employees are the valuable assets of an enterprise and regards human resources as its corporate wealth. To maintain a safe working environment, the Group has established safety policies on the prevention and remediation of safety accidents, and detection on potential safety hazards in workplace. The Group follows the occupational health and safety guidelines recommended by the Labour Department and Occupational Safety and Health Council, and the Human Resources and Administration Department also takes responsibilities for offices' occupational health and safety and relevant promotions and monitoring.

During the Reporting Period, the Group was not aware of any material non-compliance with health and safety related laws and regulations that would have a significant impact on the Group. Such laws and regulations include but are not limited to the Occupational Safety and Health Ordinance of Hong Kong.

Safety Training

The Group offers a diversity of training courses to employees, and employees are required to attend the training organised by the Group in relation to occupational safety. We have also established emergency and evacuation procedures to respond to any major safety accidents in a timely and orderly manner. Employees are also free to provide feedback on improving workplace safety.

Employee Health Management

The Group offers comprehensive health care coverage for our employees, including medical benefits and dental benefits. The Group has also continued to organise work-life balancing activities for employees and carry out other activities to promote healthy living practices. We also convey information relating to health and safety to employees in order to raise their awareness of occupational health and safety. During the Reporting Period, our employees have attended an occupational health talk on "Prevention of Heat Stroke at Work in a Hot Environment".

Coronavirus Disease 2019 ("COVID-19") Prevention

In response to the outbreak of the COVID-19 pandemic, the Group has complied with the public health and safety measures from the Hong Kong government. The Group has also promptly implemented new health and safety measures in response to COVID-19, such as making remote work arrangements and distributing adequate surgical masks and hand sanitizer in the offices. All personnel, whether employees or guests, entering the Group's premises are also required to have their temperature recorded to prevent the potential spread of the virus. Clear guidelines are also in place to respond to situations where employees or their family members are found to have contracted the virus.

B3. Development and Training

The Group regards our staff as the most important asset and resource. We recognise the valuable contribution our talents made to the continuing success of the Group. We are committed to inspiring our human capital towards delivering excellence and strive to create an intellectually-stimulating environment within which employees do not only develop basic skills and knowledge but also specific talent and ability.

Training and Development Management

The Group provides regular training courses and a variety of development programs, and has developed relevant training policies and procedures to enhance the effectiveness of such training programs. Respective management is responsible to develop training plans based on the requirements of different departments and employees. They are also responsible to examine the effectiveness of training programs and provide improvement plans.

The Group regularly organises workshops, seminars, and training programs for employees, and aims to improve their level of skills and knowledge while maximising their potentials. In addition, employees are encouraged to enroll in external training opportunities and job-related courses to enrich themselves through acquiring higher professional skills and qualifications. Employees are also granted training for acquiring related licenses such as license of the Securities and Futures Commission ("SFC").

During the Reporting Period, we have organised both internal and external training courses for employees. Such training courses cover topics including but not limited to industrial updates, compliance matters, occupational health and safety, etc.

B4. Labour Standards

Prevention of Child and Forced Labour

Child and forced labour are strictly prohibited during the recruitment process as defined by laws and regulations. The Group strictly complies with local laws and prohibits any child and forced labour employment. The Group's Human Resource and Administration Department is responsible to monitor and ensure compliance with the latest and relevant laws and regulations that prohibit child labour and forced labour.

To combat against illegal employment of child labour, underage workers and forced labour, personal data are collected during the recruitment of process to assist the selection of suitable candidates. The Human Resource and Administration Department also ensures identity documents are carefully checked. If any violation is found, it will be dealt with in the light of circumstances.

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B5. Supply Chain Management

The Group recognises the importance of green supply chain management in mitigating the indirect environmental and social risks. In view of green supply chain management, we are aware of the environmental and social practices of the suppliers, and strive to engage suppliers with responsible acts to society.

Suppliers' Environmental and Social Responsibility

We actively share green practices with our suppliers, and propagate the importance of sustainable operations to them. During the supplier selection process, suppliers' environmental and social performances are considered as a selection criterion for establishing a long-term relationship. We select suppliers with good track record and the requirements of the specific business and customers as well as the environmental and social risks. Suppliers should not violate the relevant environmental and labour laws, and substantial violation may incur the termination of supplier relationship. The Group will continue to monitor its supply chain regarding the environmental and social standards.

We have also formulated rules to ensure our suppliers are able to compete in an open and fair mechanism. We do not discriminate against any suppliers, and we do not allow any forms of corruption or bribery. Employees and other individuals with an interest with the suppliers will not be allowed to participate in relevant procurement activities.

B6. Product Responsibility

The Group is committed to providing reliable products and services by offering sustainable and responsible platforms and services, as well as protecting the interests of clients.

During the Reporting Period, the Group was not aware of any material non-compliance with any laws and regulations concerning advertising, labelling and privacy matters relating to products and services provided and methods of redress that would have a significant impact on the Group. Such laws and regulations include but are not limited to the Personal Data (Privacy) Ordinance and the Securities and Future (Client Securities) Rules of Hong Kong.

Customer Service

The Group strives to provide excellent services in supporting our customers. Our customer service personnel are required to assist customers upon the application of services with their professional knowledge. Customers are also free to provide feedback on our service delivery. If customers are dissatisfied with the service quality, they can file complaints to the Group, and we will settle complaints in accordance with the established complaint resolution procedures and logs. Complaints are summarised regularly for management review in designing remedial actions for major deficiencies. To understand customer opinions, the Group performs a customer satisfaction survey annually.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Protection of Customer Information

Certain subsidiaries of the Company are licensed and regulated under SFC. As a custodian of customers' assets, we strictly comply with relevant laws and regulations in handling and safeguarding customers' assets. We implement necessary controls to ensure customers' assets are managed properly in a prompt manner.

We maintain segregated accounts in keeping customers' assets. Transactions should only be executed when customers' consent is received, or when customers' obligation is fulfilled as stated on agreed contracts. We have adequate records of audit work for investigations in case of suspected violations. Regular compliance reviews and audits are conducted to find out any non-compliance with regulatory requirements. Any irregularities should be immediately reported to management.

The Group strictly adheres to regulatory requirements on data privacy through fulfilling high security and confidentiality of personal data privacy protection. We are committed to maintaining and protecting personal data, and have established an internal policy to govern the collection and handling of personal data.

In accordance with our data protection principles, we abide by the Privacy Policy Statement, and ensure our clients understand our general policies and practices in relation to the collection, holding and usage of individual personal data. Furthermore, we are required to follow the Personal Information Collection Statement when collecting personal identification information from individuals. Unless written consent is obtained, the Group will not use or provide any personal data to any person for direct marketing. Meanwhile, the Group maintains security measures to prevent unauthorised use of personal data.

Investor Protection and Education

The Group has established procedures relating to the services and products provided. We conduct the "Know Your Clients" ("KYC") procedures and assessment processes to understand and evaluate clients' financial background, trading experience and risk tolerance level prior to providing clients the type of financial services or products that suit their needs.

The Group is committed to providing clear and balanced information to clients. We have established a classification system that classifies the capability and intentions of investors. The Group categorises clients into professional investors and retail investors based on the standard of their financial knowledge. We will in particular protect retail investors by conducting risk evaluations, and classify and grade the investors based on the risk tolerance evaluation results.

The Group adopts appropriateness tests for different financial products. We conduct risk assessments for different financial products to evaluate their risk level based on the product information. We have established a matching principle between product and clients' risk tolerance ability to fully reveal the product risks, and ensure appropriate products are recommended to appropriate clients.

Moreover, the Group has set standards for advertising and sales material. Information disclosed in all advertising and sales material must be factual; we also prohibit the use of false, misleading or inaccurate statements in any form of communication.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B7. Anti-corruption

The Group believes that a corporate culture of high integrity is the key to its continuing success, therefore we value the importance of anti-corruption work and are committed to building an incorruptness and transparent corporate culture.

During the Reporting Period, the Group has strictly complied with all applicable laws and regulations, as well as guidance from various regulatory bodies, including SFC. The Group was not aware of any material non-compliance with related laws and regulations of bribery, extortion, fraud and money laundering that would have a significant impact on the Group. Such laws and regulations include but are not limited to the Prevention of Bribery Ordinance of Hong Kong.

Anti-corruption

The Group strives to achieve a high standard of ethics in our business operations and Fraudulent acts such as corruption, bribery, and collusion are strictly prohibited. Employees should comply with the code of conduct in performing business activities, and they should consult the management if they suspect any professional misconduct. Our Staff Handbook has a dedicated section on anti-corruption, which defines and restricts the code of conduct of our employees in this regard. Employees should also declare any conflict of interest under their job responsibility which may impair the integrity of work.

The Group has established a whistle-blowing mechanism for reporting any potential fraudulent cases and management is responsible for the investigation and resolution. To further mitigate business frauds, an internal audit function is established to continuously evaluate the Group's internal control effectiveness, detecting potential deficiency, and identifying areas of improvement. The internal audit report is distributed to the responsible department for timely remediation.

We strictly comply with the Prevention of Bribery Ordinance enforced by the Hong Kong Independent Commission Against Corruption ("ICAC"), and prohibit all employees from receiving any benefits for personal gains. This prevents any negative impact or disruption to our business operations. Any report of suspected behaviours would lead to disciplinary action, dismissal or reported to ICAC or relevant agencies.

To further extend employees' awareness of anti-corruption, the Group launches and arranges various programs and seminars to educate employees on anti-corruption. Contents of programs and seminars include law and discipline observation education, compliance and duty competence education, and professional ethics education, etc. These programs and seminars allow employees to understand related laws and disciplines as well as morality and business ethics.

Anti-money Laundering

The Group has formulated policies and procedures governing KYC and Anti-Money Laundering ("AML"). A robust review program on KYC and AML and compliance department have been put in place to ensure the Group has complied with all the regulatory rules.

A designated staff as the Money Laundering Reporting Officer is appointed to hold responsibility for investigating AML issues and reporting if necessary. Induction training, as well as annual training, are provided to ensure all employees within the Group are well-acquainted with the regulatory updates in respect to KYC and AML. We have also developed an Anti-Money Laundering Guidance Note ("AML Manual") to assist employees in identifying the types of risks and their relevant major characteristics.

The Group has implemented the AML management rules when building a business relationship with clients or providing services. Such rules require employees to conduct client identification, file client's identity materials and transactional records, check clients' identity certification documents, register clients' basic information, understand clients and their transaction nature through KYC policy, strengthen clients' adequacy management, identify and evaluate the money laundering risks, as well as improve the prevention, management and control of clients' money laundering risks.

The Group has strengthened the monitoring and reporting of large-amount and suspicious transactions. We began with the characteristics of the securities industry and the actual situation of the Group and had designed a monitoring model for suspicious transactions. We made efforts to improve the identification capability of suspicious transactions and positively helped clients to prevent money laundering risks.

B8. Community Investment

Community Investment

The Group is committed to emboldening and supporting the public by means of social participation and contribution as part of our strategic development. We strive to cultivate corporate culture of being a corporate citizen through the daily work life. To fulfill our corporate social responsibility, we focus on inspiring our employees towards social welfare concerns. We encourage our staff to donate to recognised charitable institutions in order to help the underprivileged and those in need. Employees are also encouraged to suggest areas of contribution based on their experiences in the community.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

THE ESG REPORTING GUIDE CONTENT INDEX OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to Exhaust Gas and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Emissions
KPI A1.1	The types of emissions and respective emissions data.	Emissions
KPI A1.2	GHG emissions in total (in tonnes) and intensity.	Emissions — Emission Control
KPI A1.3	Total hazardous waste produced (in tonnes) and intensity.	Not applicable — Explained
KPI A1.4	Total non-hazardous waste produced (in tonnes) and intensity.	Emissions — Waste Management
KPI A1.5	Description of reduction initiatives and results achieved.	Emissions — Emission Control
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Emissions — Waste Management
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Use of Resources — Energy Management
KPI A2.2	Water consumption in total and intensity.	Use of Resources — Water Management
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Use of Resources — Energy Management
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Use of Resources — Water Management
KPI A2.5	Total packaging material used for finished products (in tonnes) and with reference to per unit produced.	Not applicable — Explained

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	The Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources — Indoor Air Quality, Repair and Maintenance
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, and other benefits and welfare.	Employment
KPI B1.1	Total workforce by gender, employment type, age group and geographical region	Employment
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment

DIRECTORS' REPORT

The Directors present their report and audited financial statements of the Group for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 42 to the audited financial statements. Further discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance, including a discussion of the principal risks and uncertainties facing the group and an indication of likely future developments in the group's business, can be found in the Management Discussion and Analysis set out on pages 3 to 8.

RESULTS AND DIVIDENDS

The Group's gain for the year ended 31 December 2020 and the state of affairs of the Group at that date are set out in the audited financial statements on pages 47 to 115.

The Directors did not recommend the payment of any dividend for the year ended 31 December 2020.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last four financial years and the year ended 31 December 2020, as extracted from the audited financial statements and restated as appropriate, is set out on page 116. This summary does not form part of the audited financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers of the Group accounted for approximately 80% of the Group's total turnover and the largest customer accounted for approximately 34% of the Group's total turnover. The Group is a provider of financial services. In the opinion of the Directors, it is therefore of no value to disclose details of the Group's suppliers.

So far as is known to the Directors, other than those disclosed in note 14 and note 33 to the consolidated financial statements, none of the Directors, their associates or substantial shareholders (which to the best knowledge of the Directors owns more than 5% of the Company's issued share capital) had any interest in the share capital of the Group's five largest suppliers or customers.

DIRECTORS' REPORT

SHARE CAPITAL

Details of the share capital of the Company are set out in note 29 to the consolidated financial statements.

The Company adopted a share option scheme on 24 September 2004 (the "2004 Scheme"). Pursuant to an ordinary resolution passed at the special general meeting of the Company held on 15 October 2014, the Company adopted a new share option scheme (the "2014 Scheme"), the purpose of which is to enable the Group to grant share options to the eligible participants as incentives or rewards for their contribution to the Group. No further option shall be granted under the 2004 Scheme, but the options granted under the 2004 Scheme prior to its expiry shall remain valid and exercisable in accordance with the terms of the respective grants. No share option has been granted under the 2014 Scheme and the movements of the share options granted under the 2014 Scheme during the twelve months ended 31 December 2020 were as follows:

Grantees	Date of Grant	Exercise Price	Vesting Period	Exercisable Period	Outstanding as at 1 January 2020	Granted during the period	Cancelled/ Lapsed during the period	Outstanding as at 31 December 2020
Directors								
Mr. Qiu Bin *(Note)*	7/9/2017	0.24	Nil	7/9/2017-7/9/2020	10,000,000	–	(10,000,000)	–
Other grantees	7/9/2017	0.24	Nil	7/9/2017-7/9/2020	50,000,000	–	(50,000,000)	–
					60,000,000		(60,000,000)	–
Total Number of shares available for issue at period end date								–
Total number of shares available for issue as a percentage to issued shares								–

Note: Mr. Qiu Bin resigned as the director of the Company on 5 February 2020.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

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

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES OF THE COMPANY

At 31 December 2020, no reserves are available for distribution to shareholders.

DIRECTORS' REPORT

DIRECTORS AND DIRECTOR'S SERVICE CONTRACTS

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

Executive Directors

Mr. Liu Yang *(Chairman of the Board and Chief Executive Officer)* (appointed on 31 January 2020)
Mr. Qiu Bin (resigned on 5 February 2020)
Mr. Zhou Quan
Mr. Zhao Yun (re-designated from Non-Executive Director to Executive Director on 25 March 2020)

Non-Executive Directors

Mr. Mu Hao (resigned on 25 March 2020)
Mr. Huang Shuanggang (appointed on 25 March 2020)

Independent Non-Executive Directors

Ms. Fang Fang (resigned on 6 May 2020)
Mr. Zhang Jinfan (appointed on 6 May 2020)
Mr. An Dong (resigned on 19 June 2020)
Mr. Fung Tze Wa (resigned on 19 June 2020)
Ms. Wen Han Qiuzi (appointed on 19 June 2020)
Ms. Huang Qin (appointed on 19 June 2020)

In accordance with Article 87(1) of the Company's Bye-laws, Mr. Liu Yang, Mr. Zhao Yun, Mr. Zhou Quan, Ms. Wen Han Qiuzi and Ms. Huang Qin will retire at the forthcoming annual general meeting and being eligible, offers themselves for re-election.

The Directors being proposed for re-election at the forthcoming annual general meeting do not have a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of a compensation (other than statutory compensation).

The non-executive Directors (including the independent non-executive Directors) have been appointed for a specific term subject to retirement by rotation as required by the Bye-laws.

DIRECTORS' REPORT

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 December 2020, the interests or short positions of the Directors or the chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO), or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which would be required to be notified to the Company and the Stock Exchange pursuant to the Model Code are as follows:

Name of Director	Capacity	Number of shares held	Percentage of the issued share capital of the Company *(Note 2)*
Mr. Liu Yang *(Note 1)*	Interest of corporation controlled	1,030,170,000	26.97%

Notes:

1. Mr. Liu Yang owns 100% interest in Yuanyin ESOP Limited. Yuanyin ESOP Limited holds 37.60% voting rights in Yuanyin Holdings Limited. As such, Mr. Liu Yang is deemed to be interested in 1,030,170,000 shares which Yuanyin ESOP Limited is interested in pursuant to the SFO.

2. Percentage of shareholding as of 31 December 2020. As at 31 December 2020, the total number of issued shares of the Company was 3,819,705,413.

Other than the interests disclosed above, as at 31 December 2020, none of the Directors or chief executive had any interests in any shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2020, so far as the Directors are aware and as shown in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO, other than interest disclosed above in respect of certain Directors and chief executive, the following shareholders had notified the Company of their relevant interests in the shares, underlying shares and convertible notes of the Company.

LONG POSITION — ORDINARY SHARES OF HK$0.05 EACH OF THE COMPANY

Name of shareholder	Capacity	Number of shares held	Percentage of the issued share capital of the Company
Yuanyin ESOP Limited	Interest of corporation controlled *(Note (1))*	1,030,170,000	26.97%
Yuanyin Holdings Limited	Beneficial Owner	1,011,000,000	26.47%
	Interest of corporation controlled *(Note (2))*	19,170,000	0.50%
Zhao Jian Yun	Beneficial Owner	357,142,857	9.35%
Meng Hao Xiang	Interest of Spouse	357,142,857	9.35%
Shao Yong Chao	Beneficial Owner	300,000,000	7.85%
Cao Hai Xia	Interest of Spouse	300,000,000	7.85%

Notes:

(1) Yuanyin ESOP Limited holds 37.60% voting rights in Yuanyin Holdings Limited. As such, Yuanyin ESOP Limited is deemed to be interested in 1,030,170,000 shares which Yuanyin Holdings Limited is interested in.

(2) Yuanyin Holdings Limited is deemed to be interested in 19,170,000 shares of the Company beneficially owned by Yuanyin International Limited, a wholly owned subsidiary of Yuanyin Holdings Limited.

Other than the interests disclosed above, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO discloses no other person (other than the Directors or chief executive of the Company) as having a notifiable interest or short position in the shares, underlying shares or convertible bonds of the Company as at 31 December 2020.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Saved as disclosed in note 33 to the consolidated financial statements, the Group has not entered into any other connected transaction or continuing connected transactions for the year ended 31 December 2020 which should be disclosed pursuant to the requirement of Chapter 14A to the Listing Rules.

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

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

CORPORATE GOVERNANCE

The Company's corporate governance report is set out in pages 11 to 21 of this report.

KEY RELATIONSHIPS

Employees

Employees are one of the valuable assets of the Group and the Group regards the personal development of its employees as highly important. The Group aims to continue to be an attractive employer for committed employees and strives to motivate its employees with a clear career path and opportunities for advancement and improvement of their skills. The Group provides on-the-job training and development opportunities to its employees and considers all valuable feedback from its employees for enhancing workplace productivity and harmony.

The Group offers competitive remuneration packages to its employees.

The emoluments of the Directors are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics. The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence. The Company has adopted a share option scheme as an incentive to Directors and eligible employees. Details of the scheme are set out in note 29 to the consolidated financial statements.

Customers and suppliers

The customers and suppliers of the Group are independent third parties to the Group. The Group is committed to maintain good relationships with its customers and suppliers in the long run by adopting various means to strengthen communication channels with them. During the year ended 31 December 2020, there were no material and significant dispute between the Group and its customers and suppliers.

EQUITY-LINKED AGREEMENTS

Other than the share option scheme as disclosed above, no equity-linked agreements were entered into by the Company during the year ended 31 December 2020 or subsisted at the end of the year.

DIRECTORS' REPORT

PERMITTED INDEMNITY PROVISION

Pursuant to the bye-laws of the Company, every Director shall be entitled to be indemnified by the Company out of the assets of the Company against all costs, charges, losses, damages and expenses which he/she may sustain or incur or about the execution and discharge of his duties or in relation thereto. The Company has arranged appropriate Directors' and Officers' liability insurance coverage for the Directors and officers of the Company during the year.

ENVIRONMENTAL POLICIES

The Group is committed to building an environmentally-friendly corporation that pays close attention to conserving natural resources. The Group strives to minimise its environmental impact by saving electricity and encouraging recycle of office supplies and other materials.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out by the subsidiaries of the Company in Hong Kong and the PRC while the shares of Company (the "Shares") are listed on the Stock Exchange. The Group's establishment and operations shall comply with relevant laws and regulations in Hong Kong, the PRC and the respective place of incorporation of the Company and its subsidiaries. In addition, the Company is required to comply with the Listing Rules and SFO.

During the year ended 31 December 2020 and up to the date of this report, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his or her independence pursuant to Rule 3.13 of the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited. The Company considers all of the independent non-executive Directors are independent.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2020.

CHARITABLE CONTRIBUTIONS

During the year, the Group did not make any charitable contributions.

AUDIT COMMITTEE

The Company has an Audit Committee which was established in accordance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audited results for the year ended 31 December 2020 have been reviewed by the Audit Committee. The Audit committee of the Company currently comprises Ms. Huang Qin (Chairman), Mr. Zhang Jinfan (both being independent non-executive Directors), and Mr. Huang Shuanggang (a non- executive Director).

REMUNERATION COMMITTEE

The Remuneration Committee has been set up with written term of reference in accordance with the requirements of the Listing Rules. The Remuneration Committee comprises three independent non-executive Directors, being Mr. Zhang Jinfan (Chairman), Ms. Wen Han Qiuzi, and Ms. Huang Qin.

NOMINATION COMMITTEE

The Nomination Committee has been set up with written term of reference in accordance with the requirements of the Listing Rules. The Nomination Committee comprises one executive director and two independent non-executive Directors, being Mr. Liu Yang (Chairman), Mr. Zhang Jinfan and Ms. Wen Han Qiuzi.

AUDITOR

The consolidated financial statements for the year ended 31 December 2020 were audited by BDO Limited. A resolution will be submitted to the annual general meeting to re-appoint BDO Limited as the auditor of the Company.

On behalf of the Board
Mr. Liu Yang
Chairman

30 March 2021

INDEPENDENT AUDITOR'S REPORT

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TO THE SHAREHOLDERS OF SHENG YUAN HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Sheng Yuan Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 52 to 115, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 3.1 in the consolidated financial statements, which indicates that, as at 31 December 2020, the Group had net liabilities of approximately HK$51 million that included borrowings with a principal amount of approximately HK$100 million from a wholly-owned subsidiary of the Company's substantial shareholder which will be due in January 2022. As stated in note 3.1, these conditions indicate that the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the "Material Uncertainty Related to Going Concern" section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Impairment assessment of trade receivables

The carrying amount of the Group's trade receivables as at 31 December 2020 amounted to HK$20,722,000 as set out in note 20 to the consolidated financial statements. Management have assessed the amount of the expected credit losses ("ECLs") that would result from possible default events within 12 months after the reporting date or over the expected life of the receivables according to the accounting policy as set out in note 3.10(a). Based on management's assessment, loss allowance of approximately HK$444,000 has been recognised in respect of these receivables.

We consider this a key audit matter because the management's impairment assessment of trade receivables requires the use of significant judgments and estimates and because the receivables are a significant item in the consolidated financial statements.

Refer to note 3.10(a) for accounting policies, note 4(i) for critical accounting estimates and notes 20 and 35(b)(i) of the accompanying financial statements.

Our response:

Our work included the following procedures:

- understanding the established policies and procedures with respect to the estimation of ECLs;
- substantively validating the accuracy of the ageing of trade receivables as at the reporting date, by agreeing a sample of data to the underlying documents;
- assessing the reasonableness of the management's estimate on loss allowance by examining the information used to form such judgement, which include testing the accuracy of the historical default data, evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information and assessing whether there was an indication of management bias when recognising loss allowances;
- evaluating the disclosures regarding ECLs assessment of trade receivables in note 35(b)(i) to the consolidated financial statements; and
- inspecting cash receipts from customers after the financial year end relating to trade receivable balances as at 31 December 2020 on a sample basis.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES 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 HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibilities in this regard.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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

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

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

BDO Limited
Certified Public Accountants
Chiu Wing Cheung Ringo
Practising Certificate No.: P04434

Hong Kong, 30 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 HK$'000	2019 HK$'000
Fee and commission income	6	44,549	8,804
Interest income	6	–	40
		44,549	8,844
Other gains and losses	7	(556)	(17,108)
Other income	8	793	618
Staff costs	10	(12,329)	(25,723)
Depreciation	15,16	(3,072)	(1,542)
Finance costs	9	(6,893)	(23,294)
Other expenses	10	(8,019)	(19,360)
Profit/(Loss) before income tax	10	14,473	(77,565)
Income tax (expense)/credit	11	(2,467)	201
Profit/(Loss) for the year		12,006	(77,364)
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss			
— Exchange differences on translating foreign operations			
Exchange differences arising during the year		10	14
Other comprehensive income for the year		10	14
Total comprehensive income for the year		12,016	(77,350)
Profit/(Loss) for the year attributable to:			
— Owners of the Company		12,006	(77,334)
— Non-controlling interests		–	(30)
		12,006	(77,364)
Total comprehensive income for the year attributable to:			
— Owners of the Company		12,016	(77,320)
— Non-controlling interests		–	(30)
		12,016	(77,350)

	Notes	HK cents	HK cents
Earnings/(loss) per share			
— Basic	13	0.31	(2.02)
— Diluted		0.31	(2.02)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Notes	2020 HK$'000	2019 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	1,977	2,911
Right-of-use assets	16	6,310	8,612
Trading rights	17	–	–
Goodwill	18	–	–
Other assets	19	1,730	1,705
Long-term deposit		806	–
		10,823	13,228
Current assets			
Trade and other receivables and prepayments	20	21,776	4,133
Held for trading investments	21	20	26
Current tax assets		–	678
Trust bank balances held on behalf of clients	22	12,644	17,394
Cash and cash equivalents	23	34,649	29,840
		69,089	52,071
Current liabilities			
Trade and other payables and accruals	24	15,875	18,739
Borrowings	25	–	100,142
Lease liabilities	16	1,966	1,896
Contract liabilities	26	736	450
Current tax liabilities		2,407	–
		20,984	121,227
Net current assets/(liabilities)		48,105	(69,156)
Non-current liabilities			
Borrowings	25	104,988	–
Lease liabilities	16	4,702	6,850
		109,690	6,850
Net liabilities		(50,762)	(62,778)
EQUITY			
Share capital	28	190,985	190,985
Reserves	30	(241,747)	(253,763)
Capital deficiency attributable to owners of the Company		(50,762)	(62,778)
Non-controlling interests		–	–
Capital deficiency		(50,762)	(62,778)

On behalf of the Board

Mr. Liu Yang
Director

Mr. Zhou Quan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Attributable to owners of the Company								Non-controlling interests		
	Share capital HK$'000	Share premium* HK$'000	Shareholder's contribution* HK$'000	Capital redemption reserve* HK$'000	Share option reserve* HK$'000	Currency translation reserve* HK$'000	Accumulated losses* HK$'000	Total HK$'000	Share of net assets of subsidiaries HK$'000	Total HK$'000	Total equity HK$'000
At 1 January 2019	190,985	320,370	7,834	477	8,457	(1,333)	(512,218)	14,572	–	–	14,572
Loss for the year	–	–	–	–	–	–	(77,334)	(77,334)	(30)	(30)	(77,364)
Other comprehensive income — Exchange differences on translation of financial statements of foreign operations	–	–	–	–	–	14	–	14	–	–	14
Total comprehensive income for the year	–	–	–	–	–	14	(77,334)	(77,320)	(30)	(30)	(77,350)
Disposal of partial interest in a subsidiary *(note 42)*	–	–	–	–	–	–	(431)	(431)	701	701	270
Acquisition of partial interest in a subsidiary *(note 42)*	–	–	–	–	–	–	401	401	(671)	(671)	(270)
Forfeiture of share options	–	–	–	–	(1,952)	–	1,952	–	–	–	–
At 31 December 2019	190,985	320,370	7,834	477	6,505	(1,319)	(587,630)	(62,778)	–	–	(62,778)

	Attributable to owners of the Company								Non-controlling interests		
	Share capital HK$'000	**Share premium* HK$'000**	**Shareholder's contribution* HK$'000**	**Capital redemption reserve* HK$'000**	**Share option reserve* HK$'000**	**Currency translation reserve* HK$'000**	**Accumulated losses* HK$'000**	**Total HK$'000**	**Share of net assets of subsidiaries HK$'000**	**Total HK$'000**	**Total equity HK$'000**
At 1 January 2020	**190,985**	**320,370**	**7,834**	**477**	**6,505**	**(1,319)**	**(587,630)**	**(62,778)**	**–**	**–**	**(62,778)**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**12,006**	**12,006**	**–**	**–**	**12,006**
Other comprehensive income — Exchange differences on translation of financial statements of foreign operations	**–**	**–**	**–**	**–**	**–**	**10**	**–**	**10**	**–**	**–**	**10**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**10**	**12,006**	**12,016**	**–**	**–**	**12,016**
Forfeiture of share options	**–**	**–**	**–**	**–**	**(6,505)**	**–**	**6,505**	**–**	**–**	**–**	**–**
At 31 December 2020	**190,985**	**320,370**	**7,834**	**477**	**–**	**(1,309)**	**(569,119)**	**(50,762)**	**–**	**–**	**(50,762)**

* These accounts comprise negative reserves of HK$241,747,000 (2019: HK$253,763,000) in the consolidated statement of financial position at 31 December 2020.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 HK$'000	2019 HK$'000
Cash flows from operating activities			
Profit/(Loss) for the year		**12,006**	(77,364)
Adjustments for:			
Income tax expense/(credit)	11	**2,467**	(201)
Depreciation of property, plant and equipment	15	**770**	369
Depreciation of right-of-use assets	16	**2,302**	1,173
Finance costs	9	**6,893**	23,294
Impairment losses on goodwill	7	**–**	7,000
Loss allowances on trade receivables	7	**444**	4,570
Bad debt written off	10	**–**	461
Interest income from banks and others	8	**(3)**	(32)
Gain on disposal of subsidiaries	7	**–**	(10)
Gain on lease modification	7	**–**	(24)
Net gain on disposals of property, plant and equipment	7	**(50)**	(5)
Written off of property, plant and equipment	7	**157**	–
Operating gain/(loss) before working capital changes		**24,986**	(40,769)
(Increase)/decrease in other assets		**(25)**	25
(Increase)/decrease in trade and other receivables and prepayments		**(18,893)**	30,975
Decrease in held for trading investments		**6**	6,802
Decrease in trust bank balances held on behalf of clients		**4,750**	28,013
Decrease in trade and other payables and accruals		**(2,933)**	(35,480)
Increase in contract liabilities		**286**	–
Cash generated from/(used in) operations		**8,177**	(10,434)
Interest paid		**(1,059)**	(22,942)
Interest received from banks and others		**3**	32
Income tax refunded		**618**	461
Net cash generated from/(used in) operating activities		**7,739**	(32,883)
Cash flows from investing activities			
Purchases of property, plant and equipment		**–**	(2,933)
Proceeds from disposals of property, plant and equipment		**50**	10
Proceeds from disposal of subsidiaries	31	**–**	10
Net cash generated from/(used in) investing activities		**50**	(2,913)
Cash flows from financing activities			
Proceeds from loans advanced from a director of the Company and related companies	23	**–**	99,800
Repayments of loans advanced from a director of the Company and a related company	23	**–**	(80,000)
Repayment of lease liabilities	23	**(3,066)**	(1,446)
Net cash (used in)/generated from financing activities		**(3,066)**	18,354
Net increase/(decrease) in cash and cash equivalents		**4,723**	(17,442)
Cash and cash equivalents at beginning of the year		**29,840**	47,262
Effect of foreign exchange rate changes, on cash held		**86**	20
Cash and cash equivalents at end of the year		**34,649**	29,840

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

1. GENERAL INFORMATION

Sheng Yuan Holdings Limited (the "Company") is an exempted company with limited liability incorporated and domiciled in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is 26th Floor, 238 Des Voeux Road Central, Sheung Wan, Hong Kong. The Company's shares are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

The Company is an investment holding company. Its subsidiaries are principally engaged in provision of securities brokerage and financial services, asset management services, proprietary trading and trading business.

The consolidated financial statements for the year ended 31 December 2020 were approved for issue by the board of directors on 30 March 2021.

2. ADOPTION OF NEW OR AMENDED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

2.1 New or amended HKFRSs effective for annual period beginning on or after 1 January 2020

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group. HKFRSs include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA.

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

The adoption of new or amended HKFRSs has no material impact on the Group's financial statements.

2.2 New or amended HKFRSs that have been issued but are not yet effective

The following new or amended HKFRSs, potentially relevant to the Group's financial statements, have been issued but are not yet effective and have not been early adopted by the Group. The directors of the Company anticipate that these pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[4]
HK Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[4]
Amendments to HKAS 16	Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[2]
HKFRS 17	Insurance Contracts[4]
Amendments to HKFRS 3	Reference to the Conceptual Framework[3]
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2[1]
HKFRSs 2018-2020	Annual Improvements to HKFRSs 2018-2020[2]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for 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
4 Effective for annual periods beginning on or after 1 January 2023

2. ADOPTION OF NEW OR AMENDED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.2 New or amended HKFRSs that have been issued but are not yet effective *(Continued)*

Amendments to HKAS 1 — Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020) — Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

HK Int 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to HK Int 5 (2020) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

Amendments to HKAS 16 — Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

Amendments to HKAS 37 — Onerous Contracts — Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Amendments to HKFRS 3 — Reference to the Conceptual Framework

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Int 21 Levies, the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

2. ADOPTION OF NEW OR AMENDED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.2 New or amended HKFRSs that have been issued but are not yet effective *(Continued)*

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 — Interest Rate Benchmark Reform — Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the "Reform"). The amendments complement those issued in November 2019 and relate to (a) changes to contractual cash flows in which an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

Annual Improvements to HKFRSs 2018-2020

The annual improvements amends a number of standards, including:

- HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, which permit a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to HKFRSs.

- HKFRS 9, Financial Instruments, which clarify the fees included in the '10 per cent' test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other's behalf are included.

- HKFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

- HKAS 41, Agriculture, which remove the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique

The directors of the Company are currently assessing the possible impact of these new or revised standards on the Group's results and financial position in the first year of application. The directors of the Company anticipate that these new or amended HKFRSs are not expected to have a material impact on the Group's financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The financial statements on pages 52 to 115 have been prepared in accordance with HKFRSs issued by the HKICPA. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended HKFRSs and the impact on the Group's financial statements, if any, are disclosed in note 2 to the financial statements.

The financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4 to the financial statements.

As at 31 December 2020, the Group had net liabilities of approximately HK$51 million (2019: approximately HK$63 million) that included borrowings with a principal amount of approximately HK$100 million (2019: HK$100 million) from a wholly-owned subsidiary of the Company's substantial shareholder, Yuanyin Holdings Limited, which will be due in January 2022.

These conditions indicate the existence of a material uncertainty which may cast doubt on the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Given the above conditions, the Company's directors have prepared a cash flow projection ("Projection") for a period of twelve months after the end of the reporting period, after taking into consideration the following:

- Subsequent to the end of the reporting period, the substantial shareholder, Yuanyin Holdings Limited, has agreed to provide sufficient working capital to satisfy the Group's working capital and other financing requirement and the Company has entered into an extension agreement with the lender to extend the loan to January 2023 (Note 25); and

- The Group is working on expanding its operations through soliciting new customers and shall continue to apply various measures to tighten its operating expenditures in order to improve its financial performance and cash flows.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.1 Basis of preparation *(Continued)*

Based on the above measures, the Company's directors are of the opinion that the Group will be able to generate sufficient working capital to finance its operations and meet its financial obligations as and when they fall due within the forecast period under the Projection. Accordingly, the consolidated financial statements are prepared on a going concern basis.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made in the financial statements to write down the values of the assets to their net realisable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the financial statements.

3.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in consolidated profit or loss.

3.3 Subsidiaries

Subsidiaries are entities (including structured entities) controlled by the Group. The Group controls an entity when it has power over the investee, exposure, or rights, to variable returns from its involvement with the investee and the ability to affect those returns through its power over the investee. When assessing whether the Group has power, only substantive rights relating to the investee (held by the Group and others) are considered. For a right to be substantive, the Group must have the practical ability to exercise that right. Control is reassessed when facts and circumstances indicate that there are changes to one or more of the elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

3.4 Foreign currency translation

The financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company. All value are rounded to the nearest thousand except when otherwise indicated.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are retranslated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the foreign exchange rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.4 Foreign currency translation *(Continued)*

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into HK$. Assets and liabilities have been translated into HK$ at the closing rate at the reporting date. Income and expenses have been converted into HK$ at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in currency translation reserve in equity and attributable to non-controlling interests as appropriate. Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in other comprehensive income.

On disposal of a foreign operation involving loss of control over a subsidiary or significant influence over an associate that includes a foreign operation, the cumulative exchange differences relating to that foreign operation accumulated in currency translation reserve are reclassified from equity to profit or loss as part of the gain or loss on disposal.

3.5 Fee and commission income

Fee and commission income is recognised when the Group transfers control of service to a customer and is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, fee and commission income is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.5 Fee and commission income *(Continued)*

The Group's recognition policies for fee and commission income in relation to the following services are as follows.

(a) Fund and portfolio management and investment advisory services

The Group earns management and investment advisory fees from investment funds and portfolio from managing clients' assets, at a fixed percentage of monthly net asset value or invested capital. The fees are recognised over the period when the related services are performed as customers simultaneously consume and receive benefits when services are rendered. Management and investment advisory fees are a form of variable consideration because the fees the Group entitled to is subject to a broad range of possible outcomes due to market volatility and other factors outside of the Group's control. Fees are billed on a regular basis (typically monthly, quarterly and semi-annually of a calendar year) and are earned to the extent that a significant reversal in future is not highly probable in accordance with specific terms of individual contracts. Generally, fees are not subject to clawback when they are billed. The Group also earns performance and incentive fees based on fund performance during the measurement period (generally over twelve-months), subject to the achievement of high-water marks or hurdle rates, in accordance with the respective terms set out in the investment management agreement. The fees are recognised as revenue when it is highly probable that a significant reversal of such fees will not occur.

(b) Securities and futures brokerage services

The Group earns commissions from execution of client transactions in the trading securities and listed derivatives. The execution of client transactions also included settlement and clearing services, which are provided together and represent a single performance obligation as the services are not separately identifiable from other promises within the context of the contract. Commissions are recognised at a point in time on trade date when the performance obligation is satisfied, that is when the customer obtained the rights to the underlying financial instruments.

(c) Underwriting and placement services

The Group earns underwriting and placing commissions by providing capital raising services for corporate clients. Underwriting and placing fees are recognised at a point in time on trade date (the date on which the Group purchases the securities from the issuer) for the portion the Group is contracted to buy, at which point of time the performance obligation has been satisfied.

(d) Financial advisory services

The Group earns financial advisory fee income from assignments in connection with mergers, acquisitions and restructuring transactions. The Group's performance obligation is generally satisfied at a point in time upon closing of a transaction, at which point of time the Group has transferred and the customer obtains control of the promised service. Non-refundable deposits and milestone payments are initially recorded as contract liability in the statement of financial position and subsequently recognised in revenue upon completion of the underlying transaction or when the contract is terminated. However, for certain contracts, revenue is recognised over time for advisory arrangements in which the performance obligations are simultaneously provided by the Group and consumed by the customers and the fee from these advisory services are recognised rateably over the service period.

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FOR THE YEAR ENDED 31 DECEMBER 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.6 Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised as part of the cost of that asset during the substantial period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

3.7 Trading rights

Trading rights represent the eligibility rights to trade on or through Hong Kong Futures Exchange Limited and the Stock Exchange. Trading rights acquired separately are measured initially at cost. The cost of trading rights acquired in a business combination is its fair value at the acquisition date. After initial recognition, trading rights with indefinite useful lives are carried at cost less any accumulated impairment losses. The useful life of trading rights that is indefinite is reviewed annually to determine whether events and circumstances continue to support an indefinite useful life assessment.

3.8 Property, plant and equipment

Property, plant and equipment are carried at cost less any accumulated depreciation and any impairment losses. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance, are charged to profit or loss of the financial period in which they are incurred.

Depreciation is provided to write off the cost less their estimated residual value over their estimated useful lives, using the straight-line method, as follows:

Leasehold improvements	Over the lease terms
Furniture, fixtures and equipment	15% – 20%
Motor vehicles	20%

The assets' estimated residual value, depreciation method and estimated useful lives are reviewed, and adjusted if appropriate, at each reporting date.

The gain or loss arising on retirement or disposal is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset and is recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.9 Leases

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases; and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

The Group has leased a number of properties under tenancy agreements and the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease. Lease payments to be made under reasonably certain extension options are also included in the measurement of the lease liability.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.9 Leases *(Continued)*

Lease liability *(Continued)*

Subsequent to the commencement date, the Group measures the lease liability by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

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

- The lease term has changed or there is a significant event or change in circumstance resulting 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;

- The lease payments change due to changes in an index or rate or a change in expected payments a guaranteed residual value, in which cases the liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);

- There is lease modification not accounted for as a separate lease, in which the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate.

3.10 Financial instruments

(a) Financial assets

Trade receivables are initially recognised when they are originated. All other financial assets are initially recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Trade receivable without a significant financing component is initially measured at transaction price. All other financial assets are initially measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when, and only when, the contractual rights to receive cash flows from the financial assets expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. On derecognition of a financial asset in its entirety, the difference between the carrying amount of assets derecognised and the sum of the consideration received and receivable is recognised in profit or loss.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets under a contract whose terms that require delivery of assets within the time frame established generally by regulation or convention in the marketplace concerned.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.10 Financial instruments *(Continued)*

(a) *Financial assets* *(Continued)*

Classification and measurement

Financial assets of the Group are classified into (i) financial assets measured at amortised cost and (ii) financial assets measured at fair value through profit or loss. The classification is determined by both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

Financial assets are measured at amortised cost if they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. After initial recognition, these are measured at amortised cost using the effective interest method. Interest income is recognised using the effective interest method for debt instruments 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. Interest income and any gain or loss on derecognition are recognised in profit or loss.

Financial assets that do not meet the criteria for being measured at amortised cost and that are held within a business model other than "hold to collect and sell" are measured at fair value through profit or loss. Financial assets at fair value through profit or loss are subsequently measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost. Expected credit losses ("ECLs") are a probability-weighted estimate of credit losses, which are measured as the present value of the difference between the cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive (i.e. expected cash shortfalls). The expected cash shortfalls are discounted at the effective interest rate of the financial assets. The amount of ECLs is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECLs for trade receivables that result from transactions that are within the scope of HKFRS 15. Lifetime ECLs represent the ECLs that will result from all possible default events over the expected life of a financial instrument. The ECLs on these financial assets are estimated using a provision matrix 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 as well as the forecast direction of conditions at the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.10 Financial instruments *(Continued)*

(a) *Financial assets* *(Continued)*

Impairment of financial assets *(Continued)*

For all other financial assets measured at amortised cost, when the credit risk on a financial instrument has not increased significantly since initial recognition (i.e. stage 1), the Group is required to measure the loss allowance for a financial instrument at an amount equal to 12-month ECLs, which represents the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. When the credit risk on that financial instrument has increased significantly since initial recognition (i.e. stage 2) or when the financial instrument is a credit-impaired financial asset (i.e. stage 3), the Group recognised lifetime ECLs.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument 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 since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- 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; or
- significant increases in credit risk on other financial instruments of the same debtor.

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

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.10 Financial instruments *(Continued)*

(a) ***Financial assets*** *(Continued)*

Impairment of financial assets *(Continued)*

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

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

- significant financial difficulty of the issuer or the borrower;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- a breach of contract, such as a default or past due event.

In addition, the Group considers that an event of default occurs when there is a breach of financial covenants by the counterparty; or information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group). Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account. 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, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.10 Financial instruments *(Continued)*

(b) Financial liabilities

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. When financial liabilities are recognised initially, they are measured at fair value, less, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Financial liabilities are derecognised when, and only when, the obligation under the financial liabilities is discharged or cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing financial liability are substantially modified, such an exchange or modification is treated as derecognition of the original financial liability and the recognition of a new financial liability, and the difference in the respective carrying amount is recognised in profit or loss.

Financial liabilities of the Group are classified into financial liabilities measured at amortised cost. Financial liabilities at amortised cost are subsequently measured at amortised cost, using effective interest method. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs.

(c) Offsetting financial instruments

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

(d) Equity instruments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.11 Accounting for income taxes

Income taxes comprise current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary differences arise from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

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

Deferred tax is calculated, without discounting, at tax rates that are expected to apply to the period when the liability is settled or the asset is realised, provided they are enacted or substantively enacted at the reporting date.

Current tax and changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity, respectively.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Current tax assets and current tax liabilities are presented in net if, and only if, (a) the Group has a legally enforceable right to set off the recognised amounts; and (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.11 Accounting for income taxes *(Continued)*

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if, (a) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either (i) the same taxable entity; or (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

3.12 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

3.13 Employee benefits

Retirement benefits

The Group participates in staff retirement benefit schemes for employees in Hong Kong and the People's Republic of China ("PRC"), comprising a Mandatory Provident Fund Scheme ("MPF Scheme") and a state-managed retirement benefit scheme. The assets of these schemes are held separately from those of the Group in independently administered funds. The retirement benefit schemes are generally funded by payments from employees and the relevant group companies. The retirement benefit scheme costs charged to profit or loss represent contributions payable by the Group to the schemes.

The Group contributes to the MPF Scheme under the Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The Group's employer contributions vested fully with the employees when contributed into the MPF Scheme except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully in accordance with the rules of the MPF Scheme.

The subsidiaries operating in the PRC are required to participate in the state-managed retirement benefit scheme for their employees, organised by the relevant local government authorities. They are required to make contributions to the retirement benefit scheme at a specified percentage of the employees' relevant income and there are no other further obligations to the Group.

Short-term employee benefits

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the reporting date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the reporting date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.14 Share-based payments

All services received in exchange for the grant of any share options are measured at their fair value. These are indirectly determined by reference to the fair value of share options granted. Their value is appraised at the grant date and excludes the impact of any service and non-market performance vesting conditions (for example, profitability and sales growth targets).

All services received in exchange for the grant of any share options are ultimately recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in share option reserve within equity.

If service or non-market performance vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market performance and service conditions are included in assumptions about the number of share options that are expected to vest. At the end of the reporting period, the Group revises its estimates of the number of share options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits/accumulated losses.

3.15 Impairment of non-financial assets

Goodwill and trading rights with an indefinite useful life are tested for impairment at least annually and whenever there is any indication that they may be impaired. Property, plant and equipment and right-of-use assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

Recoverable amount is the higher of fair value, reflecting market conditions 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 time value of money and the risk specific to the asset for which the future cash flow estimates have not been adjusted.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets or group of assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. cash-generating unit, "CGU"). Goodwill is allocated to the relevant CGUs that are expected to benefit from the synergies of the acquisition. As a result, some assets are tested individually for impairment and some are tested at CGU level. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

An impairment loss is recognised as an expense immediately for the amount by which the carrying amount of an asset, or the CGU to which it belongs, exceeds its recoverable amount. Impairment loss recognised for CGUs, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the CGUs, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal, if measurable; and value-in-use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there is any indication that an impairment loss recognised in prior periods may no longer exist or may have decreased, there has been a favourable change in the estimates used to determine the recoverable amount of the asset or the CGUs and only to the extent that the carrying amount of the asset or the CGUs does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised. Reversal of impairment loss is recognised immediately in profit or loss.

3.16 Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.17 Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control of the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) the entity and the Group are members of the same group.

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) both entities are joint ventures of the same third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) the entity is controlled or jointly controlled by a person identified in (a).

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close family members of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include (a) that person's children and spouse or domestic partner; (b) children of that person's spouse or domestic partner; and (c) dependants of that person or that person's spouse or domestic partner.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS AND OTHER KEY SOURCES OF ESTIMATION UNCERTAINTY

The Group makes judgements, estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. In addition to the critical accounting judgements and other key sources of estimation uncertainty disclosed elsewhere in these financial statements, other key sources of estimation uncertainty at the end of the reporting period and assumptions that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) ECL of financial assets measured at amortised cost

The measurement of the ECL allowance for financial assets measured at amortised cost is an area that requires the use of significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). A number of significant judgments, including determining the criteria for significant increase in credit risk, are also required in applying the accounting requirements for measuring ECLs. Details about the judgements and assumptions used in measuring ECLs is set out in note 3.10(a) to these financial statements. Changes to these estimates and assumptions can result in significant changes to the timing and amount of ECLs to be recognised.

(ii) Current tax and deferred tax

The Group is mainly subjected to income tax in Hong Kong. Significant judgement is required in determining the amount of the provision and the timing of payment. There are many transactions and calculations for which the ultimate tax expense is uncertain during the ordinary course of business. The Group recognises taxes based on estimates of the likely outcome with reference to current tax laws and practices. Where the final outcome of these matters is different from the amounts that were originally estimated, such differences will impact the provision for income tax and deferred tax in the period in which such determination is made.

Deferred tax assets relating to certain deductible temporary differences and tax losses will be recognised when management considers it is probable that future taxable profit will be available against which the deductible temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and income tax expense in the period in which such estimate is changed.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS AND OTHER KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(iii) Determining the lease term

In determining the lease term at the commencement date for leases that include renewal options or early termination options exercisable by the Group, the Group exercises judgement to evaluate the likelihood of exercising the renewal options or early termination options taking into account all relevant facts and circumstances that create economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken, penalties for early termination and the importance of that underlying asset to the Group's operation. Any changes in the lease term would affect the amount of right-of-use assets and lease liabilities recognised in future years. The Group also exercises judgement to determine whether there is a significant event or change in circumstance that is within the Group's control that would require the lease term to be reassessed.

5. SEGMENT INFORMATION

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major service lines as follows:

(a) securities brokerage and financial services — provision of discretionary and non-discretionary dealing services for securities and futures contracts, securities placing and underwriting services, margin financing and money lending services, corporate finance advisory and general advisory services;

(b) asset management services — provision of fund management and discretionary portfolio management and investment advisory services;

(c) proprietary trading — investment holding and securities trading; and

(d) trading business — trading of chemical products and energy and minerals products.

No operating segments identified have been aggregated in arriving at the reportable segments of the Group. Each of these operating segments is managed separately as each of the service lines requires different resources as well as marketing approaches.

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5. SEGMENT INFORMATION *(Continued)*

2020	Securities brokerage and financial services *HK$'000*	Asset management services *HK$'000*	Proprietary trading *HK$'000*	Trading business *HK$'000*	Total *HK$'000*
Reportable segment revenue					
External customers					
— Fee and commission income	32,516	12,033	–	–	44,549
— Interest income	–	–	–	–	–
	32,516	12,033	–	–	44,549
Inter-segment	–	–	–	–	–
	32,516	12,033	–	–	44,549
Fee and commission income from external customers					
— Timing of revenue recognition					
Point in time	32,516	–	–	–	32,516
Over time	–	12,033	–	–	12,033
	32,516	12,033	–	–	44,549
— Geographical region					
Hong Kong	32,516	12,033	–	–	44,549
Mainland China	–	–	–	–	–
	32,516	12,033	–	–	44,549
Reportable segment result	24,390	3,341	(468)	(38)	27,225
Depreciation	19	37	–	–	56
Loss allowances on trade receivables	303	141	–	–	444
Fair value loss on held for trading investments	–	–	6	–	6
Finance costs	–	–	–	–	–
Net losses on written off property, plant and equipment	62	19	58	–	139
Reportable segment assets	30,624	5,089	147	38	35,898
Reportable segment liabilities	13,475	431	41	60	14,007

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5. SEGMENT INFORMATION *(Continued)*

2019	Securities brokerage and financial services *HK$'000*	Asset management services *HK$'000*	Proprietary trading *HK$'000*	Trading business *HK$'000*	Total *HK$'000*
Reportable segment revenue					
External customers					
— Fee and commission income	330	8,474	–	–	8,804
— Interest income	40	–	–	–	40
	370	8,474	–	–	8,844
Inter-segment	–	–	–	–	–
	370	8,474	–	–	8,844
Fee and commission income from external customers					
— Timing of revenue recognition					
Point in time	330	–	–	–	330
Over time	–	8,474	–	–	8,474
	330	8,474	–	–	8,804
— Geographical region					
Hong Kong	330	8,474	–	–	8,804
Mainland China	–	–	–	–	–
	330	8,474	–	–	8,804
Reportable segment result	(12,746)	(16,321)	(7,059)	(2,240)	(38,366)
Depreciation	21	60	12	–	93
Impairment losses on goodwill	–	7,000	–	–	7,000
Loss allowances on trade receivables	–	4,570	–	–	4,570
Fair value loss on held for trading investments	–	–	5,610	–	5,610
Finance costs	1	–	–	–	1
Reportable segment assets	19,403	1,663	194	64	21,324
Expenditures for additions to non-current segment assets*	–	–	–	–	–
Reportable segment liabilities	17,599	847	40	3	18,489

5. SEGMENT INFORMATION *(Continued)*

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except that other income; directors' emoluments; interest expenses on the loan from a related company; income tax expense; and corporate income and expenses which are not directly attributable to the business activities of any operating segment are not included in arriving at the operating results of the operating segments. Common expenditures are allocated between operating segments based on proportion of segment revenue where necessary. Inter-segment revenue are charged on the expenses incurred by the relevant subsidiary plus certain percentage.

Segment assets include all assets but do not include current tax assets and bank balances of the Group. In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment, which primarily applies to the Group's headquarters. Segment liabilities include all liabilities but do not include borrowings and current tax liabilities. In addition, corporate liabilities which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

The totals presented for the Group's operating segments are reconciled to the Group's key financial figures as presented in the financial statements as follows:

	2020 ***HK$'000***	2019 *HK$'000*
Reportable segment revenue	**44,549**	8,844
Group's revenue	**44,549**	8,844
Reportable segment result	**27,225**	(38,366)
Other income	**793**	618
Finance costs	**(6,893)**	(23,293)
Gain on disposal of subsidiaries	**–**	10
Corporate expenses**	**(6,652)**	(16,534)
Group's profit/(loss) before income tax	**14,473**	(77,565)

5. SEGMENT INFORMATION *(Continued)*

	2020 **HK$'000**	2019 HK$'000
Reportable segment assets	**35,898**	21,324
Current tax assets	**–**	678
Cash and cash equivalents	**34,649**	29,840
Corporate assets	**9,365**	13,457
Group's assets	**79,912**	65,299
Reportable segment liabilities	**14,007**	18,489
Borrowings	**104,988**	100,142
Current tax liabilities	**2,407**	–
Corporate liabilities	**9,272**	9,446
Group's liabilities	**130,674**	128,077

	Reportable segment total		**Unallocated**		**Consolidated**	
	2020 **HK$'000**	2019 HK$'000	**2020** **HK$'000**	2019 HK$'000	**2020** **HK$'000**	2019 HK$'000
Other material items						
Depreciation and amortisation	**56**	93	**3,016**	1,449	**3,072**	1,542
Finance costs	**–**	1	**6,893**	23,293	**6,893**	23,294
Expenditures for additions to non-current assets*	**–**	–	**–**	2,933	**–**	2,933

The following table sets out information about the geographical location of the Group's revenue from external customers and the Group's non-current assets*. The geographical location of customers is based on the location at which the subsidiary operates. The geographical location of non-current assets* is based on the physical location of the asset, in the case of property, plant and equipment and right-of-use assets.

	Revenue from external customers		**Non-current assets***	
	2020 **HK$'000**	2019 HK$'000	**2020** **HK$'000**	2019 HK$'000
Hong Kong (domicile)#	**44,549**	8,844	**9,093**	11,515
Mainland China	**–**	–	**–**	8
	44,549	8,844	**9,093**	11,523

* Non-current assets exclude deferred tax assets and other assets.

** mainly staff costs, including directors' emoluments, and other professional fees.

\# The Company is an investment holding company incorporated in Bermuda where the Group does not have any activities. The Group has the majority of its operations in Hong Kong, and therefore, Hong Kong is considered as the Group's place of domicile for the purpose of disclosures as required by HKFRS 8, Operating Segments.

5. SEGMENT INFORMATION *(Continued)*

The Group's customers include the following with whom transactions have exceeded 10% of the Group's revenue:

	2020 **HK$'000**	2019 HK$'000
Customer A *(note i)*	**15,448**	N/A
Customer B *(note i)*	**7,750**	N/A
Customer C *(note i)*	**5,872**	N/A
Customer D *(note ii)*	**N/A**	5,044
Customer E *(note ii)*	**N/A**	1,222

Notes:

i. Revenue from these customers is attributable to securities brokerage and financial services segment.

ii. Revenue from these customers is attributable to asset management services segment.

6. FEE AND COMMISSION INCOME, INTEREST INCOME

	2020 **HK$'000**	2019 HK$'000
Fee and commission income		
Securities brokerage and financial services segment:		
— Securities and futures brokerage	**1,125**	159
— Underwriting and placing	**31,082**	21
— Others	**309**	150
	32,516	330
Asset management services segment:		
— Fund and portfolio management and investment advisory	**12,033**	8,474
	44,549	8,804
Interest income		
— Margin financing and money lending	**–**	40
	–	40
Total	**44,549**	8,844

6. FEE AND COMMISSION INCOME, INTEREST INCOME *(Continued)*

The following table provides information about trade receivables and contract liabilities from contracts with customers:

	2020 **HK$'000**	2019 *HK$'000*
Trade receivables *(Note 20)*	**20,722**	1,182
Contract liabilities *(Note 26)*	**736**	450

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its customer contracts relating to fund and portfolio management and investment advisory services such that the Group had not disclose information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts that had an original expected duration of one year or less and any estimated amounts of variable consideration that are constrained.

7. OTHER GAINS AND LOSSES

	2020 **HK$'000**	2019 *HK$'000*
Changes in fair value of held for trading investments	**(6)**	(5,610)
Gains on disposal of subsidiaries	**–**	10
Impairment losses on goodwill *(note 18)*	**–**	(7,000)
Loss allowances on trade receivables *(note 20)*	**(444)**	(4,570)
Net foreign exchange gains	**1**	33
Net (loss)/gains on disposals/write off of property, plant and equipment	**(107)**	5
Others	**–**	24
	(556)	(17,108)

8. OTHER INCOME

	2020 **HK$'000**	2019 *HK$'000*
Interest income from banks and others	**3**	32
Sundry income	**790**	586
	793	618

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9. FINANCE COSTS

	2020 HK$'000	2019 HK$'000
Interest on bank and other borrowings	–	1
Interest on loans from related companies	5,905	22,862
Interest on lease liabilities *(note 16)*	988	431
	6,893	23,294

10. LOSS BEFORE INCOME TAX

	2020 HK$'000	2019 HK$'000
Loss before income tax is arrived at after charging:		
Staff costs, including directors' emoluments		
— Fees, salaries, allowances and bonuses	12,619	25,593
— Retirement benefit scheme contributions*	(290)	130
	12,329	25,723
Other expenses		
— Auditor's remuneration	1,300	1,300
— Entertainment and gifts	71	471
— Other professional fees	2,069	2,751
— System license and subscriptions	701	1,196
— Registration and listing expenses	614	739
— Office expense	559	1,108
— Travelling expense	30	790
— Insurance expense	597	605
— Reinstatement cost	–	374
— IT Expenses	201	300
— Expense relating to short-term leases	357	6,175
— Bad debt written off	–	461
— Others	1,520	3,090
	8,019	19,360

* The amount included forfeited contributions of HK$483,000 (2019: HK$704,000) in respect of employees who left employment prior to such contributions vesting fully in accordance with the rules of the MPF Scheme.

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11. INCOME TAX EXPENSES/(CREDIT)

Hong Kong profits tax is calculated in accordance with the two-tiered profits tax rates regime for both current and previous years. Under the two-tier profits tax rates regime, the first HK$2 million of profits of qualifying corporation are taxed at 8.25%, and profits above HK$2 million are taxed at 16.5%. The profits of corporation not qualifying for the two-tier profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

	2020	2019
	HK$'000	*HK$'000*
Current tax — Hong Kong profits tax		
— Provision for current year	**2,407**	–
— Under/(Over) provision in respect of prior years	**60**	(201)
Total income tax expense/(credit)	**2,467**	(201)

Reconciliation between income tax expenses/(credit) and loss before income tax at applicable tax rate is as follows:

	2020	2019
	HK$'000	*HK$'000*
Profit/(loss) before income tax	**14,473**	(77,565)
Notional tax at Hong Kong profits tax rate of 16.5% (2019: 16.5%)	**2,388**	(12,798)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(40)**	(144)
Tax effect of concessionary tax rate	**(165)**	–
Tax effect of revenue not taxable for tax purpose	**(70)**	(839)
Tax effect of expenses not deductible for tax purpose	**243**	2,013
Tax effect of unused tax losses not recognised as deferred tax asset	**3,012**	11,780
Tax effect of prior years' unrecognised tax losses utilised this year	**(3,053)**	–
Tax effect of temporary differences not recognised	**92**	(12)
Under/(Over) provision in respect of prior years	**60**	(201)
Income tax expense/(credit)	**2,467**	(201)

12. DIVIDENDS

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

13. EARNINGS/LOSS PER SHARE

Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to owners of the Company of approximately HK$12,006,000 (2019: loss of approximately HK$77,334,000) and the weighted average number of 3,819,705,413 (2019: 3,819,705,413) ordinary shares in issue during the year.

Diluted earnings/(loss) per share

The diluted earnings/(loss) per share is the same as the basic earnings/(loss) per share as there are no dilutive potential ordinary shares in existence during the year ended 31 December 2020.

For the year ended 31 December 2019, the diluted loss per share was the same as the basic loss per share because the calculation of the diluted loss per share did not assume the exercise of the outstanding share options since their exercise would result in decrease in loss per share.

14. EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Directors' emoluments

The aggregate amounts of emoluments paid and payable to the directors of the Company are as follows:

	Fees *HK$'000*	Salaries and allowances *HK$'000*	Retirement benefit scheme contributions *HK$'000*	Total *HK$'000*
2020				
Executive Directors				
Mr. Qiu Bin *(note (a))*	20	464	3	487
Mr. Zhou Quan *(note (b))*	200	400	18	618
Mr. Zhao Yun *(note (c))*	44	461	14	519
Mr. Liu Yang *(note (d))*	–	552	15	567
Non-Executive Directors				
Mr. Mu Hao *(note (f))*	45	–	–	45
Mr. Huang Shuanggang *(note (g))*	92	–	–	92
Independent Non-Executive Directors				
Mr. Fung Tze Wa *(note (j))*	94	–	–	94
Ms. Fang Fang *(note (k))*	67	–	–	67
Mr. An Dong *(note (l))*	90	–	–	90
Mr. Zhang Jinfan *(note (m))*	78	–	–	78
Mr. Huang Qin *(note (n))*	64	–	–	64
Ms. Wen Han QiuZi *(note (n))*	64	–	–	64
	858	1,877	50	2,785

14. EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

Directors' emoluments *(Continued)*

	Fees *HK$'000*	Salaries and allowances *HK$'000*	Retirement benefit scheme contributions *HK$'000*	Total *HK$'000*
2019				
Executive Directors				
Mr. Qiu Bin *(note (a))*	200	1,560	18	1,778
Mr. Zhou Quan *(note (b))*	133	267	26	426
Ms. Cheng Kit Sum, Clara *(note (e))*	173	1,713	93	1,979
Non-Executive Directors				
Mr. Zhao Yun *(note (c))*	127	–	–	127
Mr. Mu Hao *(note (f))*	143	–	–	143
Mr. Chen Zhong Min *(note (h))*	–	–	–	–
Mr. Chiu Hau Shun, Simon *(note (i))*	–	–	–	–
Ms. Tang Lai Shan, Jo Jo *(note (i))*	–	–	–	–
Independent Non-Executive Directors				
Mr. Fung Tze Wa *(note (j))*	200	–	–	200
Ms. Fang Fang *(note (k))*	143	–	–	143
Mr. An Dong *(note (l))*	27	–	–	27
Dr. Huan Guocang *(note (o))*	223	–	–	223
Mr. Lo Ka Wai *(note (o))*	223	–	–	223
	1,592	3,540	137	5,269

There was no arrangement under which a director waived or agreed to waive any emoluments in respect of the years ended 31 December 2020 and 2019. No emolument was paid by the Group to the directors as an inducement to join or upon joining the Group, nor as compensation for loss of office.

Notes:

(a) Resigned as executive director with effect on 5 February 2020.

(b) Appointed as executive director with effect on 2 May 2019.

(c) Appointed as non-executive director with effect on 2 May 2019 and re-designated as executive director on 25 March 2020.

(d) Appointed as executive director with effect on 31 January 2020.

(e) Resigned as executive director with effect on 11 November 2019.

14. EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

Directors' emoluments *(Continued)*

Notes: (Continued)

(f) Appointed as non-executive director with effect on 3 April 2019 and resigned on 25 March 2020.

(g) Appointed as non-executive director with effect on 25 March 2020.

(h) Resigned as non-executive director with effect on 1 January 2019.

(i) Resigned as non-executive director with effect on 22 March 2019.

(j) Resigned as independent non-executive director with effect on 19 June 2020.

(k) Appointed as independent non-executive director with effect on 3 April 2019 and resigned with effect on 6 May 2020.

(l) Appointed as independent non-executive director with effect on 11 November 2019 and resigned with effect on 19 June 2020.

(m) Appointed as independent non-executive director with effect on 6 May 2020.

(n) Appointed as independent non-executive director with effect on 19 June 2020.

(o) Resigned as independent non-executive director with effect on 11 November 2019.

Emoluments of five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included one director (2019: two directors) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2019: three) individuals during the year are as follows:

	2020	2019
	HK$'000	*HK$'000*
Salaries and allowances	**3,636**	4,607
Retirement benefit scheme contributions	**81**	78
	3,717	4,685

During the years ended 31 December 2020 and 2019, no emolument was paid by the Group to the above remaining four (2019: three) individuals as compensation for loss of office.

The emoluments of these remaining four (2019: three) highest paid individuals fell within the following bands:

	Number of individuals	
	2020	2019
Nil — HK$1,000,000	**3**	–
HK$1,000,001 — HK$1,500,000	**1**	2
HK$1,500,001 — HK$2,000,000	**–**	–
HK$2,000,001 — HK$2,500,000	**–**	1

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15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
At 1 January 2019				
Cost	1,698	4,324	1,189	7,211
Accumulated depreciation	(1,678)	(3,999)	(1,182)	(6,859)
Net carrying amount	20	325	7	352
Year ended 31 December 2019				
Opening net carrying amount	20	325	7	352
Additions	2,581	352	–	2,933
Disposals	–	(5)	–	(5)
Depreciation	(251)	(118)	–	(369)
Translation differences	–	–	–	–
Closing net carrying amount	2,350	554	7	2,911
At 31 December 2019				
Cost	4,279	4,662	1,189	10,130
Accumulated depreciation	(1,929)	(4,108)	(1,182)	(7,219)
Net carrying amount	2,350	554	7	2,911
Year ended 31 December 2020				
Opening net carrying amount	**2,350**	**554**	**7**	**2,911**
Additions	**–**	**–**	**–**	**–**
Disposals	**–**	**–**	**–**	**–**
Depreciation	**(628)**	**(142)**	**–**	**(770)**
Written off	**–**	**(157)**	**–**	**(157)**
Translation differences	**–**	**–**	**(7)**	**(7)**
Closing net carrying amount	**1,722**	**255**	**–**	**1,977**
At 31 December 2020				
Cost	**2,374**	**379**	**–**	**2,753**
Accumulated depreciation	**(652)**	**(124)**	**–**	**(776)**
Net carrying amount	**1,722**	**255**	**–**	**1,977**

16. LEASES

The Group leases a number of office properties from which it operates. Rental contracts are typically made for a fixed period of 3 years, but may have extension options which is exercisable by the Group to further extend the lease terms for 3 years.

The extension option in office leases have not been included in the lease liability since the Group could replace the assets without significant cost or business disruption. As at 31 December 2020, potential future cash outflows of HK$8,650,000 (undiscounted) have not been included in the lease liabilities because it is not reasonably certain that the leases will be extended.

None of the leases contain variable lease payments.

Set out below are the carrying amounts of right-of-use assets and lease liabilities recognised and the movements during the year:

Right-of-use assets

	Land and buildings	
	2020	2019
	HK$'000	*HK$'000*
At the beginning of the year	**8,612**	–
Additions	**–**	14,400
Depreciation	**(2,302)**	(1,173)
Effect of lease modification	**–**	(4,615)
At the end of the year	**6,310**	8,612

Lease liabilities

	Land and buildings	
	2020	2019
	HK$'000	*HK$'000*
At the beginning of the year	**8,746**	–
Additions	**–**	14,400
Effect of lease modification	**–**	(4,639)
Interest expense	**988**	431
Lease payments	**(3,066)**	(1,446)
At the end of the year	**6,668**	8,746
Analysed into:		
Current liabilities	**1,966**	1,896
Non-current liabilities	**4,702**	6,850

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FOR THE YEAR ENDED 31 DECEMBER 2020

16. LEASES *(Continued)*

Lease liabilities *(Continued)*

The maturity analysis of lease liabilities is disclosed in note 35(c) to the financial statements.

As at 31 December 2019 and 2020, the Group had total future lease payments for leases committed but not yet commenced falling due as follows:

	Minimum lease payments *HK$'000*	Interest *HK$'000*	Present value *HK$'000*
Not later than one year	2,884	(988)	1,896
Later than one year and not later than two years	2,884	(736)	2,148
Later than two year and not later than five years	5,285	(583)	4,702
At 31 December 2019	11,053	(2,307)	8,746
Not later than one year	**2,702**	**(736)**	**1,966**
Later than one year and not later than two years	**2,884**	**(452)**	**2,432**
Later than two year and not later than five years	**2,401**	**(131)**	**2,270**
At 31 December 2020	**7,987**	**(1,319)**	**6,668**

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2020 ***HK$'000***	2019 *HK$'000*
Depreciation expense of right-of-use assets	**2,302**	1,173
Interest on lease liabilities *(note 9)*	**988**	431
Expense relating to short-term leases and other leases with remaining lease term ending on or before year-end	**219**	5,975

The Group has no expense relating to leases of low-value assets, excluding short-term leases of low-value assets.

The total cash outflow for lease in the year ended 31 December 2020 was HK$3,066,000 (2019: HK$1,446,000).

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17. TRADING RIGHTS

	2020 **HK$'000**	2019 *HK$'000*
Gross carrying amount		
At beginning and end of the year	**3,322**	3,322
Accumulated impairment		
At beginning of the year	**3,322**	3,322
Impairment loss recognised	**–**	–
At end of the year	**3,322**	3,322
Net carrying amount		
At beginning of the year	**–**	–
At end of the year	**–**	–

Trading rights represent the eligibility rights to trade on or through Hong Kong Futures Exchange Limited and the Stock Exchange. The trading rights have no foreseeable limit to the period over which the Group can use to generate net cash flows. As a result, the trading rights are considered by the management as having an indefinite useful life. Trading rights will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired. The trading rights had been fully impaired in the prior years.

18. GOODWILL

	2020 **HK$'000**	2019 *HK$'000*
Gross carrying amount		
At beginning and end of the year	**7,000**	7,000
Accumulated impairment		
At beginning of the year	**7,000**	–
Impairment loss recognised	**–**	7,000
At end of the year	**7,000**	7,000
Net carrying amount		
At beginning of the year	**–**	7,000
At end of the year	**–**	–

Taking into account of the deteriorating financial performance of the asset management business, the unfavourable change in the capital market and the expectations for the market development, an impairment loss of HK$7,000,000 was recognised in respect of the goodwill in the previous year.

19. OTHER ASSETS

	2020 *HK$'000*	2019 *HK$'000*
Admission fee paid to Hong Kong Securities Clearing Company Limited ("HKSCC")	**50**	50
Cash contribution to the Guarantee Fund of HKSCC	**50**	50
Deposit with HKFE Clearing Corporation Limited ("HKCC")	**1,500**	1,500
Deposits with the Stock Exchange		
— Compensation Fund	**50**	50
— Fidelity Fund	**50**	50
— Stamp duty	**30**	5
	1,730	1,705

20. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2020 *HK$'000*	2019 *HK$'000*
Trade receivables	**20,722**	1,182
Other receivables and prepayments	**1,054**	2,951
	21,776	4,133

The analysis of trade receivables is as follows:

	2020 *HK$'000*	2019 *HK$'000*
Arising from the business of dealing in securities and futures contracts		
— HKSCC and HKCC	**253**	–
Arising from asset management services	**4,709**	5,752
Arising from underwriting and placing services	**16,204**	–
Less: Loss allowances	**(444)**	(4,570)
	20,722	1,182

The normal settlement terms of trade receivables arising from the business of dealing in securities are one to two business days after the respective trade dates. The normal settlement terms of trade receivables arising from the business of dealing in futures contracts are one business day after the respective trade dates. The amounts due from HKSCC are repayable on demand subsequent to the settlement date and bear interest at Hong Kong Dollar Prime Rate plus a spread of 3% (2019: 3%) per annum. The amounts due from HKCC are repayable on demand except for the required margin deposits for the trading of futures contracts.

20. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS *(Continued)*

The Group does not provide any credit term to clients for its asset management services. Settlement of amounts arising from underwriting and placing services is in accordance with the terms set out in respective agreements, usually within one year after the service obligation has been fulfilled.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 35(b) to these financial statements.

21. HELD FOR TRADING INVESTMENTS

	2020 ***HK$'000***	2019 *HK$'000*
Listed equity securities	**20**	26
Unlisted investment funds *(note)*	**–**	–
	20	26

Note:

Pursuant to the subscription agreements, the Group's interests in the above investment funds are in the form of redeemable shares, which are puttable at the holder's option at any time, for an amount equal to the pro rata share of the fund's net assets and entitle the Group to a proportionate stake in the respective funds' net assets. These investment funds are managed by the respective unrelated investment managers who are empowered to manage their daily operations and apply various investment strategies to accomplish their respective investment objectives.

22. TRUST BANK BALANCES HELD ON BEHALF OF CLIENTS

From the Group's ordinary business of dealing in securities and futures contracts, it receives and holds money deposited by clients in the course of conducting its regulated activities. These clients' monies are maintained in one or more segregated bank accounts and earn interest at floating rates based on daily bank deposit rates of 0.150% (2019: 0.100%) per annum. The Group has recognised the corresponding trade payables to respective clients.

23. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

Cash and cash equivalents

	2020 ***HK$'000***	2019 *HK$'000*
Demand deposits and cash on hand	**34,649**	29,840

Demand deposits earn interest at floating rates based on daily bank deposit rates. The prevailing market interest rates for demand deposits in Hong Kong and in the PRC are 0.150% (2019: 0.100%) per annum and 0.300% (2019: 0.350%) per annum, respectively.

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23. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(Continued)*

Cash and cash equivalents *(Continued)*

Included in cash and cash equivalents of the Group is RMB of HK$1,195,000 (2019: HK$1,718,000). RMB is not a freely convertible currency. Under the Mainland China's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks that are authorised to conduct foreign exchange business.

Other cash flow information

The movement of liabilities arising from financing activities for the year ended 31 December 2019 and 2020 is as follows:

	Lease liabilities HK$'000 *(note 16)*	Other loan HK$'000 *(note 25)*
At 1 January 2019	–	80,421
Changes from financing cash flows:		
— Proceeds received	–	99,800
— Repayments	–	(80,000)
— Repayment of lease liabilities	(1,446)	–
Other changes:		
— Increase in lease liabilities from entering into new leases during the year	9,761	–
— Interest on lease liabilities	431	–
— Effective interest recognised	–	22,862
— Interest paid for other loan	–	(22,941)
At 31 December 2019	8,746	100,142

	Lease liabilities ***HK$'000*** ***(note 16)***	**Other loan** ***HK$'000*** ***(note 25)***
At 1 January 2020	**8,746**	**100,142**
Changes from financing cash flows:		
— Repayment of lease liabilities	**(3,066)**	**–**
Other changes:		
— Interest on lease liabilities	**988**	**–**
— Effective interest recognised	**–**	**5,905**
— Interest paid for other loan	**–**	**(1,059)**
At 31 December 2020	**6,668**	**104,988**

24. TRADE AND OTHER PAYABLES AND ACCRUALS

	2020 HK$'000	2019 HK$'000
Trade payables arising from the business of dealing in securities and futures contracts		
— HKSCC and HKCC	**–**	10
— Cash clients	**12,439**	15,431
— Margin clients	**473**	783
	12,912	16,224
Other payables and accruals	**2,963**	2,515
	15,875	18,739

The normal settlement terms of trade payables arising from the business of dealing in securities are one to two business days after the respective trade dates. The normal settlement terms of trade payables arising from the business of dealing in futures contracts are one business day after the respective trade dates. The amounts payable to cash and margin clients are repayable on demand except for the required margin deposits for the trading of futures contracts. No ageing analysis in respect of trade payables is disclosed as, in the opinion of the directors, the ageing analysis does not give additional value in view of the business nature.

25. BORROWINGS

	2020 HK$'000	2019 HK$'000
Non-current liabilities		
Loan from a related company *(note 23)*		
— Principal amount	**99,800**	–
— Interest payables	**5,188**	–
	104,988	–
Current liabilities		
Loan from a related company *(note 23)*		
— Principal amount	**–**	99,800
— Interest payables	**–**	342
	–	100,142

The loan at 31 December 2020 with the principal amount of HK$99,800,000 (the "Loan") is secured by a charge of the Company's shares owned by certain substantial shareholders of the Company, interest bearing at 5% per annum. On 26 August 2020, the Group had entered into amendment agreements with the lender from which the repayment date was extended to January 2022. Subsequent to the end of the reporting period, the maturity date of the Loan has been further extended to January 2023.

The loan at 31 December 2019 with the principal amount of HK$99,800,000 is secured by a charge of the Company's shares owned by certain substantial shareholders of the Company, interest bearing at 12.5% per annum and repayable within twelve months from 31 December 2019.

26. CONTRACT LIABILITIES

	2020 **HK$'000**	2019 HK$'000
Contract liabilities arising from:		
— Financial advisory	**450**	450
— Investment advisory	**286**	–

Typical payment terms which impact on the amount of contract liabilities are as follows:

Financial advisory

The Group may take a partial payment when entering into service agreement, with the remainder of the consideration receivable paid at the time of service rendered.

Investment advisory

The Group may take a partial or full payment when entering into service agreement, with the payment received in advance are recognised as revenue over the period when the related services are rendered and the remainder of the consideration receivable paid at the time of service rendered.

Movements in contract liabilities are as follows:

	2020 **HK$'000**	2019 HK$'000
Balance as at 1 January	**450**	–
Increase in contract liabilities as a result of billing in advance	**286**	450
Balance as at 31 December	**736**	450

27. DEFERRED TAX

The Group had estimated tax losses of HK$330,009,000 (2019: HK$331,341,000) to carry forward against future taxable profits. Tax losses of HK$323,380,000 (2019: HK$323,829,000) were related to certain subsidiaries operating in Hong Kong and could be carried forward indefinitely under the current tax legislation. In addition, certain subsidiaries operating in the PRC had tax losses of HK$6,629,000 (2019: HK$7,511,000) which were subject to expiry period of five years from the year in which the tax loss arose. No deferred tax asset had been recognised in respect of the estimated tax losses due to the unpredictability of future profit streams against which these unused tax losses could be utilised.

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28. SHARE CAPITAL

	Number of ordinary shares of HK$0.05 each *HK$'000*	Nominal value *HK$'000*
Authorised:		
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	8,000,000,000	400,000
Issued and fully paid:		
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	3,819,705,413	190,985

All issued shares rank pari passu in all respects including all rights as to dividends, voting and return of capital.

29. SHARE-BASED PAYMENTS

(a) Pursuant to a special general meeting held on 15 October 2014, a new share option scheme ("2014 Scheme") was approved by the shareholders of the Company in place of the share option scheme adopted by the Company pursuant to the general meeting held on 24 September 2004 ("2004 Scheme"). The share options granted for the 2004 Scheme shall continue to be valid and exercisable in accordance with the 2004 Scheme.

The 2014 Scheme is also valid and effective for 10 years, after which no further share options may be issued under the 2014 Scheme but any share options granted thereto shall remain exercisable in accordance with the 2014 Scheme. The purpose of the 2014 Scheme is to enable the Group to grant share options to the Qualified Persons as incentives or rewards for their contribution to the Group.

(b) The maximum number of shares which can be granted under the 2014 Scheme may not exceed 10% of the issued share capital of the Company from time to time. Pursuant to a resolution passed on the annual general meeting of the Company, dated 15 October 2014, the Company can grant 161,201,291 share options to the Qualified Persons, until the next time of refreshment. The maximum number of shares which can be granted under the 2004 Scheme and the 2014 Scheme may not in aggregate exceed 30% of the issued share capital of the Company from time to time. The total number of shares issuable under the 2004 Scheme and the 2014 Scheme to each Qualified Persons within any 12-month's period shall not exceed 1% of the issued share capital of the Company for the time being. Any further grant of share options in excess of this limit is subject to shareholders' approval. At 31 December 2020, there were no shares in respect of which options has been granted and remained outstanding under the 2014 Scheme (2019: 60,000,000).

29. SHARE-BASED PAYMENTS *(Continued)*

(b) *(Continued)*

Any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5,000,000, within any 12-month period, are subject to prior shareholders' approval in a general meeting.

The exercise price in relation to each share option pursuant to the 2014 Scheme shall be not less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date on which the share option is offered to a Qualified Person; or (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of offer; or (iii) the nominal value of a share of the Company. There shall be no minimum holding period for the vesting or exercise of the share options under the 2014 Scheme but the share options are exercisable within the option period as determined by the board of directors of the Company.

Movements in share options to subscribe for ordinary shares in the Company under 2014 Scheme during the year and their weighted average exercise price are as follows:

	Number of share options		Weighted average exercise price	
	2020	2019	**2020**	2019
			HK$	HK$
Outstanding at 1 January	**60,000,000**	117,200,000	**0.240**	0.240
Exercised	**–**	–	**N/A**	N/A
Forfeited	**(60,000,000)**	(57,200,000)	**0.240**	0.240
Granted	**–**	–	**N/A**	N/A
Outstanding at 31 December	**–**	60,000,000	**0.240**	0.240
Exercisable at 31 December	**–**	60,000,000	**0.240**	0.240

Note:

The exercise prices and exercisable period of share options under the 2014 Scheme outstanding at the reporting date are as follows:

Exercisable period	Number of share options outstanding as at 31 December			Exercise price	
	2020	2019	*Notes*	**2020**	2019
				HK$	HK$
07/09/2017 — 07/09/2020	**–**	60,000,000	*(a)*	**0.240**	0.240

(a) These share options were immediately vest on the date of grant.

(b) The weighted average remaining contractual life of share options outstanding at 31 December 2020 is nil (2019: 0.7 years).

30. RESERVES

Share premium

Under the Bermuda Companies Act 1981, the funds in the share premium account of the Company may be credited to a contributed surplus account of the Company. Such contributed surplus, may be distributed when the Company is able to settle its liabilities when they fall due after such payment.

Shareholder's contribution

Shareholder's contribution represents the amount of borrowing due by the Company which was waived by a former shareholder during the year ended 30 April 2008.

Capital redemption reserve

Capital redemption reserve was arising from the repurchase and cancelled of 47,720,000 ordinary shares of HK$0.01 each during the year ended 30 April 2001.

Share option reserve

Share option reserve represents the portion of the grant date fair value of the unexercised share options of the Company.

Currency translation reserve

Currency translation reserve represents all the foreign exchange differences arising from the translation of the financial statements and goodwill through acquisition of foreign operations from their functional currencies to the Group's presentation currency.

31. DISPOSAL OF SUBSIDIARIES

During the year ended 31 December 2019, subsidiaries of the Company had entered into agreements to sell the issued share capital of certain subsidiaries, for cash consideration of HK$10,000 in total. The resulting gains on disposals and the net cash inflow of HK$10,000 in respect of the above transactions were recognised in "other gains and losses" in profit or loss for the year ended 31 December 2019.

There was no disposal of subsidiary for the year ended 31 December 2020.

32. OTHER COMMITMENTS

At the reporting date, the total future minimum service fee payments under non-cancellable service agreements are payable as follows:

	2020 ***HK$'000***	2019 *HK$'000*
Within one year	**262**	427
In the second to fifth years, inclusive	**–**	262
	262	689

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33. RELATED PARTY TRANSACTIONS AND DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	2020	2019
	HK$'000	*HK$'000*
An entity has significant influence over the Company		
Wah Lun International Development Limited		
— Interest expense *(note (a))*	**–**	4,419
A wholly-owned subsidiary of an entity having significant influence over the Company		
Yuanyin Finance Limited		
— Interest expense *(note (b))*	**5,905**	15,087
Yuanyin Asset Management Limited		
— Investment advisory income *(note (c))*	**1,000**	–
Yuanyin International Limited		
— Investment advisory income *(note (c))*	**3,579**	–
— Commission and brokerage income from securities trading	**11**	–

Notes:

(a) Interest expense of HK$4,419,000 was in connection with loan advanced from this entity. The loan had a principal amount of HK$80,000,000 and was fully repaid during the year ended 31 December 2019.

(b) Interest expense of HK$5,905,000 (2019: HK$15,087,000) for the current year was in connection with the loan advanced from this entity. The principal amount of the loan was HK$99,800,000 and was included under "Borrowings" (note 25) at 31 December 2019 and 31 December 2020.

(c) Investment advisory income of HK$3,579,000 and HK$1,000,000 (2019: nil) was in connection with the investment advisory agreements entered with Yuanyin International Limited ("YIL") and Yuanyin Asset Management Limited ("YAML") respectively. YIL and YAML are wholly-owned subsidiaries of Yuanyin Holdings Limited, a substantial shareholder of the Company.

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33. RELATED PARTY TRANSACTIONS AND DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS *(Continued)*

Except as disclosed above, no other transactions, arrangements or contracts of significance in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during or at the end of the financial year.

Compensation of key management personnel

	2020 **HK$'000**	2019 HK$'000
Short-term employee benefits	**2,141**	5,132
Post-employment benefits	**50**	137
	2,191	5,269

34. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and liabilities as recognised at the reporting dates are categorised as follows:

	2020 **HK$'000**	2019 HK$'000
Financial assets		
Fair value through profit or loss		
— Held for trading investments	**20**	26
	20	26
Amortised cost		
— Other assets	**1,730**	1,705
— Rental deposit	**806**	–
— Trade receivables	**20,722**	1,182
— Other receivables	**595**	1,342
— Trust bank balances held on behalf of clients	**12,644**	17,394
— Cash and cash equivalents	**34,649**	29,840
	71,146	51,463
	71,166	51,489
Financial liabilities		
Amortised cost		
— Trade and other payables and accruals	**15,875**	18,739
— Lease liabilities	**6,668**	8,746
— Borrowings	**104,988**	100,142
	127,531	127,627

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35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments are disclosed in note 34. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these risks to ensure appropriate measures are implemented on a timely and effective manner.

(a) Market risk

(i) Currency risk

The Group is exposed to currency risk primarily through receivables from and payables to clients from the provision of services and cash balances that are denominated in a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are RMB and US$.

To manage the currency risk, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances. The Group may also uses foreign exchange forward contracts to minimise its currency risk exposure, except for those transactions denominated in US$ which are, or are expected to be, entered into by operations with a functional currency of HK$. No foreign exchange forward contracts are entered for these transactions as the Group considers the risk of changes in exchange rates between HK$ and US$ to be insignificant.

The following table details the Group's financial assets and liabilities denominated in currencies, other than the functional currency of the entities to which they relate, at the end of the reporting period:

	Expressed in HK$			
	2020		2019	
	US$	**RMB**	US$	RMB
	$'000	***$'000***	*$'000*	*$'000*
Trade and other receivables	**16,136**	**7**	267	–
Trust bank balances held on behalf of clients	**84**	**–**	556	–
Cash and cash equivalents	**7,288**	**9**	7,275	43
Trade and other payables and accruals	**(84)**	**–**	(556)	–
Net exposure	**23,424**	**16**	7,542	43

The Group does not expect any significant changes in US$/HK$ exchange rates as US$ is pegged to HK$. No sensitivity analysis in respect of RMB/HK$ exchange rates is disclosed as in the opinion of the directors, such sensitivity analysis does not give additional value in view of insignificant balances that are denominated in RMB at the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(a) Market risk *(Continued)*

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to amounts arising from borrowings (note 25) issued at fixed rates. The Group is also exposed to cash flow interest rate risk in relation to variable-rate financial assets of amounts due from margin clients (note 20) and bank balances (notes 22 and 23).

To manage the interest rate risk, the Group may use interest rate swaps to achieve an appropriate mix of fixed and floating rate exposure consistent with the Group's policy. At 31 December 2020 and 2019, the Group did not have any outstanding interest rate swaps.

At 31 December 2020, if interest rates had increased by 2% (2019: 2%) while all other variables were held constant, the profit for the year would increase by approximately HK$946,000 (2019: decrease in loss by approximately HK$944,000) and there would be a corresponding change in accumulated losses. If interest rates had decreased by 2% (2019: 2%) while all other variables were held constant, the profit for the year would decrease by approximately HK$946,000 (2019: increase in loss by approximately HK$944,000) and there would be a corresponding change in accumulated losses. Other components of the consolidated equity would remain unchanged.

The sensitivity analysis has been determined by assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the analysis is prepared by assuming these financial instruments outstanding at the end of the reporting period were outstanding for the whole year. In the management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(a) Market risk *(Continued)*

(iii) Equity price risk

The Group is exposed to equity price risk through its investments in equity securities and investment funds classified as held for trading investments (note 21). The Group's equity securities are listed on the Stock Exchange while investment funds invest primarily in companies listed in Hong Kong. Decisions to buy and sell are based on daily monitoring of the performance of individual securities and investment funds as well as the liquidity needs.

At 31 December 2020, if relevant equity prices had increased by 10% (2019: 10%) while all other variables were held constant, the profit for the year would increase by approximately HK$2,000 (2019: decrease in loss by approximately HK$3,000) and there would be a corresponding change in accumulated losses. If relevant equity prices had decreased by 10% (2019: 10%) while all other variables were held constant, the profit for the year would decrease by approximately HK$2,000 (2019: increase in loss by approximately HK$3,000) and there would be a corresponding change in accumulated losses. Other components of the consolidated equity would remain unchanged.

The sensitivity analysis has been determined by assuming that the changes in equity price had occurred at the end of the reporting period and has been applied to those instruments which expose the Group to equity price risk at that date. In the management's opinion, the sensitivity analysis is unrepresentative of the inherent equity price risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

(b) Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

(i) Trade receivables

In order to minimise the credit risk on trade receivables, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The management closely monitors the subsequent settlement of the debts and does not grant long credit period to new customers. In this regard, the directors of the Company consider that the Group's credit risk on trade receivables is significantly reduced.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each counterparty rather than the geographical area or industry and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual counterparties. At 31 December 2020, the Group had concentration of credit risk on trade receivables as 99% (2019: 99%) of the balance was due from five largest debtors.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(b) Credit risk *(Continued)*

(i) Trade receivables (Continued)

At 31 December 2020, amount due from HKSCC represents unsettled trade transacted on the last two business days prior to the end of the reporting period and amount due from HKCC represents undrawn deposits at the end of the reporting period. The following table provides information about the exposure to credit risk for amounts arising from asset management and securities brokerage and financial services:

		2020	
	Expected loss rate (%)	Gross carrying amount HK$'000	Loss allowance HK$'000
Not yet past due	1.81	18,338	(332)
0 — 30 days past due	1.81	441	(8)
31 — 60 days past due	1.82	439	(8)
61 — 90 days past due	1.82	439	(8)
91 — 180 days past due	50.00	60	(30)
181 — 365 days past due	1.90	1,160	(22)
Over 365 days past due	100.00	36	(36)
		20,913	(444)

		2019	
Ageing	Expected loss rate (%)	Gross carrying amount HK$'000	Loss allowance HK$'000
Not yet past due	–	1,146	–
0 — 30 days past due	–	3	–
31 — 60 days past due	–	3	–
61 — 90 days past due	–	3	–
91 — 180 days past due	99.32	1,329	(1,320)
181 — 365 days past due	–	18	–
Over 365 days past due	100.00	3,250	(3,250)
		5,752	(4,570)

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(b) Credit risk *(Continued)*

(i) Trade receivables (Continued)

The Group measures loss allowance for amounts arising from asset management services and securities brokerage and financial services at an amount equal to lifetime ECL. In measuring the ECLs, these receivables have been assessed on a collective basis when they possess shared credit risk characteristics. They have been grouped based on the days past due and also according to the geographical location of customers. Based on the corresponding historical credit losses and current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding, loss allowance of HK$444,000 has been recognised during the current year.

For amounts due from HKSCC and HKCC, these receivables are considered to have low credit risk based their historical trading records. Amounts due from margin clients have been grouped based on the shortfall of loan balances over the respective collateral amounts and average default rates are adopted in determining the ECLs.

The Group did not have any amounts due from margin clients as at 31 December 2020 and 31 December 2019. The fair value of marketable securities of each individual receivable is higher than the corresponding outstanding balance and the Group is permitted to sell these collaterals if that client defaults in payments. Accordingly, loss allowance for these receivables is measured at an amount equal to 12-month ECL. No loss allowance was recognised as the amount of ECL for these receivables is insignificant.

(ii) Other assets and receivables

The balances are considered to have low credit risk as the counterparties have a low risk of default and does not have any past due amounts. Loss allowance for these balances is measured at an amount equal to 12-month ECL. No loss allowance was recognised as the amount of ECL for these balances is insignificant.

(iii) Trust bank balances held on behalf of clients and cash and cash equivalents

The balances are mainly held with banks which are rated at BBB+ to A+, based on international credit ratings agencies. Loss allowance for these balances is measured at an amount equal to 12-month ECL. No loss allowance was recognised as the amount of ECL for these balances is insignificant.

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial assets. The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

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35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(c) Liquidity risk *(Continued)*

The following table details the remaining contractual maturities for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The undiscounted cash flows include both interest and principal payments:

	Carrying amount *HK$'000*	Total contractual undiscounted cash flows *HK$'000*	On demand or less than 6 months *HK$'000*	6 months to 1 year *HK$'000*	2 to 5 years *HK$'000*
At 31 December 2020					
Trade and other payables and accruals	**15,875**	**15,875**	**15,875**	**–**	**–**
Borrowings	**104,988**	**110,279**	**–**	**–**	**110,279**
Lease liabilities	**6,668**	**7,987**	**1,260**	**1,442**	**5,285**
	127,531	**134,141**	**17,135**	**1,442**	**115,564**
At 31 December 2019					
Trade and other payables and accruals	18,739	18,739	18,739	–	–
Borrowings	100,142	110,250	6,238	104,012	–
Lease liabilities	8,746	11,053	1,442	1,442	8,169
	127,627	140,042	26,419	105,454	8,169

36. FAIR VALUE MEASUREMENT

Financial instruments measured at fair value

The following table presents the Group's financial instruments measured at fair value on a recurring basis in the consolidated statement of financial position according to the fair value hierarchy. The hierarchy groups financial instruments into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial instruments. The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

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FOR THE YEAR ENDED 31 DECEMBER 2020

36. FAIR VALUE MEASUREMENT *(Continued)*

Financial instruments measured at fair value *(Continued)*

	Level 1 HK$'000 (note (a))	Level 2 HK$'000 (note (b))	Level 3 HK$'000	Total HK$'000
At 31 December 2020				
Financial assets at fair value through profit or loss				
— Listed equity securities	**20**	**–**	**–**	**20**
— Unlisted investment funds	**–**	**–**	**–**	**–**
	20	**–**	**–**	**20**
At 31 December 2019				
Financial assets at fair value through profit or loss				
— Listed equity securities	26	–	–	26
— Unlisted investment funds	–	–	–	–
	26	–	–	26

The levels in the fair value hierarchy within which the financial instruments are categorised in its entirety are based on the lowest level of input that is significant to the fair value measurement. There were no transfers between levels 1 and 2 or transfers into or out of level 3 in the reporting periods. The Group's policy is to recognise transfers between levels of fair value hierarchy at the date of the event or change in circumstances that caused the transfer.

(a) *Financial instruments in Level 1*

The fair value of the listed equity securities is based on the quoted market prices at the reporting date. The quoted market price used for the listed equity securities held by the Group is the current bid price.

(b) *Financial instruments in Level 2*

The fair value was determined with reference to the reported net asset value of the investment funds.

Financial instruments measured at amortised cost

The fair value of the financial assets and financial liabilities at amortised cost under current assets and current liabilities, respectively, is not materially different from their carrying amount as they are all short term in nature.

37. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group currently has a legally enforceable right to set off the Continuous Net Settlement money obligations receivables and payables with HKSCC and it intends to settle on a net basis as trade receivables from or trade payables to HKSCC. For the net amounts of money obligations receivables or payables (i.e. after set-off) and other receivables and payables (such as deposits included under other assets), they do not meet the criteria for offsetting in the consolidated financial statements since the right to set-off of the recognised amount is only enforceable following an event of default and the Group does not intended to settle the balance on a net basis.

In addition, under the agreements signed between the Group and the clients for its dealing in securities and futures contracts, money obligations receivables and payables with the same client are settled on the net basis. The Group therefore has a legally enforceable right to set off the trade receivables and payables and the Group intended to settle these balances on a net basis.

The tables below set out the financial assets and liabilities subject to offsetting, enforceable master netting arrangement and similar arrangements:

	Amounts due from HKSCC, cash and margin clients	
	2020	2019
	HK$'000	*HK$'000*
Financial assets		
Gross amount of recognised financial assets	**35**	72
Gross amount of recognised financial liabilities offset in the consolidated statement of financial position	**(35)**	(72)
Net amounts of financial assets included in the consolidated statement of financial position	**–**	–
Related amount not set off in the consolidated statement of financial position		
— financial instruments	**–**	–
— financial collaterals	**–**	–
Net amounts	**–**	–

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37. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES *(Continued)*

	Amounts due to HKSCC, cash clients and margin clients	
	2020	2019
	HK$'000	*HK$'000*
Financial liabilities		
Gross amount of recognised financial liabilities	**12,947**	16,296
Gross amount of recognised financial assets offset in the consolidated statement of financial position	**(35)**	(72)
Net amounts of financial liabilities included in the consolidated statement of financial position	**12,912**	16,224
Related amount not set off in the consolidated statement of financial position		
— financial instruments	**–**	–
— financial collaterals	**–**	–
Net amounts	**12,912**	16,224

The table below reconciles the "Net amounts of financial assets and financial liabilities included in the consolidated statement of financial position" as set out above to line items in the consolidated statement of financial position:

	2020	2019
	HK$'000	*HK$'000*
Trade and other receivables and prepayments		
Net amounts of financial assets included in the consolidated statement of financial position	**–**	–
Amount not within the scope of offsetting disclosure	**21,776**	4,133
Trade and other receivables and prepayments presented in the consolidated statement of financial position	**21,776**	4,133
Trade and other payables and accruals		
Net amounts of financial liabilities included in the consolidated statement of financial position	**12,912**	16,224
Amount not within the scope of offsetting disclosure	**2,963**	2,515
Trade and other payables and accruals presented in the consolidated statement of financial position	**15,875**	18,739

38. CAPITAL MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which mainly includes borrowings as disclosed in note 25 and total assets of the Group.

The directors of the Company review the capital structure on a continuous basis. As part of this review, the directors consider the cost of capital and the risks associated with capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the issuance of new shares and the addition of new borrowings.

Certain group entities are regulated by the Hong Kong Securities and Futures Commission and are required to comply with the financial resources requirements according to the Hong Kong Securities and Futures (Financial Resources) Rules (the "SF(FR)R"). The Group's regulated entities are subject to minimum paid-up share capital requirements and liquid capital requirements under the SF(FR)R. Management closely monitors, on a daily basis, the liquid capital level of these entities to ensure compliance with the minimum liquid capital requirements under the SF(FR)R. The Group's regulated entities have complied with the capital requirements imposed by the SF(FR)R throughout the year.

The Group monitors its capital using a gearing ratio, which is total debts divided by total assets. The Group aims to maintain the gearing ratio at a reasonable level. The gearing ratio at the reporting dates is as follows:

	2020 ***HK$'000***	2019 *HK$'000*
Borrowings	**104,988**	100,142
Total debts	**104,988**	100,142
Total non-current assets	**10,823**	13,228
Total current assets	**69,089**	52,071
Total assets	**79,912**	65,299
Gearing ratio	**131%**	153%

39. CORONAVIRUS DISEASE 2019 OUTBREAK

Due to the outbreak of the Coronavirus Disease 2019 ("COVID-19") epidemic in January 2020, a series of precautionary and control measures have been and continued to be implemented. It has impacted the global business environment. Up to the date of this financial statements, COVID-19 has not resulted in material impact to the Group. Pending the development and spread of COVID-19 subsequent to the date of this financial statements, further changes in economic conditions may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of this financial statements. The Company will continue to monitor the development of COVID-19 and react actively to its impact on the financial position and operating results of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

40. EVENTS AFTER REPORTING PERIOD

Subsequent to the end of the reporting period, on 11 February 2021, a subsidiary of the Company entered into a conditional sale and purchase agreement for disposal of the 100% equity interest in a subsidiary, Sheng Yuan Sino Asset Management Limited, for a cash consideration of HK$1 million.

Saved as disclosed above or elsewhere in the consolidated financial statements, the Group does not have other significant subsequent events.

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2020 ***HK$'000***	2019 *HK$'000*
ASSETS AND LIABILITIES		
Non-current assets		
Property, plant and equipment	**9**	29
Right-of-use asset	**6,310**	8,612
Interests in subsidiaries	**3,225**	4,323
Long-term deposits	**806**	–
	10,350	12,964
Current assets		
Other receivables and prepayments	**160**	1,897
Cash and cash equivalents	**1,035**	910
	1,195	2,807
Current liabilities		
Other payables and accruals	**2,563**	638
Borrowings	**–**	100,142
Lease liabilities	**1,966**	1,896
Amount due to subsidiaries	**8,875**	2,000
	13,404	104,676
Net current liabilities	**(12,209)**	(101,869)
Non-current liabilities		
Borrowings	**104,988**	–
Lease liabilities	**4,702**	6,850
	109,690	6,850
Net liabilities	**(111,549)**	(95,755)
EQUITY		
Share capital	**190,985**	190,985
Reserves *(note)*	**(302,534)**	(286,740)
Capital deficiency	**(111,549)**	(95,755)

On behalf of the Board

Mr. Liu Yang *Director*	**Mr. Zhou Quan** *Director*

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41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

	Share premium *HK$'000*	Shareholder's contribution *HK$'000*	Capital redemption reserve *HK$'000*	Share option reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 2019	320,370	7,834	477	8,457	(528,171)	(191,033)
Loss for the year	–	–	–	–	(95,707)	(95,707)
Other comprehensive income	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	(95,707)	(95,707)
Forfeiture of share options	–	–	–	(1,952)	1,952	–
At 31 December 2019	320,370	7,834	477	6,505	(621,926)	(286,740)

	Share premium *HK$'000*	**Shareholder's contribution** *HK$'000*	**Capital redemption reserve** *HK$'000*	**Share option reserve** *HK$'000*	**Accumulated losses** *HK$'000*	**Total** *HK$'000*
At 1 January 2020	**320,370**	**7,834**	**477**	**6,505**	**(621,926)**	**(286,740)**
Loss for the year	**–**	**–**	**–**	**–**	**(15,794)**	**(15,794)**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(15,794)**	**(15,794)**
Forfeiture of share options	**–**	**–**	**–**	**(6,505)**	**6,505**	**–**
At 31 December 2020	**320,370**	**7,834**	**477**	**–**	**(631,215)**	**(302,534)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

42. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

The following table lists the particulars of the subsidiaries of the Company as at 31 December 2020 and 31 December 2019 which, in the opinion of the directors, principally affected the results or the assets or liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Name	Country/ Place of incorporation or registration	Particulars of issued/ paid-up capital	Proportion of nominal value of issued/ paid-up capital/ interests		Principal activities and place of operations
			Held by the Company	Held by the subsidiaries	
Kingwell Management Limited^	Hong Kong	Ordinary shares of HK$1,000,000	100%	–	Provision of administrative services to group entities in Hong Kong
Sheng Yuan Asset Management Limited^	Hong Kong	Ordinary shares of HK$20,000,000	–	100%	Provision of investment management and advisory services in Hong Kong
Sheng Yuan Financial Holdings (HK) Limited^	Hong Kong	Ordinary share of HK$1	–	100%	Proprietary trading in Hong Kong
Sheng Yuan Financial Services Group Limited	British Virgin Islands	Ordinary shares of US$5,500	100%	–	Proprietary trading in Hong Kong
Sheng Yuan Securities Limited^	Hong Kong	Ordinary shares of HK$65,000,000	–	100%	Securities and futures dealing, margin financing, securities placing and underwriting and investment advisory services in Hong Kong
Sheng Yuan Services Limited^	Hong Kong	Ordinary share of HK$1	100%	–	Provision of administrative services to group entities in Hong Kong
Sheng Yuan Sino Asset Management Limited^	Hong Kong	Ordinary shares of HK$9,350,000	–	100% *(Note)*	Provision of investment management and advisory services in Hong Kong

^ *audited by BDO Limited*

42. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(Continued)*

Note:

On 1 April 2019, the Group had entered into a sale and purchase agreement to dispose of 9% of its interest in Sheng Yuan Sino Asset Management Limited ("SYSAM"), reducing its continuing interest to 91%. The transaction was completed on 3 April 2019 upon the receipt in cash proceeds of HK$270,000. An amount of HK$701,000 (being the proportionate share of the carrying amount of the net assets of SYSAM and goodwill arising on acquisition of SYSAM in prior year) had been transferred to non-controlling interests. Since the disposal did not result in any loss of control, such transaction was accounted for an equity transaction. The difference between the increase in non-controlling interests and the consideration received of HK$431,000 has been debited to accumulated losses.

On 2 October 2019, the Group had entered into another sale and purchase agreement to re-purchase the 9% interest in SYSAM, which was previously disposed of during the current year, at a cash consideration of HK$270,000. This transaction was completed on 7 October 2019. The difference between the decrease in the non-controlling interests and the consideration paid of HK$401,000 had been credited to accumulated losses.

FINANCIAL SUMMARY

	Year ended 31 December				
	2016	2017	2018	2019	**2020**
	HK$'000	*HK$'000*	*HK$'000*	HK$'000	***HK$'000***
RESULTS					
Revenue	69,475	63,247	34,146	8,844	**44,549**
Profit/(Loss) before taxation	(15,028)	(182,183)	(80,324)	(77,565)	**14,473**
Taxation	(1,879)	(2,341)	(1,330)	201	**(2,467)**
Profit/(Loss) for the year	(16,907)	(184,524)	(81,654)	(77,364)	**12,006**

	As at 31 December				
	2016	2017	2018	2019	**2020**
	HK$'000	*HK$'000*	*HK$'000*	HK$'000	***HK$'000***
ASSETS AND LIABILITIES					
Total assets	778,251	432,820	149,662	65,299	**79,912**
Total liabilities	(611,812)	(420,284)	(135,090)	(128,077)	**(130,674)**
	166,439	12,536	14,572	(62,778)	**(50,762)**