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CHINA STRATEGIC HOLDINGS LIMITED

中策集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 235)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

The Board of Directors (the “**Board**”) of China Strategic Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2020 together with comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	<i>Notes</i>	2020 <i>HK\$’000</i>	2019 <i>HK\$’000</i>
Revenue	3	256,347	779,962
Trading income		4,062	396,108
Dividend income		7,033	22,491
Interest income		239,174	345,393
Commission, underwriting fee and other income		6,078	15,970
Purchases and related expenses		(4,023)	(394,137)
Other income	5	20,581	1,130
Other (loss) gain	6	(628)	266
Staff costs		(27,630)	(24,975)
Impairment losses on loan receivables and debt instruments at fair value through other comprehensive income		(221,796)	(143,148)
Other expenses		(39,849)	(28,599)
Net gain (loss) on financial assets at fair value through profit or loss	7	2,905,676	(436,888)
(Loss) gain on disposal of debt instruments at fair value through other comprehensive income		(17,079)	1,309
Gain on redemption of debt instruments at fair value through other comprehensive income		–	297
Finance costs	8	(158,640)	(171,095)

	<i>Notes</i>	2020 HK\$'000	2019 <i>HK\$'000</i>
Profit (loss) before tax		2,712,959	(415,878)
Income tax (expense) credit	9	(429,772)	92,931
Profit (loss) for the year attributable to owners of the Company	10	2,283,187	(322,947)
Other comprehensive income (expense)			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Deferred tax on net fair value changes of debt instruments at fair value through other comprehensive income		5,208	(8,899)
Net fair value (loss) gain on debt instruments at fair value through other comprehensive income		(29,768)	56,400
Release on disposal of debt instruments at fair value through other comprehensive income		17,079	(1,309)
Release on redemption of debt instruments at fair value through other comprehensive income		–	(297)
Impairment loss on debt instruments at fair value through other comprehensive income		18,873	859
Other comprehensive income for the year		11,392	46,754
Total comprehensive income (expense) for the year attributable to owners of the Company		2,294,579	(276,193)
Earnings (loss) per share attributable to owners of the Company			
– Basic	12	HK13.29 cents	HK(1.90) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		18,196	19,788
Right-of-use assets		28,388	10,434
Goodwill		4,000	4,000
Club debentures		1,928	1,928
Debt instruments at fair value through other comprehensive income	13	401,813	949,545
Loan receivables	14	–	15,826
Deferred tax assets		27,067	8,148
Total non-current assets		481,392	1,009,669
Current assets			
Debt instruments at fair value through other comprehensive income	13	–	7,816
Loan receivables	14	1,448,295	2,405,324
Trade and other receivables	15	175,487	113,327
Income tax recoverable		22,841	3,182
Financial assets at fair value through profit or loss	16	4,073,317	1,454,098
Pledged bank deposits		3,096	32,067
Bank balances and cash		2,277,270	169,808
Total current assets		8,000,306	4,185,622
Current liabilities			
Trade and other payables	17	68,240	78,479
Income tax payable		8,794	21,048
Borrowings	18	355,000	464,698
Notes payable	19	1,170,725	1,253,171
Lease liabilities		9,083	8,106
Total current liabilities		1,611,842	1,825,502
Net current assets		6,388,464	2,360,120
Total assets less current liabilities		6,869,856	3,369,789
Non-current liabilities			
Notes payable	19	478,152	–
Lease liabilities		17,263	–
Deferred tax liabilities		435,393	–
Total non-current liabilities		930,808	–
Net assets		5,939,048	3,369,789
Capital and reserves			
Share capital	20	3,216,110	3,012,877
Reserves		2,722,938	356,912
Total equity		5,939,048	3,369,789

Notes:

1. Basis of preparation of consolidated financial statements and significant accounting policies

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (the “**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and by the Hong Kong Companies Ordinance (the “**Companies Ordinance**”).

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values at the end of each reporting period.

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is also the functional currency of the Company and all values are rounded to the nearest thousand (HK\$’000) except otherwise indicated.

The financial information relating to the years ended 31 December 2020 and 2019 included in this preliminary final results announcement for the year ended 31 December 2020 does not constitute the Company’s statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 December 2020 in due course.

The Company’s auditor has reported on the financial statements of the Group for both years. The auditor’s reports are unqualified; do not include a reference to any matters to which the auditor draws attention by way of emphasis without qualifying its reports; and do not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

2. Application of amendments to HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

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

Amendments to HKAS 1 and HKAS 8	Definition of material
Amendments to HKFRS 3	Definition of a business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest rate benchmark reform

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

2.1 Impacts on application of Amendments to HKAS 1 and HKAS 8 "Definition of material"

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

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

2.2 Impacts on application of Amendments to HKFRS 3 "Definition of a business"

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

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

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

The amendments have had no impact on the consolidated financial statements of the Group but may impact future periods should the Group make any acquisition.

3. Revenue

An analysis of the Group's revenue for the year is as follows:

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trading of coke products	–	388,604
Sales of electronic components	4,062	7,504
Dividend income from financial assets at fair value through profit or loss (“FVTPL”)	7,033	22,491
Interest income from financial assets at FVTPL and debt instruments at fair value through other comprehensive income (“FVTOCI”)	57,898	78,173
Interest income from securities margin financing business	1,125	1,912
Interest income from money lending business	180,151	265,308
Arrangement fee income from money lending business	613	8,669
Commission and handling income from securities brokerage business	5,128	6,194
Underwriting fee income from securities brokerage business	337	1,107
	256,347	779,962

Disaggregation of revenue from contracts with customers and reconciliation of total revenue:

	Investment in securities HK\$'000	Trading HK\$'000	Money lending HK\$'000	Securities brokerage HK\$'000	Total HK\$'000
For the year ended 31 December 2020					
Types of goods and services					
Commission, underwriting fee and other income	–	–	613	5,465	6,078
Trading income					
Electronic components	–	4,062	–	–	4,062
Revenue from contracts with customers					
	–	4,062	613	5,465	10,140
Dividend income	7,033	–	–	–	7,033
Interest income	57,898	–	180,151	1,125	239,174
Total revenue	64,931	4,062	180,764	6,590	256,347

For the year ended 31 December 2019

Types of goods and services					
Commission, underwriting fee and other income	–	–	8,669	7,301	15,970
Trading income					
Coke products	–	388,604	–	–	388,604
Electronic components	–	7,504	–	–	7,504
Revenue from contracts with customers					
	–	396,108	8,669	7,301	412,078
Dividend income	22,491	–	–	–	22,491
Interest income	78,173	–	265,308	1,912	345,393
Total revenue	100,664	396,108	273,977	9,213	779,962

During the years ended 31 December 2020 and 2019, the revenue is recognised at a point in time except for dividend income and interest income which fall outside the scope of HKFRS 15.

The Group recognises revenue from trading of coke products and electronic components. The Group acts as the principal for such transactions as it controls the specified goods before they are transferred to the customer and it is primarily responsible for fulfilment of the promise to provide the goods. Performance obligations are satisfied at a point in time once control of the goods has been transferred to the customers. For trading business, the Group normally allows credit period for trade customers ranging from 30 to 180 days (2019: 30 to 180 days).

Brokerage commission income is recognised on a trade date basis when the relevant transactions are executed. Underwriting fee income is recognised at a point in time when the transactions are executed and services are completed. Other service income is recognised when the related services are rendered.

All the Group's contracts with customers are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to unsatisfied performance obligations at 31 December 2020 and 31 December 2019 is not disclosed.

This is consistent with the revenue information disclosed for each operating segment.

4. Segment information

The following is an analysis of the Group's revenue and results by operating segments, based on information provided to the chief operating decision maker, for the purposes of allocating resources and assessment of segment performance. This is also the basis upon which the Group is arranged and organised.

The Group's operating segments under HKFRS 8 are as follows:

- (i) Investment in securities
- (ii) Trading of coke products and electronic components ("**Trading**")
- (iii) Money lending
- (iv) Securities brokerage

Segment revenues and results

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

	Investment in securities <i>HK\$'000</i>	Trading <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Securities brokerage <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the year ended 31 December 2020					
Segment revenue					
External sales/sources	<u>64,931</u>	<u>4,062</u>	<u>180,764</u>	<u>6,590</u>	<u>256,347</u>
Results					
Segment results	<u>2,939,628</u>	<u>(165)</u>	<u>(27,348)</u>	<u>3,671</u>	<u>2,915,786</u>
Other income					12,883
Central administrative expenses					(57,070)
Finance costs					<u>(158,640)</u>
Profit before tax					2,712,959
Income tax expense					<u>(429,772)</u>
Profit for the year					<u>2,283,187</u>
For the year ended 31 December 2019					
Segment revenue					
External sales/sources	<u>100,664</u>	<u>396,108</u>	<u>273,977</u>	<u>9,213</u>	<u>779,962</u>
Results					
Segment results	<u>(336,341)</u>	<u>2,288</u>	<u>128,293</u>	<u>6,292</u>	<u>(199,468)</u>
Other income					152
Central administrative expenses					(45,467)
Finance costs					<u>(171,095)</u>
Loss before tax					(415,878)
Income tax credit					<u>92,931</u>
Loss for the year					<u>(322,947)</u>

Segment profit (loss) represents the profit earned/loss incurred by each segment without allocation of certain other income, central administrative expenses (including depreciation of property, plant and equipment and right-of-use assets), finance costs and income tax (expense) credit.

Geographical information

The Group's operations are located in Hong Kong and the People's Republic of China ("PRC").

Information about the Group's revenue from external customers/sources by geographical location of the customers/sources is presented based on the location of the customers/sources. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers/sources		Non-current assets (Note)	
	Year ended 31 December		At 31 December	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	254,889	388,470	45,356	28,826
The PRC	1,458	128,705	3,156	3,324
Singapore	–	262,787	–	–
	256,347	779,962	48,512	32,150

Note: Non-current assets excluded goodwill, debt instruments at FVTOCI, loan receivables and deferred tax assets.

Information about major customers

Revenue from customers of trading business contributing over 10% of the total revenue of the Group for the corresponding years are as follows:

	For the year ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
Customer A	– ¹	137,065
Customer B	– ¹	125,817
Customer C	– ¹	125,722

¹ No revenue generated from the customers during the year.

5. Other income

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank interest income	11,167	833
Other interest income	7,013	–
Government grants	2,259	–
Others	142	297
	<u>20,581</u>	<u>1,130</u>

During the current year, the Group recognised government grants of HK\$2,259,000 in respect of COVID-19-related subsidies, of which HK\$2,209,000 relates to Employment Support Scheme provided by the Hong Kong government.

6. Other (loss) gain

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Exchange (loss) gain, net	(628)	266

7. Net gain (loss) on financial assets at fair value through profit or loss

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net unrealised gain (loss) on financial assets at FVTPL	2,979,472	(409,214)
Net realised loss on sales of financial assets at FVTPL	(73,796)	(27,674)
	<u>2,905,676</u>	<u>(436,888)</u>

8. Finance costs

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on advances drawn on bill receivables discounted with full recourse	–	1,290
Interest on borrowings	11,687	30,140
Interest on notes payable (<i>Note 19</i>)	146,611	139,245
Interest on lease liabilities	342	420
	<u>158,640</u>	<u>171,095</u>

9. Income tax (expense) credit

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Tax charge comprises:		
Current tax		
– Hong Kong Profits Tax	(10,795)	(8,586)
Overprovision in prior years		
– Hong Kong Profits Tax	<u>2,705</u>	<u>228</u>
	(8,090)	(8,358)
Deferred tax	<u>(421,682)</u>	<u>101,289</u>
Income tax (expense) credit recognised in profit or loss	<u><u>(429,772)</u></u>	<u><u>92,931</u></u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

10. Profit (loss) for the year

Profit (loss) for the year has been arrived at after charging the following items:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Staff costs		
– directors’ emoluments	7,591	7,457
– other staff salaries, wages and other benefits	19,192	16,537
– retirement benefit scheme contributions, excluding directors	<u>847</u>	<u>981</u>
Total staff costs	<u><u>27,630</u></u>	<u><u>24,975</u></u>
Impairment loss on loan receivables	202,923	142,289
Impairment loss on debt instruments at FVTOCI	<u>18,873</u>	<u>859</u>
Total impairment losses	<u><u>221,796</u></u>	<u><u>143,148</u></u>
Auditor’s remuneration	2,058	1,972
Depreciation of property, plant and equipment	3,369	3,293
Depreciation of right-of-use assets	9,582	8,062
Cost of inventories recognised as expenses	<u><u>4,021</u></u>	<u><u>373,765</u></u>

11. Dividends

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

12. Earnings (loss) per share

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Earnings (loss):		
Profit (loss) for the year attributable to owners of the Company for the purpose of calculating basic earnings (loss) per share	<u>2,283,187</u>	<u>(322,947)</u>
	2020 '000	2019 '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings (loss) per share	<u>17,182,655</u>	<u>16,987,714</u>

Diluted earnings (loss) per share for the years ended 31 December 2020 and 2019 are not presented as there were no dilutive potential ordinary shares in issue during both years.

13. Debt instruments at fair value through other comprehensive income

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Listed investments, at fair value:		
– Debt securities listed in Hong Kong or overseas with fixed interests ranging from 5.65% to 9.50% (2019: 3.90% to 12.25%) per annum and maturity dates ranging from 18 January 2023 to 28 June 2025 (2019: 19 July 2020 to 23 January 2027)	<u>401,813</u>	<u>957,361</u>
Analysed as:		
Current portion	–	7,816
Non-current portion	<u>401,813</u>	<u>949,545</u>
	<u>401,813</u>	<u>957,361</u>

At 31 December 2020 and 31 December 2019, debt instruments at FVTOCI were stated at fair values which were determined based on the quoted market closing prices available on the Stock Exchange or other recognised stock exchanges.

The Group provided impairment allowance of HK\$18,873,000 on debt instruments at FVTOCI for the current year (2019: HK\$859,000).

14. Loan receivables

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Fixed-rate loan receivables	1,821,549	2,575,239
Less: impairment allowance	(373,254)	(154,089)
	1,448,295	2,421,150
Analysed as:		
Current portion	1,448,295	2,405,324
Non-current portion	–	15,826
	1,448,295	2,421,150
Analysed as:		
Secured	1,436,779	2,189,142
Guaranteed	–	66,647
Unsecured	11,516	165,361
	1,448,295	2,421,150

At 31 December 2020, the range of interest rates and maturity dates attributed to the Group's performing loan receivables was 10% to 14.25% (2019: 3% to 18%) per annum and from 19 February 2021 to 31 May 2021 (2019: 4 March 2020 to 17 May 2021) respectively.

The analysis of the Group's fixed-rate loan receivables by their respective contractual maturity dates is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Fixed-rate loan receivables:		
Within one year	1,448,295	2,405,324
In more than one year but not more than two years	–	15,826
	1,448,295	2,421,150

The Group provided impairment allowance of HK\$202,923,000 on loan receivables for the current year (2019: HK\$142,289,000).

15. Trade and other receivables

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables of securities brokerage business:		
– Cash clients (<i>Note (i)</i>)	2,941	8,994
– Margin clients (<i>Note (i)</i>)	<u>100,153</u>	<u>18,571</u>
	103,094	27,565
Other receivables (<i>Note (ii)</i>)	26,793	36,362
Note receivable (<i>Note (iii)</i>)	<u>45,600</u>	<u>49,400</u>
	<u>175,487</u>	<u>113,327</u>

Notes:

- (i) For securities brokerage business, the normal settlement terms of trade receivables from cash clients are two days after trade date. The trade receivables from cash and margin clients with carrying amounts of HK\$103,094,000 (2019: HK\$27,565,000) were not past due at the end of the reporting period.

Margin clients are required to pledge securities as collateral to the Group in order to obtain the credit facilities for securities trading. The amount of credit facilities granted to them is determined based on a discount on the market value of securities accepted by the Group. Any excess in the lending ratio will trigger a margin call for which the clients have to make good the shortfall. At 31 December 2020, the market value of securities pledged by clients to the Group as collateral against margin client receivables was HK\$2,062,243,000 (2019: HK\$343,979,000).

- (ii) Included in other receivables were unrestricted deposits of HK\$3,433,000 (2019: HK\$9,672,000) placed with securities brokers in relation to securities brokerage activities. The remaining balance of other receivables represents mainly dividends receivable, prepayment and deposits for office use.

- (iii) The amount represented the outstanding principal of a convertible note subscribed by the Group, which was originally due for repayment on 15 December 2019. Pursuant to a deed entered into between the relevant parties on 10 February 2020, the conversion rights under the note are removed and ceased to be convertible into shares of the issuer. The repayment date of the outstanding principal of the note of HK\$49,400,000 was extended from 15 December 2019 to 15 May 2020 and bearing interest at the rate of 12% per annum. Outstanding principal of HK\$3,800,000 was settled during the year and the repayment date of remaining principal had further extended to 14 October 2020 and bearing interest at the rate of 16% per annum. The Group accepted the repayment plan provided by the note issuer and the outstanding principal was fully settled after the year end.

16. Financial assets at fair value through profit or loss

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Listed investments, at fair value:		
– Equity securities listed in Hong Kong (<i>Note</i>)	<u>4,073,317</u>	<u>1,454,098</u>
Analysed as:		
Current portion	<u>4,073,317</u>	<u>1,454,098</u>

Note: The fair values of the listed equity securities were determined based on the quoted market closing prices available on the Stock Exchange.

17. Trade and other payables

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables of securities brokerage business:		
– Cash clients (<i>Note</i>)	27,142	48,177
– Margin clients (<i>Note</i>)	12,305	10,646
– Hong Kong Securities Clearing Company Limited (“HKSCC”) (<i>Note</i>)	924	2,540
Accrued charges and other payables	7,653	4,470
Interest payables	<u>20,216</u>	<u>12,646</u>
	<u>68,240</u>	<u>78,479</u>

Note: For securities brokerage business, the normal settlement terms of trade payables to cash and margin clients and HKSCC are two days after trade date.

18. Borrowings

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Short-term secured borrowings (<i>Note (i)</i>)	355,000	228,860
Margin financing (<i>Note (ii)</i>)	–	235,838
	<u>355,000</u>	<u>464,698</u>

The exposure of the Group's borrowings are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Fixed-rate borrowings	350,000	–
Variable-rate borrowings	5,000	464,698
	<u>355,000</u>	<u>464,698</u>

Notes:

- (i) The amount of HK\$350,000,000 (2019: nil) carried interest at 7% per annum and was repayable within one year. The loan agreement of the borrowings contains a repayment on demand clause. The borrowings were secured by two share charges each charging over the issued share of a wholly owned subsidiary of the Company and two debentures each incorporating a first floating charge over all the assets of a wholly owned subsidiary of the Company.

The amount of HK\$5,000,000 (2019: HK\$228,860,000) carried interest at Hong Kong Interbank Offered Rate (“**HIBOR**”) plus certain basis points per annum (2019: HIBOR or London Interbank Offered Rate plus certain basis points per annum) and was repayable within one year. The loan agreement of the borrowings contains a repayment on demand clause. The borrowings were secured by certain debt securities (2019: certain debt securities).

- (ii) The amount carried interest at Hong Kong prime rate plus certain basis points per annum and secured by certain debt and equity securities held in a margin securities account.

19. Notes payable

The movement of the unsecured notes payable for the year is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
At the beginning of the year	1,253,171	1,500,325
Redemption of notes (<i>Note (i)</i>)	(1,250,000)	(250,000)
Issue of notes (<i>Note (ii)</i>)	1,628,553	–
Effective interest charged (<i>Note 8</i>)	146,611	139,245
Interest paid	(129,458)	(136,399)
	<u>1,648,877</u>	<u>1,253,171</u>
At the end of the year	<u>1,648,877</u>	<u>1,253,171</u>
Analysed as:		
Current portion	1,170,725	1,253,171
Non-current portion	478,152	–
	<u>1,648,877</u>	<u>1,253,171</u>

Notes:

- (i) In December 2016, the Company issued 2-year unsecured notes (the “**2016 Notes**”) with nominal value of HK\$1,500,000,000 denominated in Hong Kong dollars. The interest for the 2016 Notes was 7.00% per annum and 8.00% per annum for the first and second year respectively. The effective interest rate of the 2016 Notes was 8.57% per annum. In December 2018, the 2016 Notes of nominal value of HK\$200,000,000 were redeemed. The Company executed a supplemental deed poll to extend the maturity date of the remaining 2016 Notes with nominal value of HK\$1,300,000,000 for further two years to 16 December 2020. The interest for the 2016 Notes was 9.50% per annum and 10.00% per annum for the third and fourth year respectively. The effective interest rate of the 2016 Notes was 9.74% per annum. The 2016 Notes carried option for the Company to early redeem the notes, by giving not less than 15 days’ nor more than 30 days’ notice to the noteholders on the third anniversary date and/or 16 June 2020, in whole or in part at 100% of the principal amount outstanding, together with interest accrued and unpaid at the date fixed for redemption. During the year ended 31 December 2020, the 2016 Notes of nominal value of HK\$50,000,000 (2019: HK\$250,000,000) were early redeemed and the remaining 2016 Notes with nominal value of HK\$1,000,000,000 were redeemed at maturity.

In August 2018, the Company issued a new tranche of 2-year unsecured notes (the “**2018 Notes**”) with nominal value of HK\$200,000,000 denominated in Hong Kong dollars. The interest for the 2018 Notes was 9.50% per annum and 10.00% per annum for the first and second year respectively. The effective interest rate of the 2018 Notes was 9.74% per annum. The 2018 Notes carried option for the Company to early redeem the notes, by giving early redemption notice to the noteholders on the first anniversary date, in whole or in part at 100% of the principal amount outstanding, together with interest accrued and unpaid at the date fixed for redemption. During the year ended 31 December 2020, the 2018 Notes with nominal value of HK\$200,000,000 were redeemed at maturity.

- (ii) During the year ended 31 December 2020, the Company issued a series of unsecured notes to a company controlled by a shareholder of the Company.

In July 2020, the Company issued 2-year unsecured notes with nominal value of HK\$500,000,000 denominated in Hong Kong dollars. The interest for the notes was 5.50% per annum with effective interest rate of 8.56% per annum.

In August 2020, the Company issued 1-year unsecured notes with nominal value of HK\$500,000,000 denominated in Hong Kong dollars. The interest for the notes was 3.00% per annum with effective interest rate of 6.98% per annum.

In September 2020, the Company issued 270-day unsecured notes with nominal value of HK\$500,000,000 denominated in Hong Kong dollars. The interest for the notes was 2.00% per annum with effective interest rate of 6.56% per annum.

In October 2020, the Company issued 270-day unsecured notes with nominal value of HK\$200,000,000 denominated in Hong Kong dollars. The interest for the notes was 2.00% per annum with effective interest rate of 7.48% per annum.

All four notes carry option for the Company to early redeem the notes, by giving not less than 15 days' notice to the noteholders, in whole or in part at 100% of the principal amount outstanding, together with interest accrued and unpaid at the date fixed for redemption. Early redemption options of the Company are regarded as embedded derivatives not related to the host contract. The directors of the Company consider that the fair value of early redemption options is insignificant on initial recognition date.

The difference between the consideration received of HK\$1,700,000,000 and the fair value of the four notes of approximately HK\$1,628,553,000 amounting to HK\$71,447,000 was recognised as shareholder's contribution reserve in the consolidated statement of changes in equity.

20. Share capital of the Company

	Number of shares		Share capital	
	2020 '000	2019 '000	2020 HK\$'000	2019 HK\$'000
Issued and fully paid				
At the beginning of the year	16,987,714	16,987,714	3,012,877	3,012,877
Issue of shares (<i>Note</i>)	3,397,540	–	203,852	–
Transaction costs attributable to issue of shares	–	–	(619)	–
At the end of the year	<u>20,385,254</u>	<u>16,987,714</u>	<u>3,216,110</u>	<u>3,012,877</u>

Note: On 11 December 2020, the Company completed a placing of 3,397,540,000 new shares under the general mandate at a placing price of HK\$0.06 per placing share. The net proceeds from the placing, after deducting directly attributable costs of approximately HK\$619,000, were approximately HK\$203,233,000. Details of the placing were set out in the announcements of the Company dated 20 November 2020 and 11 December 2020.

FINAL DIVIDEND

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

BUSINESS REVIEW

During the year ended 31 December 2020 (“FY2020”), the Group was principally engaged in the business of investment in securities, trading of electronic components, money lending as well as securities brokerage.

With the health crises of the COVID-19 pandemic continued on a global scale, the Group was confronted with economic chaos and unprecedented market challenges during the year. The slowdown of economic activities of many countries including China, the US, the UK, Japan, Korea and many European countries, the volatilities of global financial markets including Hong Kong, and the decrease of international trade flow across the globe, all had, by different extent, posed negative impact on the Group’s operations. In fact, the market conditions were more chaotic in Hong Kong owing to the occurrence of social events and the unsettled China-US trade disputes. Against this backdrop, the Group has adopted a cautious and disciplined approach in managing its businesses. For FY2020, the Group recorded a decline in revenue by 67% to HK\$256,347,000 (2019: HK\$779,962,000), mainly due to the decreases in sales of the trading operation and interest income from the money lending business, and a profit attributable to owners of the Company of HK\$2,283,187,000 (2019: loss of HK\$322,947,000), largely resulting from the net fair value gain on listed equity securities held by the Group.

Investment in Securities

The Group generally acquires securities listed on the Stock Exchange or other recognised stock exchanges and over-the-counter markets with good liquidity that can facilitate swift execution of securities transactions, and sometimes directly from target companies. For making investment or divestment decision on securities of individual target company, references will usually be made to the latest financial information, news and announcements issued by the target company, investment analysis reports that the Company has access to, as well as industry or macro-economic news. When deciding on acquiring securities to be held for long-term purpose, particular emphasis will be placed on the past financial performance of the target company including its sales and profit growth, financial healthiness, dividend policy, business prospect, industry and macroeconomic outlook. When deciding on acquiring securities to be held other than for long-term purpose, in addition to the factors mentioned, references will also be made to prevailing market sentiments on different sectors of the investment markets. In terms of return, for long-term securities investments, the Company mainly emphasises on return of investment in the form of capital appreciation and dividend/interest income. For securities investments other than for long-term holding, the Company mainly emphasises on return of investment in the form of trading gains.

At 31 December 2020, the Group's securities investments comprised (i) a financial asset at FVTPL portfolio, comprising equity securities listed in Hong Kong, valued at HK\$4,073,317,000 (2019: HK\$1,454,098,000); and (ii) a debt instrument at FVTOCI portfolio comprising debt securities listed in Hong Kong or overseas, valued at HK\$401,813,000 (2019: HK\$957,361,000, constituted by non-current and current portions). As a whole, the Group's securities investments recorded a revenue of HK\$64,931,000 (2019: HK\$100,664,000) and a profit of HK\$2,939,628,000 (2019: loss of HK\$336,341,000).

Financial assets at FVTPL

At 31 December 2020, the Group held a financial asset at FVTPL portfolio amounting to HK\$4,073,317,000 measured at market/fair value. During FY2020, the portfolio generated a revenue of HK\$7,033,000 (2019: HK\$27,319,000) representing dividends from equity securities of HK\$7,033,000 (2019: HK\$22,491,000), whilst no interest income from equity-linked notes and convertible securities this year (2019: HK\$4,828,000). The Group recognised a net gain on financial assets at FVTPL of HK\$2,905,676,000, which comprised net unrealised gain and net realised loss of HK\$2,979,472,000 and HK\$73,796,000 respectively (2019: net loss of HK\$436,888,000, which comprised net unrealised loss and net realised loss of HK\$409,214,000 and HK\$27,674,000 respectively).

The net gain on financial assets at FVTPL recognised was mainly attributed to the net increase in fair value of the Group's listed equity securities portfolio during the year. Such net increase in fair value mainly comprised the increase in fair value of the Group's investment in listed shares of China Evergrande New Energy Vehicle Group Limited ("**Evergrande Vehicle**", HKEX stock code: 708, formerly known as Evergrande Health Industry Group Limited) which amounted to HK\$2,996,648,000 during the year, in contrast to the decrease in fair value of HK\$338,008,000 recognised in the prior year.

The Group has started to invest in Evergrande Vehicle since March 2015, including the unrealised fair value gain recognised in the current year, up to 31 December 2020, the accumulative holding gain of this investment amounted to HK\$3,815,408,000 (as shown in the table below about the Group's top two investments). At the year end, the Group held 133,600,000 ordinary shares in Evergrande Vehicle which represented approximately 1.52% of its issued shares, and the carrying value of the Group's investment in Evergrande Vehicle amounted to HK\$4,034,720,000 which represented approximately 47.57% of the Group's total assets. Evergrande Vehicle is principally engaged in technology research and development, production and sales of new energy vehicles as well as health management businesses including "Internet+" community health management, international hospitals, elderly care and rehabilitation. According to its latest published annual financial information, its healthcare business generated revenue of RMB15.3 billion while its new energy vehicle business recorded revenue of RMB187.5 million. Evergrande Vehicle has established a full industry chain of new energy vehicles covering automobile manufacturing, electric motor control, power batteries, vehicle sales, smart charging, shared mobility and other aspects and built

advanced intelligent manufacturing bases in Tianjin, Shanghai, Guangzhou and other locations in accordance with the Industry 4.0 Standard. Evergrande Vehicle will endeavor to facilitate the mass production of the nine Hengchi models at full speed, and continue to devote itself to the innovation and application of new energy vehicle technologies and product R&D as well as to introduce additional vehicle models to enrich its product mix and elevate the smart manufacturing standards in China. The Group is optimistic about the prospect of Evergrande Vehicle in the medium to long-term. Subject to market conditions, the Group presently has no intention to realise this investment.

At 31 December 2020, the Group invested in Evergrande Vehicle and other categories of companies and their weightings to the market/fair value of the Group's financial asset at FVTPL portfolio of HK\$4,073,317,000 are as below:

Name/category of companies	Approximate weighting to the market/ fair value of the Group's financial asset at FVTPL portfolio %
Evergrande Vehicle	99.05
Property	0.73
Others	0.22
	<hr style="width: 100%; border: 0.5px solid black;"/>
	100.00
	<hr style="width: 100%; border: 1.5px solid black;"/>

At 31 December 2020, the weightings of the Group's investment in Evergrande Vehicle and other investments to the market/fair value of the Group's financial asset at FVTPL portfolio of HK\$4,073,317,000 (together with other information) are as below:

Company name	Approximate weighting to the market/fair value of the Group's financial asset at FVTPL portfolio %	Approximate weighting to the carrying amount of the Group's total assets at 31 December 2020 %	% of shareholding interest %	Acquisition costs HK\$'000	*Acquisition costs during the year/carrying amount at 1 January 2020 HK\$'000	Market/fair value at 31 December 2020 HK\$'000	Accumulated unrealised gain (loss) recognised up to 31 December 2020 HK\$'000	Unrealised gain (loss) recognised during the year ended 31 December 2020 HK\$'000	Dividend income recognised during the year ended 31 December 2020 HK\$'000
				A	B	C	D = C - A	E = C - B	
Evergrande Vehicle (HKEX stock code: 708)	99.05	47.57	1.52	219,312	1,038,072	4,034,720	3,815,408	2,996,648	-
Emperor International Holdings Limited (HKEX stock code: 163)	0.73	0.35	0.74	62,311	46,897	29,819	(32,492)	(17,078)	1,285
Others	0.22	0.10	N/A	194,346	8,876	8,778	(185,568)	(98)	5,748
	<u>100.00</u>	<u>48.02</u>		<u>475,969</u>	<u>1,093,845</u>	<u>4,073,317</u>	<u>3,597,348</u>	<u>2,979,472</u>	<u>7,033</u>

* The amount represented the costs of the securities acquired during the year ended 31 December 2020 and/or the carrying amount of the securities brought forward from the prior financial year after accounting for additional acquisition and/or disposal of the securities (if any) during the current financial year.

Debt instruments at FVTOCI

At 31 December 2020, the Group's debt instrument at FVTOCI portfolio of HK\$401,813,000 was measured at market/fair value. During FY2020, the Group's debt instrument at FVTOCI portfolio generated total revenue amounting to HK\$57,898,000 (2019: HK\$73,345,000), representing interest income from debt securities. According to the maturity of the debt securities, no debt instruments at FVTOCI (2019: HK\$7,816,000) was classified as current assets. During FY2020, the Group did not acquire debt securities (2019: HK\$66,667,000 for acquiring debt securities issued by various property companies listed on the Stock Exchange).

At the year end, a net fair value loss on the debt instrument at FVTOCI portfolio amounting to HK\$29,768,000 was recognised as other comprehensive expense (2019: net fair value gain of HK\$56,400,000 recognised as other comprehensive income).

During the year under review, the Group disposed of debt securities amounting to HK\$525,780,000 (2019: HK\$149,588,000) whilst no debt securities (2019: HK\$7,800,000) were redeemed. A loss on disposal of HK\$17,079,000 (2019: a gain on disposal and on redemption totalling HK\$1,606,000) was released from the Group's investment revaluation reserve and recognised as loss during the year.

For FY2020, the Group recognised impairment loss of HK\$18,873,000 (2019: HK\$859,000) on debt instruments at FVTOCI by reference to exposures at default, recovery rate and adjustments for forward looking information.

At 31 December 2020, the Group invested in debt securities of two property companies with details as below:

Category of companies	Approximate weighting to the carrying amount of the Group's total assets at 31 December		Yield to maturity on acquisition	* Acquisition costs during the year/carrying amount at 1 January	Market/fair value at 31 December	Accumulated fair value loss recognised up to 31 December	Fair value loss recognised during the year ended 31 December
	2020	2020					
	%	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			A	B	C	D = C - A	E = C - B
<i>Debt securities listed in Hong Kong or overseas</i>							
Property	4.74	5.62-9.50	460,235	418,604	401,813	(58,422)	(16,791)

* The amount represented the costs of the securities acquired during the year ended 31 December 2020 and/or the carrying amount of the securities brought forward from the prior financial year after accounting for additional acquisition and/or disposal of the securities (if any) during the current financial year.

The yield to maturity on acquisition of the debt securities which were held by the Group at the year end ranging from 5.62% to 9.50% per annum.

Trading

During FY2020, the Group's trading operation was focused on trading of electronic components. The operation reported a decline in revenue by 99% to HK\$4,062,000 (2019: HK\$396,108,000), and its result experienced a turnaround and recorded loss of HK\$165,000 (2019: profit of HK\$2,288,000). The decrease in revenue and loss incurred were principally due to the temporary halt of trading of commodities resulting mainly from the unsettled trade disputes between China and the US, and the slowdown of the European economy in general, which adversely affected the business of the end customers of the operation. The management is stepping up its effort to explore new business opportunities in order to improve the results of the operation and will resume the commodities trading business when market conditions improve.

Money Lending

The Group's money lending business is conducted through CS Credit Limited and U Credit (HK) Limited, both are wholly owned subsidiaries of the Company. The operation recorded a decrease in revenue of 34% to HK\$180,764,000 (2019: HK\$273,977,000) and experienced a turnaround of results by recording a loss of HK\$27,348,000 (2019: profit of HK\$128,293,000). The decrease in revenue was mainly due to the lower average amount of loans advanced to borrowers during FY2020 whilst the loss of the operation was largely due to the recognition of net impairment allowance of HK\$202,923,000 (2019: HK\$142,289,000).

The net impairment allowance recognised primarily represented the credit risk involved in collectability of certain default and non-default loans determined under the Group's loan impairment policy, with reference to factors including the credit history of the borrowers, the realisation value of collaterals pledged to the Group, and the prevailing economic conditions (the negative impact of the COVID-19 pandemic on the current state of the Hong Kong economy has also been considered). The Group is considering various actions for recovery of the default and non-default loans. At the year end, the balance of the impairment allowance was HK\$373,254,000 (2019: HK\$154,089,000).

The size of the Group's loan portfolio has reduced during the year as the management has been prudent in granting new loans in light of the prevailing economic conditions in Hong Kong. The carrying value of the loan portfolio, after impairment allowance, amounted to HK\$1,448,295,000 (2019: HK\$2,421,150,000) with details as follows:

Category of borrowers	Approximate weighting to the carrying amount of the Group's loan portfolio %	Interest rate per annum %	Maturity
Individual	58.95	8.50-18.00	Within 1 year
Corporate	41.05	10.00-18.00	Within 1 year
	<u>100.00</u>		

At 31 December 2020, 99% (2019: 90%) of the carrying amount of the loan portfolio (after impairment allowance) is secured by collaterals, nil (2019: 3%) is guaranteed by guarantors, and with the remaining 1% (2019: 7%) being unsecured.

Before granting loans to potential customers, the Group performs credit assessment process to assess the potential borrowers' credit quality individually and defines the credit limits granted to the borrowers. The credit limits granted to the borrowers are reviewed by the management regularly.

Securities Brokerage

The Group's securities brokerage business is conducted through CS Wealth Securities Limited, a wholly owned subsidiary of the Company, licensed by the Hong Kong Securities and Futures Commission to carry out dealing in securities activities. During FY2020, revenue of the operation decreased by 28% to HK\$6,590,000 (2019: HK\$9,213,000) and profit decreased by 42% to HK\$3,671,000 (2019: HK\$6,292,000) respectively. The decreases in revenue and profit of the operation were mainly due to the volatilities and negative investment sentiments of the Hong Kong stock market which to a certain extent resulting from the continuation of the COVID-19 pandemic.

Overall Results

For FY2020, the Group recorded profit attributable to owners of the Company of HK\$2,283,187,000 (2019: loss of HK\$322,947,000) and basic earnings per share of HK13.29 cents (2019: basic loss per share of HK1.90 cents). The Group reported total comprehensive income attributable to owners of the Company of HK\$2,294,579,000 (2019: total comprehensive expense of HK\$276,193,000) which included a net fair value loss on debt securities of HK\$29,768,000 (2019: net fair value gain of HK\$56,400,000). The profitable results recorded by the Group were mainly attributed to the substantial overall gain recognised for the Group's securities investments of HK\$2,939,628,000 (2019: loss of HK\$336,341,000), though the profitable results were partly offset by the loss incurred by the money lending operation of HK\$27,348,000 (2019: profit of HK\$128,293,000) and loss incurred by the trading operation of HK\$165,000 (2019: profit of HK\$2,288,000). The securities brokerage operation recorded a reduced profit of HK\$3,671,000 (2019: HK\$6,292,000) for the year.

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

For FY2020, the Group financed its businesses mainly by cash generated from operations, credit facilities provided by banks, finance company and securities brokers, funds raised through issuance of interest bearing notes and placement of shares as well as shareholders' funds. At the year end, the Group had current assets of HK\$8,000,306,000 (2019: HK\$4,185,622,000) and liquid assets comprising bank balances and cash as well as financial assets at FVTPL (excluding clients' money held relating to the Group's securities brokerage business and pledged bank deposits) totalling HK\$6,314,049,000 (2019: HK\$1,589,891,000). The Group's current ratio, calculated based on current assets over current liabilities of HK\$1,611,842,000 (2019: HK\$1,825,502,000), was at a ratio of about 5.0 (2019: 2.3). At 31 December 2020, the Group's trade and other receivables amounted to HK\$175,487,000 (2019: HK\$113,327,000), which mainly comprised trade receivables from cash and margin clients of the securities brokerage business, deposits placed with securities brokers, and the outstanding principal of a note receivable. The Group had deferred tax assets amounting to HK\$27,067,000 (2019: HK\$8,148,000) and deferred tax liabilities of HK\$435,393,000 (2019: nil) which were principally related to the allowance for expected credit losses for loan receivables, net unrealised gain on financial assets at FVTPL valued at market/fair value and unused tax losses at the year end.

At 31 December 2020, the equity attributable to owners of the Company amounted to HK\$5,939,048,000 (2019: HK\$3,369,789,000) and was equivalent to an amount of approximately HK29.13 cents (2019: HK19.84 cents) per share of the Company. The increase in equity attributable to owners of the Company of HK\$2,569,259,000 was mainly a result of the profit recognised by the Group and the issuance of new shares during the year.

At 31 December 2020, the Group's borrowings represented short-term secured borrowings that bore interests at fixed rate or floating rate and were repayable within one year or on demand. The borrowings were secured by two share charges each charging over the issued share of a wholly owned subsidiary of the Company, two debentures each incorporating a first floating charge over all the assets of a wholly owned subsidiary of the Company, and certain debt and equity securities held by the Group.

During the second half of 2020, the Company issued four tranches of notes comprising (i) the 2-year unsecured notes with nominal value of HK\$500,000,000 bearing interest of 5.5% per annum in July 2020; (ii) the 1-year unsecured notes with nominal value of HK\$500,000,000 bearing interest of 3.0% per annum in August 2020; (iii) the 270-day unsecured notes with nominal value of HK\$500,000,000 bearing interest of 2.0% per annum in September 2020; and (iv) the 270-day unsecured notes with nominal value of HK\$200,000,000 bearing interest of 2.0% per annum in October 2020. All the four tranches of the notes carry options for the Company to early redeem the notes, by giving not less than 15 days' notice to the noteholders, in whole or in part at 100% of the principal amount outstanding, together with interest accrued and unpaid at the date fixed for redemption.

On 20 November 2020, the Company entered into a subscription agreement with a subscriber (the “**Subscriber**”) whereby the Company conditionally agreed to allot and issue and the subscriber conditionally agreed to subscribe for 3,397,540,000 subscription shares at the subscription price of HK\$0.060 per share (the “**Share Subscription**”). Upon completion of the Share Subscription on 11 December 2020, 3,397,540,000 new shares were allotted and issued by the Company to the Subscriber. The gross proceeds from the Share Subscription amounted to approximately HK\$203,852,000, after deducting directly attributable costs of approximately HK\$619,000, the net proceeds amounted to approximately HK\$203,233,000 and the net subscription price was approximately HK\$0.060 per share. The net proceeds had been fully utilised as intended as general working capital of the Group. The Subscriber was a company wholly owned by Dr. Cheng Kar-Shun, Henry *GBM, GBS*. Details of the Share Subscription were set out in the announcements of the Company dated 20 November 2020 and 11 December 2020.

The Group's gearing ratio, calculated on the basis of total liabilities of HK\$2,542,650,000 (2019: HK\$1,825,502,000) divided by the equity attributable to owners of the Company of HK\$5,939,048,000 (2019: HK\$3,369,789,000), was about 43% (2019: 54%). The decrease in the Group's gearing ratio was mainly due to increase in equity attributable to owners of the Company during the year. The Group's finance costs decreased to HK\$158,640,000 (2019: HK\$171,095,000) were primarily a result of the decreases in the average amount of borrowings and the charging interest rates during the year.

With the amount of liquid assets on hand as well as credit facilities granted by banks, finance company and securities brokers, the management is of the view that the Group has sufficient financial resources to meet its ongoing operational requirements.

PROSPECTS

Following the stabilisation of the pandemic in the Mainland, there are signs that the economy is on the recovery path with notable improvements in economic and market conditions. China achieved a positive GDP growth in 2020 and Hong Kong is well positioned to continue to benefit from the nation's sustainable economic growth. In addition, the recent launch of vaccination program in Hong Kong and many countries including the US, the UK, Japan and Korea should also ease the global pandemic situation and pave the way for the economies to fully reactivate. Nevertheless, it is difficult to predict the evolution and duration of the pandemic, the Group's management will thus continue to adopt a cautious and disciplined approach in managing the Group's businesses and in seizing business and investment opportunities. The Group is currently considering to acquire the entire equity interests in a target company engaging in insurance business in Hong Kong, with the view to diversify the Group's businesses and income base and to create value for shareholders. Announcements will be made to inform shareholders as and when there is further material development of this investment opportunity.

CORPORATE GOVERNANCE

The Company has complied with all the applicable provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules for the year ended 31 December 2020.

AUDIT COMMITTEE

The audited consolidated financial statements of the Company for the year ended 31 December 2020 have been reviewed by the Audit Committee and duly approved by the Board under the recommendation of the Audit Committee.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagement or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

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

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

By Order of the Board
China Strategic Holdings Limited
Dr. Or Ching Fai
Chairman

Hong Kong, 26 March 2021

At the date of this announcement, the Board comprises one Non-executive Director, namely Dr. Or Ching Fai (Chairman), four Executive Directors, namely Mr. Sue Ka Lok (Chief Executive Officer), Ms. Lee Chun Yeung, Catherine, Mr. Chow Kam Wah and Mr. Chow Man Wai, Tony; and four Independent Non-executive Directors, namely Ms. Ma Yin Fan, Mr. Chow Yu Chun, Alexander, Mr. Leung Hoi Ying and Mr. Lam Kin Fung, Jeffrey.