South China Assets Holdings Limited
南華資產控股有限公司

Incorporated in the Cayman Islands with limited liability
Stock Code : 08155

ANNUAL REPORT
2019

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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

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

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Ng Hung Sang (*Chairman*)
Ms. Cheung Choi Ngor
Mr. Richard Howard Gorges
Ms. Ng Yuk Mui Jessica (*Executive Vice Chairman*)

Non-executive Director

Mr. Ng Yuk Yeung Paul

Independent Non-executive Directors

Mr. Cheng Hong Kei
Ms. Pong Scarlett Oi Lan, BBS, J.P.
Mr. Yeung Chi Hang

COMPLIANCE OFFICER

Ms. Cheung Choi Ngor

COMPANY SECRETARY

Mr. Watt Ka Po James

AUTHORISED REPRESENTATIVES

Ms. Cheung Choi Ngor
Mr. Watt Ka Po James

AUDIT COMMITTEE

Mr. Cheng Hong Kei (*Committee Chairman*)
Ms. Pong Scarlett Oi Lan, BBS, J.P.
Mr. Ng Yuk Yeung Paul
Mr. Yeung Chi Hang

REMUNERATION & NOMINATION COMMITTEE

Ms. Pong Scarlett Oi Lan, BBS, J.P. (*Committee Chairman*)
Mr. Cheng Hong Kei
Mr. Yeung Chi Hang

AUDITOR

BDO Limited

PRINCIPAL BANKERS

Chong Hing Bank Limited
Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited
The Bank of East Asia (China) Limited
The Hongkong and Shanghai Banking Corporation Limited

REGISTERED OFFICE

P.O. Box 31119
Grand Pavilion
Hibiscus Way
802 West Bay Road
Grand Cayman KY1-1205
Cayman Islands

PRINCIPAL PLACE OF BUSINESS

28th Floor, Bank of China Tower
1 Garden Road, Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

SMP Partners (Cayman) Limited
3rd Floor, Royal Bank House
24 Shedden Road
P. O. Box 1586
Grand Cayman, KY1-1110
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

08155

WEBSITE OF THE COMPANY

www.scassets.com

Chairman's Statement and Management Discussion and Analysis

I am pleased to report the activities of South China Assets Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL SUMMARY AND KEY PERFORMANCE INDICATORS

The Group recorded revenue and loss attributable to the equity holders of the Company, both being the financial key performance indicators, for the year ended 31 December 2019 (the "Year") of HK$19.0 million (2018: HK$1.1 million) and HK$18.9 million (2018: HK$7.9 million), respectively.

Underlying operating results of the Group, after excluding non-operating items (being gain/loss arising from fair value on and disposal of financial assets; other income, provisions and tax credit of non-recurring nature), has been reduced from a loss of HK$20.4 million in 2018 to a loss of HK$3.0 million in 2019 due to business gaining momentum, completion of a property development project and efforts in cost control.

FINANCIAL REVIEW

During the Year, the financial services segment has generated revenue of HK$1.7 million (2018: HK$1.1 million). The property development segment has recorded revenue of HK$17.3 million from the project located in Cangzhou Bohai New District Zhongjie Industrial Park District (滄州渤海新區中捷產業園區) ("Zhongjie Project"), the People's Republic of China (the "PRC").

During the Year, the fair value loss on financial assets at fair value through profit or loss was HK$0.8 million (2018: HK$11.4 million). The change in fair value mainly resulted from movement in the share price of South China Holdings Company Limited ("SCHC"). Other operating income amounted to HK$5.7 million (2018: HK$18.4 million) for the Year and such decrease was due to non-occurrence of an one-off income from deregistration of a subsidiary in last year. Administrative and other operating expenses amounted to HK$15.4 million (2018: HK$23.6 million) for the Year and such decrease was mainly due to efforts in containing cost.

BUSINESS REVIEW

The principal businesses of the Group include financial services and property development.

(a) Financial Services

The segment is made up of subsidiaries holding licences for type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). The segment begins to render investment advisory services and has generated revenue during the Year.

The segment also consists of money lending business under South China Financial Credits Limited ("SCFC"), a wholly-owned subsidiary of the Company. SCFC is governed by the Hong Kong Money Lender Ordinance (Chapter 163 of the Laws of Hong Kong) with business scope encompassing mainly unsecured personal loans, tax loans, small business loans, specialised lending and debt consolidation to independent external customers.

During the Year, SCFC has appointed a new head to take charge of the money lending business with a new strategy. The move has successfully tapped into customer segments with better credibility background and built a healthy loan portfolio.

As at 31 December 2019, the gross loan portfolio has gradually increased and amounted to HK$13.6 million. SCFC has tightened its credit approval for new loan and refinancing applications and also strengthened its debt collection function to provide safeguard for excessive credit risk.

The segment also consists of a subsidiary who has membership of Professional Insurance Brokers Association ("PIBA") and is a Mandatory Provident Fund ("MPF") principal intermediary under MPF Schemes Ordinance ("MPFSO").

The directors considered that the key risk exposures of our investment advisory, asset management business and money lending business are credit risk, market risk and the need to maintain sufficient liquidity to satisfy regulatory capital requirements and working capital needs. The Group does not take trade positions which expose it to material price risk or foreign exchange risk.

(b) Property development

The Huanghua New City (黃驊新城) property development project located in Cangzhou, Hebei province, the PRC, with a site area of 32,336 sq. m. (the "First Land Site"), is a commercial and retail development to provide shopping mall, entertainment, dining and recreational facilities, having a total gross floor area ("GFA") of approximately 42,000 sq.m.. The Group has obtained the State-owned Land Use Right Certificate (國有土地使用證), the Land Use Permit (建設用地規劃許可證) and the Construction Planning Permit (建設工程規劃許可證) for the project. Main construction works of the First Land Site will commence upon the issuance of the Construction Permit (建設工程施工許可證), which has been planned as the first phase of the Huanghua New City property development project (the "Phase I Project").

In 2014, the Group won a bid at the tender for the acquisition of another land site (the "Second Land Site") adjacent to the First Land Site, with a site area of 32,921 sq. m. and having GFA of approximately 107,000 sq.m.. The Second Land Site has been planned as the second phase of the Huanghua New City property development project (the "Phase II Project"), which will provide commercial, retail, office, and hotel facilities for further enhancement of variety of facilities of the whole Huanghua New City project. The Group obtained the State-owned Land Use Right Certificate and the Land Use Permit in prior years and further obtained the Construction Planning Permit in July 2018.

On 7 September 2018, the Group received a notice from Cangzhou City Land Resources Bureau (滄州市國土資源局) ("Cangzhou Land Bureau") to request the repossession of the Second Land Site (the "Repossession"). The Group subsequently filed an appeal in form of an application for administrative review to Hebei Province Land Resources Bureau (河北省國土資源局) ("Hebei Land Bureau"), the provincial authority to which Cangzhou Land Bureau is reporting.

On 24 December 2018, Hebei Land Bureau notified the Group and Cangzhou Land Bureau that the administrative review process shall be temporarily suspended to allow both parties to discuss for settlement of the dispute. The Group would resume the administrative review process on the Repossession if no acceptable solution is reached with Cangzhou Land Bureau. The Group would take all necessary measures, including but not limited to initiate legal proceedings against Cangzhou Land Bureau, to safeguard the Group's legal rights and interest in the Phase II Project if the result of the administrative review is not favourable to the Group. Due to the unexpected outbreak of coronavirus, the operations of the local government departments were substantially affected. Negotiations with Cangzhou Land Bureau by exploring any solution in the dispute would keep on upon full resumption of operations of Cangzhou Land Bureau. In view of the progress of previous negotiations before the outbreak of novel coronavirus, the Group is optimistic in achieving an acceptable solution for safeguarding the Group's rights and interest in the Phase II Project.

The Group's other property development, Zhongjie Project, has been partially completed by phase and the Group has recorded revenue of HK$17.3 million in the Year accordingly.

The existing property portfolio of the Group is located in the PRC and is therefore subject to the risks associated with the PRC property market. Our property development operations in the PRC may also be exposed to the risks of policy change, interest rate change, demand-supply imbalance and the overall economic conditions, which may pose an adverse impact on the Group's business, financial condition or results of operations. To mitigate the abovementioned risks, the Group will monitor such exposures closely with a view to reacting timely to any change.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2019, the Group had a current ratio of 1.4 (2018: 2.0) and a gearing ratio of 18% (2018: 21%). The decrease in current ratio was due to certain shareholders' loans being repaid in cash during the Year. The decrease in gearing ratio was due to certain part of bank loan being repaid during the Year. The financial position of the Group is considered at a healthy level.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

During the year ended 31 December 2019, the Group did not make any material acquisition and disposal of subsidiaries and associates.

SIGNIFICANT INVESTMENTS

The Group's investment portfolio consists of Ordinary Shares and Redeemable Convertible Preference Shares ("RCPSs") of SCHC, which are presented under financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income in the consolidated statement of financial position respectively.

Listed below are the particulars of the Group's major significant investments:

As at 31 December 2018

Name of stock listed on Stock Exchange	Stock code	Brief description of the business	Type of shares	Number of shares held as at 31 December 2018	Investment cost as at 31 December 2018 *HK$'000*	Fair value as at 31 December 2018 *HK$'000*	Total assets value of the Group as at 31 December 2018 *HK$'000*	Percentage to total assets value of the Group as at 31 December 2018
SCHC	413	Trading and manufacturing, property investment and development and agriculture and forestry	Ordinary shares	309,129,996* (represented 2.3% of SCHC issued ordinary shares)	3,516	59,354	577,464	10.3%
			RCPSs	390,691,131 (represented 100% of SCHC issued RCPSs)	312,553	161,737**	577,464	28.0%

During the year ended 31 December 2018, the audited comprehensive loss attributable to owners of the Company from the net fair value change recognized for the Group's significant investments as listed above amounted to approximately HK$125.8 million.

As at 31 December 2019

Name of stock listed on Stock Exchange	Stock code	Brief description of the business	Type of shares	Number of shares held as at 31 December 2019	Investment cost as at 31 December 2019	Fair value as at 31 December 2019	Total assets value of the Group as at 31 December 2019	Percentage to total assets value of the Group as at 31 December 2019
					HK$'000	*HK$'000*	*HK$'000*	
SCHC	413	Trading and manufacturing, property investment and development and agriculture and forestry	Ordinary shares	309,129,996* (represented 2.3% of SCHC issued ordinary shares)	3,516	56,880	415,537	13.7%
			RCPSs	378,813,131 (represented 100% of SCHC issued RCPSs)	303,051	178,074**	415,537	42.9%

During the year ended 31 December 2019, the audited comprehensive income attributable to owners of the Company from the net fair value change recognized for the Group's significant investments as listed above amounted to approximately HK$19.4 million.

* The shares mainly include bonus shares proposed by SCHC on 23 December 2016 and received by the Company on 10 January 2017.

** The fair values of the RCPSs as at 31 December 2018 and 31 December 2019 are determined by the directors of the Company with reference to the valuation at year ended dates by BMI Appraisals Limited, an independent qualified professional valuer not connected to the Group.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

As at 31 December 2019, the Group had no significant exposure to fluctuations in foreign exchange rates and any related hedges.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2019, the Group had no pledge of assets and contingent liabilities.

EMPLOYEES

As at 31 December 2019, the total number of employees of the Group was 12 (2018: 15). Employees' cost (including Directors' emoluments) amounted to HK$5.5 million for the year (2018: HK$10.0 million).

In addition to salary, other fringe benefits such as medical subsidies, life insurance and provident fund are offered to all employees of the Group. Performance of the employees is normally reviewed on an annual basis with adjustment compatible to the market. Individual employees may also receive a discretionary bonus at the end of each year based on performance. Employees may also be granted share options and share awards under the share option scheme and the employee's share award scheme adopted by the Company on 8 May 2012 and 18 March 2011 respectively.

PROSPECTS

The year of 2020 is very challenging given the dynamic changes in macroeconomic environment under the outbreak of the novel coronavirus disease. Management believes it is the best interest of the Group to continue carrying on but being highly cautious in the financial services business which is able to produce steady income stream. Meanwhile, the Phase I Project in Huanghua New City under the property development segment has resumed its planning in late 2019 and is under ongoing and close monitoring by management on its progress under current market situation.

(a) Financial services business

As a result of improved credit approval and debt collection processes, significant bad debts have been recovered during the Year.

The Group is structuring private funds with various investment strategies and asset classes to meet our clients' investment needs and risk appetites. Being engaged by these funds as the investment manager to provide tailor-made discretionary portfolio and management solutions, the Group will then generate revenue after launching of the funds.

The Group is also seeking to grow its wealth management services through the recruitment of relevant personnel and development of channels and business.

Due to the latest outbreak of novel coronavirus disease, the Group's risk management has been tightened aim at minimizing key risks through clearly defined terms of business with customers, stringent investment and credit control over transactions with them, and regular monitoring of cash flow and management accounts to ensure that relevant regulated entities comply with regulatory capital requirements and the financial services operation is able to maintain adequate working capital.

(b) Property development business

Resulting from the continuous improvements in demographic and infrastructural facilities therein as well as optimistic expectation of the outcome of negotiation with Cangzhou Land Bureau, the Group decided to restart part of Phase I Project with an expected saleable area of approximately 15,000 sq.m. in late 2019. Due to the unexpected outbreak of novel coronavirus during the period of Lunar New Year, certain number of employees of the Group were not allow to freely get off from one place to another and each corporation thereof (including our office in Tianjin, which is responsible for Huanghua New City property development project) was not allowed to resume its operations and businesses until satisfaction of mandatory inspections by local authorities. Our office in Tianjin resumed its operations recently, but relevant employees had yet been on board, hence the development plan of the Phase I Project was inevitably delayed.

In order to lower down business risk under the current market situation and relieve burden on capital resources, each of the Phase I Project and the Phase II Project would be developed in phases.

ENVIRONMENTAL POLICIES

We are committed to building an environmentally-friendly corporation that pays close attention to conserving natural resources. We strive to minimize our environmental impact by saving electricity and encouraging recycle of office supplies and other materials. In this regard, we have implemented various environmental policies and guidelines to manage the efficient use of resources in our day to day operations. Going forward, we will strive to continue to enforce new efficiency measures to reduce the consumption of energy and water, and indirectly reduce the emissions of greenhouse gas.

COMPLIANCE WITH LAWS AND REGULATIONS

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations, which have significant impact on the Group. The Group has established a compliance department which is operated by experienced compliance officers and is monitored by management. The principal roles of the compliance department are to monitor the daily financial status and to review internal control of the Group regularly to ensure the Group is in compliance with related regulations. Updates on the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

RELATIONSHIPS WITH KEY STAKEHOLDERS

Employees

Human resources are one of the greatest assets of the Group and the Group regards the personal development of its employees as highly important. The Group wants to continue to be an attractive employer for committed employees. The Group has also adopted share option schemes and share award schemes to recognize and reward the contribution of the employees to the growth and development of the Group.

Customers

The Group has the mission to provide excellent customer service whilst maintaining long term profitability, business and asset growth. Various means have been established to strengthen the communications between the customers and the Group in the provision of excellent customer service towards market penetration and expansion.

Service vendors

Sound relationships with key service vendors of the Group are important in supply chain, premises management and meeting business challenges and regulatory requirements, which can derive cost effectiveness and foster long term business benefits. The key service vendors comprise system and equipment vendors, external consultants which provide professional services, suppliers of office goods/ merchandise and other business partners which provide value-added services to the Group.

Shareholders

One of the corporate goals of the Group is to enhance corporate value to shareholders. The Group is poised to foster business developments for achieving the sustainability of earnings growth and rewarding shareholders taking into account capital adequacy levels, liquidity positions and business expansion needs of the Group.

APPRECIATION

On behalf of the Board, I wish to express my gratitude to our customers and shareholders for their continued support and all our staff members for their hard work and dedicated service.

Ng Hung Sang
Chairman

Hong Kong, 18 March 2020

Directors' Biographical Details

EXECUTIVE DIRECTORS

Mr. Ng Hung Sang, aged 70, is an Executive Director, the Chairman and a member of the Executive Committee of the Company. He is actively involved in the overall corporate policies, strategic planning and business development of the Group. He is also an executive director and the chairman of South China Financial Holdings Limited and South China Holdings Company Limited, both being listed on the Main Board of the Stock Exchange. He holds a Master degree in Marketing from Lancaster University in the United Kingdom and is a fellow member of the Chartered Institute of Management Accountants. He was appointed as a Director of the Company on 28 January 2002. He is the father of Ms. Ng Yuk Mui Jessica, an Executive Director and the Executive Vice Chairman of the Company, and Mr. Ng Yuk Yeung Paul, a Non-executive Director of the Company, and a director of certain substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Ms. Cheung Choi Ngor, aged 66, is an Executive Director and a member of the Executive Committee of the Company. She is also an executive director, the vice chairman and co-chief executive officer of South China Holdings Company Limited, and an executive director and a vice chairman of South China Financial Holdings Limited, both being listed on the Main Board of the Stock Exchange. She also holds several directorships in certain subsidiaries of the Group. She holds a Master degree in Business Administration from University of Illinois in the United States of America. She is a member of 10th, 11th and 12th National Committee of the Chinese People's Political Consultative Conference. She was appointed as a Director of the Company on 7 January 2009. She is a director of certain substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Mr. Richard Howard Gorges, aged 76, is an Executive Director and a member of the Executive Committee of the Company. He is also an executive director and a vice chairman of South China Holdings Company Limited, being listed on the Main Board of the Stock Exchange. He also holds several directorships in certain subsidiaries of the Group. He holds a Master degree in Law from University of Cambridge in the United Kingdom. He was appointed as a Director of the Company on 7 January 2009. He is a director of certain substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Ms. Ng Yuk Mui Jessica, aged 41, is an Executive Director, an Executive Vice Chairman and a member of the Executive Committee of the Company. She is also an executive director, an executive vice chairman and chief executive officer of South China Financial Holdings Limited and a non-executive director of South China Holdings Company Limited and i-Cable Communications Limited, all being listed on the Main Board of the Stock Exchange. She is the executive vice chairman of South China Media Limited. She also holds several directorships in certain subsidiaries of the Group. She holds a Bachelor degree in Law from King's College London, University of London in the United Kingdom and was admitted to the Hong Kong Bar in 2006. She is an associate member of the Chartered Institute of Management Accountants and a member of 12th Hebei Provisional Committee of the Chinese People's Political Consultative Conference. She was appointed as Director of the Company on 20 August 2003. She is the daughter of Mr. Ng Hung Sang, an Executive Director, the Chairman and a controlling shareholder of the Company, and is the elder sister of Mr. Ng Yuk Yeung Paul, a Non-executive Director of the Company.

NON-EXECUTIVE DIRECTOR

Mr. Ng Yuk Yeung Paul, aged 38, is a Non-executive Director and a member of Audit Committee of the Company. He is also an executive director, an executive vice chairman and co-chief executive officer of South China Holdings Company Limited, being listed on the Main Board of the Stock Exchange. He also holds several directorships in certain subsidiaries of the Group. He graduated in law from Corpus Christi College, University of Cambridge (the "University") in the United Kingdom and is a Scholar of the University. He is an associate member of the Chartered Institute of Management Accountants and a member of 13th National Committee of the Chinese People's Political Consultative Conference and was a standing committee member of the 11th and 12th Liaoning Provincial Committee of the Chinese People's Political Consultative Conference. He was the winner of the Young Industrialist Awards of Hong Kong 2017. He has extensive experience in the financial services, property development, OEM toys manufacturing, tourism and media businesses. He was appointed as a Director of the Company on 9 October 2003. He is the son of Mr. Ng Hung Sang, an Executive Director, the Chairman and a controlling shareholder of the Company, and is the younger brother of Ms. Ng Yuk Mui Jessica, an Executive Director and Executive Vice Chairman of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheng Hong Kei, aged 65, is an Independent Non-executive Director, the chairman of the Audit Committee and a member of the Remuneration and Nomination Committee of the Company. He studied accountancy in Hong Kong Polytechnic (now known as the Hong Kong Polytechnic University). He is a fellow member of the Hong Kong Institute of Certified Public Accountants (Practicing), the Association of Chartered Certified Accountants and the Taxation Institute of Hong Kong. He is a co-founding director of Cheng & Cheng Limited and had worked as an assessor for the Hong Kong Inland Revenue Department for 12 years. He has extensive experience in accounting and taxation. He is currently an independent non-executive director of Great China Properties Holdings Limited and China Apex Group Limited (formerly known as KEE Holdings Company Limited), both being listed on the Main Board of the Stock Exchange and GET Holdings Limited, being listed on GEM of the Stock Exchange. He was appointed as a Director of the Company on 31 March 2017.

Ms. Pong Scarlett Oi Lan, BBS, J.P., aged 60, is an Independent Non-executive Director, the Chairman of the Remuneration and Nomination Committee and a member of the Audit Committee of the Company. She completed her executive program at Harvard Business School in the United States of America and also obtained a graduate diploma in business administration at Monash University in Australia and a Bachelor degree in pharmaceutical sciences from the University of Saskatchewan in Canada. She holds a Master of Arts from Macquarie University in Australia in 2018. She is the Chairman of Health Quotient HQ International Institute Limited and the President of The Pharmaceutical Society of Hong Kong. She was an elected District Councilor and the Chairman of Health Connect Limited (formerly known as The International Drug Abuse Treatment Foundation Limited), a charitable organization. She was a part-time lecturer of Master of Science in Women's Health Studies & Postgraduate Diploma in Women's Health Studies, The Chinese University of Hong Kong. She has been the President of The Practising Pharmacists Association of Hong Kong for eight years and the President of the Outstanding Young Persons' Association. She is being appointed in a number of government boards and committees such as the Council Member of Hong Kong Baptist University, Grantham Scholarships Fund Committee, Part-time Member of the Central Policy Unit (2008–2009), Chairman of ACAN Sub-committee on Preventive Educations and Publicity (2007–2012). She received awards of the Ten Outstanding Young Persons' Selection in 1998, the Hundred Outstanding Women Entrepreneur in China in 2007, was appointed as a Justice of the Peace (J.P.) by the Government of the Hong Kong Special Administrative Region in July 2010 and received an award of Bronze Bauhinia Star in 2017. She also received awards of Pioneers in Healthy Cities, Alliance for Healthy Cities, Western Pacific Region. She was appointed as a Director of the Company on 27 March 2008.

Mr. Yeung Chi Hang, aged 52, is an Independent Non-executive Director, a member of the Audit Committee and a member of the Remuneration and Nomination Committee of the Company. He is a qualified accountant with a Bachelor's degree in Accountancy from City of London Polytechnic and Executive Master of Business Administration from the Chinese University of Hong Kong. He has extensive experience in audit, finance, PRC tax and project administration. Now he has his own consultancy firm to provide professional advice to clients mainly on project administration and financial and management report system. After graduation, he joined KPMG leading audit engagement of luxury goods retail group, multinational corporation and wholly foreign owned enterprise. He then joined New World China Land as Assistant Project Administration Manager and in charge of joint venture projects in Wuhan, The People's Republic of China (the "PRC") to handle accounting, finance and tax issues, and liaise with joint venture partners and government officials. Subsequently, he worked for manufacturing multinational corporation to oversee Hong Kong and the PRC operations (Finance, Administration, Human Resources and Information Technology) which including setting up of sales team and logistics team in the PRC. Prior to starting his own business, he was in charge of finance and accounting functions for PRC property development projects of two listed companies. He was appointed as a Director of the Company on 6 September 2017.

Directors' Report

The directors of the Company (the "Directors") submit herewith their report and the audited financial statements for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company. Its subsidiaries are property development in the People's Republic of China, money lending, provision of investment advisory and asset management service and dealing in securities and futures.

There were no significant changes in the nature of the Group's principal activities during the year.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong 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 Chairman's Statement and Management Discussion and Analysis set out on pages 4 to 11 of this annual report. The discussion forms part of this directors' report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The board of Directors (the "Board") has overall responsibility for the Group's environmental, social and governance ("ESG") strategy and reporting. The Board is responsible for the Group's ESG risk management and internal control systems to ensure that the ESG strategies and reporting requirements are met.

In addition, discussion on the Group's environmental policies and performance are contained in the Environmental, Social and Governance Report on pages 45 to 55 of this annual report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2019 and the financial position of the Group at that date are set out in the financial statements on pages 63 to 160 of this annual report.

No interim dividend was paid (2018: Nil). The Board does not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: Nil).

DIVIDEND POLICY

The Company has adopted a dividend policy (the "Dividend Policy"), pursuant to which the Company may declare and distribute dividends to the shareholders of the Company (the "Shareholders").

Objectives

The Dividend Policy sets out the guidelines for the Board of the Company to determine (i) whether dividends are to be declared and paid; and (ii) the amount of dividend to be paid to the shareholders of the Company.

It is the policy of the Company to distribute its net profits by way of dividends to its shareholders after retaining adequate reserves for future growth as return to its shareholders' investment.

Basic Criteria

In deciding to propose a dividend and in determining the dividend amount, the Board shall take into account the actual and expected financial results of the Group, business performance and strategies, financial and economic factors, capital commitments, liquidity position and any other factors that the Board considers appropriate.

Subject to the conditions and factors set out above, dividends may be proposed and/or declared by the Board for a financial year or period as interim dividend, final dividend, special dividend and any distribution of net profits that the Board considers appropriate.

Payment of dividend by the Company is also subject to any criteria and restrictions under the Cayman Islands laws and the Company's Articles of Association.

Form of Dividend

The Company may declare and pay dividends by way of cash or scrip or by other means that the Board considers appropriate.

Approval of Dividend

The Board may from time to time determine and pay to the Shareholders such interim dividends as it considers appropriate.

The Board may recommend the payment of final dividends which are required to be approved by Shareholders in general meetings.

Approval of the Dividend Policy

The Dividend Policy has been reviewed by the audit committee (the "Audit Committee") of the Company and approved by the Board. In the event of any amendment of any provision of the Dividend Policy shall be reviewed and commented by the Audit Committee and then all such reviewed and commented amendments shall be submitted to the Board for consideration and approval.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting of the Company is scheduled to be held on Tuesday, 16 June 2020 (the "2020 AGM"). For the purpose of determining those Shareholders who are entitled to attend and vote at the 2020 AGM, the register of members of the Company will be closed from Wednesday, 10 June 2020 to Tuesday, 16 June 2020 (both days inclusive), during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2020 AGM, the non-registered shareholders must lodge all completed share transfer instruments accompanied by the relevant share certificates with the Company's branch share registrar in Hong Kong, Union Registrars Limited, Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, for registration not later than 4:00 p.m. on Tuesday, 9 June 2020.

SUMMARY FINANCIAL INFORMATION

A summary of the results, assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 161 of this annual report.

SHARE CAPITAL AND EQUITY-LINKED AGREEMENT

Details of movements in the ordinary shares, share options and share awards of the Company during the year are set out in notes 29 to 31 to the consolidated financial statements.

Save as disclosed under the section headed "Share Option Scheme" and "Employees' Share Award Scheme", no equity-linked agreements were entered into during the year or subsisted at the end of the year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2019.

MAJOR SUPPLIERS

During the year ended 31 December 2019, aggregate purchases attributable to the Group's five largest suppliers were less than 30% of total purchases.

At no time during the year have the directors, their associates or any shareholder of the company (which, to the knowledge of the directors, owns more than 5% of the number of issued shares of the Company) had any interest in these major suppliers.

DIRECTORS

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

Executive Directors:

Mr. Ng Hung Sang (*Chairman*)
Ms. Cheung Choi Ngor
Mr. Richard Howard Gorges
Ms. Ng Yuk Mui Jessica (*Executive Vice Chairman*)

Non-executive Director:

Mr. Ng Yuk Yeung Paul

Independent Non-executive Directors:

Mr. Cheng Hong Kei
Ms. Pong Scarlett Oi Lan, BBS, J.P.
Mr. Yeung Chi Hang

In accordance with Article 116 of the Articles of Association of the Company, Mr. Ng Hung Sang, Ms. Ng Yuk Mui Jessica and Mr. Cheng Hong Kei will retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company. Save as disclosed, all other remaining Directors continue in office.

All Directors (including Non-executive Directors) of the Company are subject to retirement by rotation at least once every three years in accordance with the Company's Articles of Association.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 5.09 of the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules") of the Stock Exchange from each of the Independent Non-executive Directors namely, Mr. Cheng Hong Kei, Ms. Pong Scarlett Oi Lan, BBS, J.P. and Mr. Yeung Chi Hang, and considers all the Independent Non-executive Directors to be independent.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors are set out on pages 12 to 14 of this annual report.

DIRECTORS' SERVICE CONTRACTS

No Directors proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company and/or its subsidiaries which is not determinable by the relevant employer within one year without payment of compensation (other than statutory compensation).

DIRECTORS' REMUNERATION

The remuneration payable to executive directors are determined by the Remuneration and Nomination Committee with reference to the prevailing market practice, the Company's remuneration policy, the respective Directors' duties and responsibilities and their contributions to the Group. The Board considers and, where it thinks fit, approves the remuneration of the non-executive directors as recommended by the Remuneration and Nomination Committee based on the abovementioned factors. No Director shall be involved in the decision of his own remuneration.

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

As at 31 December 2019, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong ("SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rules 5.48 to 5.67 of the GEM Listing Rules, were as follows:

(i) Long positions in ordinary shares of the Company (the "Shares")

		Number of Shares held				
Name of Directors	**Capacity**	**Personal interests**	**Family interests**	**Corporate interests**	**Total interests**	**Approximate percentage of total interests to total issued Shares**
Mr. Ng Hung Sang ("Mr. Ng")	Beneficial owner/ Interest of spouse/ Interest of controlled corporations	363,393,739	967,923,774	5,925,861,298 *(Note (a))*	7,257,178,811	64.92%
Mr. Ng Yuk Yeung ("Mr. Paul Ng")	Beneficial owner	2,602,667	–	–	2,602,667	0.02%

(ii) Long positions in underlying Shares

Name of Directors	Capacity	Number of underlying Shares	Approximate percentage of shareholding to total issued Shares
Ms.Cheung Choi Ngor ("Ms. Cheung")	Beneficial owner	55,896,000 *(Note (b))*	0.50%
Mr. Paul Ng	Beneficial owner	83,840,000 *(Note (b))*	0.75%

Notes:

(a) 5,925,861,298 Shares held by Mr. Ng through controlled corporations include 1,088,784,847 Shares held by Bannock Investment Limited ("Bannock"), 1,150,004,797 Shares held by Earntrade Investments Limited ("Earntrade"), 1,817,140,364 Shares held by Fung Shing Group Limited ("Fung Shing"), 1,728,362,917 Shares held by Parkfield Holdings Limited ("Parkfield"), 76,464,373 Shares held by Ronastar Investments Limited ("Ronastar"), 65,104,000 Shares held by Green Orient Investments Limited ("Green Orient"). Fung Shing, Parkfield and Ronastar were all directly wholly-owned by Mr. Ng. Mr. Ng holds Green Orient indirectly via South China Holdings Company Limited ("SCHC"). Bannock was a wholly-owned subsidiary of Earntrade which was directly owned as to 60% by Mr. Ng, 20% by Mr. Richard Howard Gorges and 20% by Ms. Cheung. SCHC was owned as to approximately to 61.22% by Mr. Ng. As such, Mr. Ng was deemed to have interest in the 65,104,000 Shares held by Green Orient and the aggregate 2,238,789,644 Shares held by Bannock and Earntrade.

(b) The respective underlying Shares held by Ms. Cheung and Mr. Paul Ng were the share options granted to them on 1 October 2013 under the share option scheme adopted by the Company on 8 May 2012. For more details, please refer to note 30 to the consolidated financial statements under the section headed "Share Option Scheme".

Apart from the foregoing, none of the directors of the Company or any of their spouses or children under eighteen years of age had interests or short positions in the Shares, underlying Shares or debentures of the Company, or any of its holding company, subsidiaries or other associated corporations, as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company pursuant to the required standard of dealings by Directors as referred to Rules 5.48 to 5.67 of the GEM Listing Rules, at 31 December 2019.

SHARE OPTION SCHEME

The Company adopted a share option scheme in May 2012 ("2012 Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants, who contribute to the success of the Group's operations, and retaining such participants for their continuing support to the Group. The share options granted under the 2012 Share Option Scheme is unlisted. Further details of the 2012 Share Option Scheme are disclosed in note 30 to the consolidated financial statements.

No new share option was granted under the 2012 Share Option Scheme during the year ended 31 December 2019.

EMPLOYEES' SHARE AWARD SCHEME

On 18 March 2011, the Company adopted the employee's share award scheme (the "Share Award Scheme") whereby the Company may grant share awards to selected employees in recognition of their contributions to the Group, and as incentive to retain them to support the operations and ongoing development of the Group and attract suitable personnel for the Group's further development. Pursuant to the terms and conditions of the Share Award Scheme, the Company shall settle a sum up to HK$50 million for the purchase of shares in the Company and/or SCHC from the market. Such shares shall form part of the capital of the trust set up for the Share Award Scheme. The Board may, from time to time, select employees for participation in the Share Award Scheme and cause to be paid an amount to the trustee from the Company' resources for the purpose of purchase of shares as referred to in the above. Details of the Share Award Scheme are set out in note 31 to the consolidated financial statements.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section "Share Option Scheme", at no time during the year was the Company or any of its subsidiaries or fellow 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 the Directors or the chief executives or any of their spouses or children under the age of 18, was granted any rights to subscribe for any equity or debt securities of the Company or any other body corporate nor had exercised any such right.

RETIREMENT SCHEME

The Group operates a defined benefit occupational retirement scheme and a mandatory provident fund scheme. The employees employed by the PRC subsidiaries are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. Particulars of these retirement schemes are set out in note 3.15 to the consolidated financial statements.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

A summary of the related party transactions which are set out in note 36 to the consolidated financial statements.

Save as disclosed above, no transaction, arrangement or contract of significance to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party and in which a Director or any connected entity thereof had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

The Company has not entered into any contract by which a person undertakes the management and administration of the whole or any substantial part of the business of the Company and there was no such contract subsisted at any time during the year.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

The Company has been notified of the following interest in its issued Shares at 31 December 2019 amounting to 5% or more of the Shares in issue:

Long positions in Shares

		Number of Shares held				
Name of Shareholders	**Capacity**	**Beneficial interests**	**Family interests**	**Corporate interests**	**Total interests**	**Approximate percentage of total interests to total issued Shares**
Earntrade Investments Limited ("Earntrade")	Beneficial owner/ Interest of controlled corporation	1,150,004,797	–	1,088,784,847 (*Note (a)*)	2,238,789,644	20.03%
Fung Shing Group Limited	Beneficial owner	1,817,140,364	–	–	1,817,140,364	16.26%
Parkfield Holdings Limited	Beneficial owner	1,728,362,917	–	–	1,728,362,917	15.46%
Bannock Investment Limited ("Bannock")	Beneficial owner	1,088,784,847 (*Note (a)*)	–	–	1,088,784,847	9.74%
Ms. Ng Lai King Pamela ("Ms. Ng")	Beneficial owner/ Interest of spouse	967,923,774	6,289,255,037 (*Note (b)*)	–	7,257,178,811	64.92%

Notes:

(a) Bannock is a wholly-owned subsidiary of Earntrade. Earntrade was deemed to have interest in the Shares held by Bannock.

(b) Ms. Ng, who held 967,923,774 Shares directly, is the spouse of Mr. Ng, the Chairman and an Executive Director of the Company. By virtue of the SFO, Ms. Ng was deemed to have interest in the 363,393,739 Shares and 5,925,861,298 Shares held by Mr. Ng directly and indirectly through controlled corporations, respectively, as disclosed in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" in the above.

Apart from the forgoing, as at 31 December 2019, no person, other than the Directors and chief executive of the Company, whose interests are set out in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" in the above, had registered an interest or short position in the Shares or underlying Shares that was required to be recorded pursuant to section 336 of the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

The Company, SCHC and South China Financial Holdings Limited ("SCF"), both, being listed on the Stock Exchange, have certain common directors. The principal activities of SCHC and SCF include property investment or development business and provision of investment advisory or asset management services or dealing in securities.

Mr. Ng, Ms. Cheung and Mr. Gorges, all being Executive Directors of the Company, are also the executive directors of SCHC. Mr. Ng and Ms. Cheung are also the executive director of SCF. Ms. Ng Yuk Mui Jessica ("Ms. Jessica Ng"), an Executive Director of the Company, is also the non-executive director of SCHC and the executive director of SCF. Mr. Paul Ng, a Non-executive Director of the Company, is also an executive director of SCHC.

Mr. Ng is the chairman of the board and controlling shareholder of SCHC, is also chairman of board and substantial shareholder of SCF. Mr. Richard Howard Gorges ("Mr. Gorges") and Ms. Cheung are the substantial shareholders of a controlled corporation of Mr. Ng, which, together with its direct wholly-owned subsidiary, holds 61.22% interest in SCHC and Mr. Ng holds 29.36% interest in SCF.

Ms. Cheung holds certain shareholding interests in SCHC and SCF. Mr. Gorges holds certain shareholding interests in SCF. Ms. Jessica Ng holds certain shareholding interests in SCHC. Mr. Paul Ng holds certain shareholding interests in SCHC and SCF.

The Group seeks to undertake property development projects in smaller size and diversify into the financial services businesses while SCHC mainly focuses on the medium to large scale property investment and development projects.

The Group is in the course of diversifying into the financial services businesses while SCF undertakes a wide range of financial services businesses of sizable scale in operations and with solid client portfolio.

The abovementioned common directors declare their interests in competing business and abstain from voting in transactions in which the Company and SCHC or SCF compete or is likely to compete with each other and, therefore, do not control the Board as far as transaction in relation to competing business is concerned. As such, the Board is independent from the board of SCHC or SCF, and the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of SCHC or SCF. Given the difference in business focus as referred to in the preceding paragraph, the competition between the businesses of the Company and SCHC or SCF is considered to be relatively remote.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

In accordance with GEM Rule 17.50A(1), the changes to information required to be disclosed pursuant to paragraphs (a) to (e) and (g) of GEM Rule 17.50(2) of the GEM Listing Rules during the course of the Directors' terms of office for the period from date of publication of the Company's latest interim report up to the date of this annual report are set out below:

1. Ms. Jessica Ng has been appointed as a non-executive director of i-Cable Communications Limited with effect from 2 July 2019; and

2. Mr. Cheng Hong Kei has been appointed as an independent non-executive director of China Apex Group Limited (formerly known as KEE Holdings Company Limited) with effect from 19 November 2019.

INDEMNITY OF DIRECTORS

Pursuant to the Company's Articles of Association, every Director of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director in defending any proceedings in which judgment is given in his favour, or in which he is acquitted. The Company has taken out directors' and officers' liability insurance to protect the Directors against potential costs and liabilities arising from the claims brought against them, if any.

SUFFICIENCY OF PUBLIC FLOAT

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

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions undertaken by the Group during the year in the ordinary course of business are set out in note 36 to the consolidated financial statements.

COMPANY SECRETARY

Mr. Watt Ka Po James, the company secretary of the Company, is a fellow member of both the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries.

COMPLIANCE OFFICER

Ms. Cheung Choi Ngor is the compliance officer of the Company appointed pursuant to Rule 5.19 of the GEM Listing Rules.

REVIEW BY AUDIT COMMITTEE

The audited consolidated financial statements of the Company for the year ended 31 December 2019 have been reviewed by the audit committee of the Company.

INDEPENDENT AUDITOR

The consolidated financial statements have been audited by Messrs. BDO Limited which would retire at the forthcoming AGM and being eligible, offers itself for re-appointment. A resolution to re-appoint Messrs. BDO Limited as the Independent Auditor and to authorize the Directors to fix its remuneration will be proposed to the Shareholders for approval at the forthcoming AGM.

TAX RELIEF

The Company is not aware of any relief on taxation available to the Shareholders by reason of their holdings of the Shares. If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in or exercising of any rights in relation to the Shares, they are advised to consult their professional advisers.

On behalf of the Board

Ng Hung Sang
Chairman

Hong Kong, 18 March 2020

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Company emphasize accountability and transparency to the shareholders of the Company (the "Shareholders"). Periodic review will be made to the corporate governance practices to comply with the regulatory requirements.

SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealing set out in Rules 5.48 to 5.67 of the GEM Listing Rules. In addition, the board of directors of the Company (the "Board") has established similar guidelines for relevant employees who are likely to possess inside information in relation to the Company, its subsidiaries or its securities.

Specific enquiries were made to all executive directors (the "Executive Directors"), non-executive directors (the "Non-executive Directors") and independent non-executive directors (the "Independent Non-executive Directors") of the Company (collectively, the "Directors") who confirmed that they had complied with the required standard of dealing and code of conduct regarding Directors' securities transactions during the year ended 31 December 2019.

CORPORATE GOVERNANCE CODE

The Company had complied with all the applicable code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 15 of the Rules Governing the Listing of Securities on the GEM (the "GEM Listing Rules") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 31 December 2019 except that Mr. Ng Hung Sang, the Chairman of the Board and an Executive Director of the Company, Ms. Cheung Choi Ngor, an Executive Director of the Company, Mr. Ng Yuk Yeung, a Non-executive Director of the Company and Ms. Pong Scarlett Oi Lan, BBS, J.P., an Independent Non-Executive Director of the Company were unable to attend the annual general meeting of the Company held on 18 June 2019 (the "AGM") as they had other business engagements, which deviated from code provisions E.1.2 and A.6.7 of the CG Code.

Ms. Ng Yuk Mui Jessica, the Executive Vice Chairman of the Company who took the chair of the AGM, together with other members of the Board who attended the AGM, were of sufficient caliber for answering questions at the AGM and had answered questions at the AGM competently.

CORPORATE GOVERNANCE FUNCTIONS

The Board delegated the responsibilities of the corporate governance functions to the Audit Committee for compliance with the requirements of the CG Code. Under the terms of reference of the audit committee of the Company (the "Audit Committee"), it is responsible for carrying out at least the following:

1. to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

2. to review and monitor the training and continuous professional development of the Directors and senior management;

3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and the Directors; and

5. to review the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

During the year ended 31 December 2019 and up to the date of this annual report, the Audit Committee has reviewed and performed the aforesaid corporate governance functions.

BOARD OF DIRECTORS

The Board is responsible for the overall leadership and control of the Group, and is collectively responsible for promoting the Group's success by directing and supervising its affairs. In addition, the Board should take decisions objectively in the best interests of the Company and its subsidiaries (collectively, the "Group"). Day-to-day management of the business of the Group including implementation of strategies has been delegated to the executive committee of the Company (the "Executive Committee") which comprises all Executive Directors. The Executive Committee reports its work and business decisions to the Board periodically. In addition to the Executive Committee, the Audit Committee and the remuneration and nomination committee (the "Remuneration and Nomination Committee") have been established with their respective specific written terms of reference.

The chairman of the Board (the "Chairman") has encouraged all Directors to make a full and active contribution to the Board's affairs and take the lead to ensure that it acts in the best interests of the Group. The Chairman has also encouraged Directors with different views to voice their concerns, allow sufficient time for discussion of issues and ensure that the Board decisions fairly reflect the Board's consensus.

Directors have given sufficient time and attention to the Group's affairs during the year ended 31 December 2019. During the year ended 31 December 2019, Directors have disclosed to the Company four times a year the number, identity and natures of offices held in Hong Kong or overseas listed public companies or organisations or other significant commitments. As at 31 December 2019, none of the Directors held directorship in more than seven public listed companies.

The Company has arranged the Directors appropriate insurance coverage in respect of any legal action against any of them.

During the year under review, the Board was provided with (i) sufficient explanation and information to enable it to make an informed assessment of financial and other information put before it for approval, and (ii) monthly updates giving a balanced and understandable assessment of the Group's performance, position and prospects in sufficient detail.

Composition of the Board

The composition of the Board during the year ended 31 December 2019 and up to the date of this report is as follows:

Executive Directors
Mr. Ng Hung Sang (*Chairman*)
Ms. Cheung Choi Ngor
Mr. Richard Howard Gorges
Ms. Ng Yuk Mui Jessica (*Executive Vice Chairman*)

Non-executive Director
Mr. Ng Yuk Yeung Paul

Independent Non-executive Directors
Mr. Cheng Hong Kei
Ms. Pong Scarlett Oi Lan, BBS, J.P.
Mr. Yeung Chi Hang

The biographical details of the Directors and the relevant relationships amongst them, if any, are set out in section headed "Directors' Biographical Details" of this annual report. An updated list of the Directors identifying the Independent Non-executive Directors, and the roles and functions of each Director is also maintained on the respective websites of the Stock Exchange and the Company.

The Board composition is reviewed regularly to ensure that it has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the businesses of the Group. A balanced composition of Executive Directors and Non-executive Directors (including Independent Non-executive Directors) is maintained to enable the Board to exercise independent judgment effectively.

Chairman and Chief Executive

Mr. Ng Hung Sang served as the Chairman throughout the year, who is responsible for providing leadership and management of the Board apart from taking primary responsibility for ensuring good corporate governance practices and procedures are established. The role of the Chairman is separate from that of the chief executive for achieving a clear division of separate responsibility and a balance of power and authority which in turn avoid concentrating of power in any one individual. Ms. Ng Yuk Mui Jessica, the executive vice chairman, has taken up the role of chief executive, who is responsible for the day-to-day management of the business of the Group.

The Chairman has delegated the responsibility for drawing up the agenda for each Board meeting to the Company Secretary. With the assistance of the Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at board meetings and have received adequate and reliable information in a timely manner.

Board Diversity

The Company is committed to equality of opportunity and does not discriminate on the grounds of race, gender, age, disability, nationality or any other factors. It also recognizes and embraces the benefits of diversity in Board members. The Company has adopted a board diversity policy (the "Board Diversity Policy") since August 2013. Under the Board Diversity Policy, a range of diversity perspectives including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service are taken into account when considering the nomination of candidates for directorship, and all Board appointments are based on meritocracy.

Candidates are considered against objective criteria, having due regard for the benefits of diversity on the Board and the ultimate decision is based on merit and contribution that the selected candidates will bring to the Board. The Remuneration and Nomination Committee monitors the implementation of the Board Diversity Policy and review the same as appropriate. The Remuneration and Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

The appointment of Directors is recommended by the Remuneration and Nomination Committee and approved by the Board based on the formal written procedures and policy for the appointment of new directors. When selecting potential candidates for directorship, their skills, experience, expertise, devotion of time and conflicts of interests are the key factors to consider.

Board and Board Committee Meetings

The Board meets at least four (4) times a year. At least fourteen (14) days' notice is given to all Directors for each regular Board meeting. All Directors are given the opportunity to include matters for discussion in the agenda for the regular Board meeting. Agenda and Board papers are sent to all Directors at least three (3) days before the date on which each regular Board meeting (or other agreed period).

Directors can attend meetings in person or through other means of electronic communication in accordance with the articles of association of the Company (the "Articles of Association").

The Company Secretary ensures that the procedures and all applicable rules and regulations are complied with. Minutes of Board meetings and meetings of Board committees have recorded in sufficient detail the matters considered and decisions reached, including any concerns raised or dissenting views expressed by the Directors. Draft and final versions of minutes are circulated to the Directors for comments and records respectively within a reasonable time after each Board meeting is held.

Minutes of Board meetings and meetings of Board committees are kept by the Company Secretary and are available for inspection at any time on reasonable notice by any Director.

If a matter to be considered by the Board involves conflict of interests of any substantial or controlling shareholder of the Company or a Director and if the Board considers that the matter is material, it would be dealt with by a physical meeting rather than a written resolution of the Directors.

The Board ensures that there are sufficient Independent Non-executive Directors (who, and whose close associates, have no material interests in the transaction) participating in discussing and voting on the resolution for the transaction at the Board meeting.

Attendance at Board Meetings

Four (4) Board meetings, four (4) Audit Committee meetings, one (1) Remuneration and Nomination Committee meeting and one (1) annual general meeting ("AGM") were held during the year ended 31 December 2019. The attendance records of all Directors for these meetings are set out below:

	Number of Meetings attended/Eligible to attend			
Name of Directors	**Board**	**Audit Committee**	**Remuneration and Nomination Committee**	**Annual General Meeting(1)**
Executive Directors				
Mr. Ng Hung Sang (*Chairman*)	1/4	N/A	N/A	0/1
Ms. Cheung Choi Ngor	4/4	N/A	N/A	0/1
Mr. Richard Howard Gorges	4/4	N/A	N/A	1/1
Ms. Ng Yuk Mui Jessica (*Executive Vice Chairman*)	4/4	N/A	N/A	1/1
Non-executive Director				
Mr. Ng Yuk Yeung Paul	4/4	3/4	N/A	0/1
Independent Non-executive Directors				
Mr. Cheng Hong Kei	4/4	4/4	1/1	1/1
Ms. Pong Scarlett Oi Lan, BBS, J.P.	4/4	4/4	1/1	1/1
Mr. Yeung Chi Hang	4/4	4/4	1/1	1/1

Note:

1. AGM for 2019 was held on 18 June 2019.

N/A: not applicable

Access to Information

The Directors may seek independent professional advice in appropriate circumstance, at the Company's expense. The Company will, upon request, provide separate independent professional advice to Directors to assist them to discharge their duties to the Company.

The Board or Board committee is supplied with relevant information by the Company's senior management pertaining to matters to be brought before the Board or Board committee for decision as well as reports relating to the operational and financial performance of the Group before the Board or Board committee meeting. All such information supplied is complete and reliable. In the event that a Director does not rely purely on information provided voluntarily by the Company's senior management, such Director has the right to separately and independently access to the Company's senior management to make further enquiries where necessary.

Directors are entitled to have access to Board papers and related materials in a form and quality sufficient to enable the Board to make informed decisions on matters placed before it. A prompt and full response to a Director's enquiries is given if possible.

Appointments and re-election of Directors

All Non-executive Directors (including Independent Non-executive Directors) are appointed for a specific term of three (3) years, subject to re-election.

Pursuant to the Articles of Association, all newly appointed Directors (including Non-executive Directors) shall hold office only until the next following AGM after his appointment (in the case of filling a casual vacancy) or until the next following AGM (in the case of an addition to the Board), and shall be eligible for re-election at that meeting.

All Directors, including those appointed for a specific term, are subject to retirement by rotation at least once every three (3) years.

Pursuant to Code Provision A.4.3, any further appointment of an independent non-executive director serving more than nine years should be subject to a separate resolution to be approved by the shareholders of the Company. Notwithstanding that Ms. Pong Scarlett Oi Lan, BBS, J.P. has served as an Independent Non-executive Director of the Company for more than nine years, (i) the Board has assessed and reviewed her annual confirmation of independence under Rule 5.09 of the GEM Listing Rules and affirmed that Ms. Pong Scarlett Oi Lan, BBS, J.P. remains independent; (ii) the remuneration and nomination committee of the Company has assessed and is satisfied with the independence of Ms. Pong Scarlett Oi Lan, BBS, J.P.; and (iii) the Board considers that Ms. Pong Scarlett Oi Lan, BBS, J.P. remains independent of management and free of any relationship which could materially interfere with the exercise of her independent judgement. Despite the length of service of Ms. Pong Scarlett Oi Lan, BBS, J.P., the Company believes that she will continue to make her independent judgements in all related matters for the benefit of the Company and the shareholders as a whole.

Independent Non-executive Directors

During the year ended 31 December 2019, the Board all the time met the requirements of the GEM Listing Rules of having at least three (3) Independent Non-executive Directors, and the number of which representing at least one-third of the Board, with at least one (1) of them possessing appropriate professional qualifications or related financial management expertise as required under Rule 5.05(2) of the GEM Listing Rules. The views of the Independent Non-executive Directors carry weight in the Board's decisions, and their participation helps the Board exercise independent judgment, make decisions and act objectively in the interests of the Company and the Shareholders as a whole.

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

During the year under review, the Chairman met once with the Independent Non-executive Directors without the presence of other Directors.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has the overall responsibility for establishing and maintaining appropriate and effective risk management and internal control systems. The Board assesses the effectiveness of the risk management and internal control systems through the ongoing reviews performed by the Audit Committee, the Company's senior management, the Company's internal audit department (the "Internal Audit Department") and external auditor. Taking into account the views of the Audit Committee, the Internal Audit Department formulates audit plan periodically and agrees the same with the Audit Committee and then reports its findings and recommendations to the Audit Committee which, in turn, reports to the Board on the effectiveness of the risk management and internal control systems. The audit plan covers the key financial, operational and compliance controls of the major business units on a rotation basis. The scope of and time budgeted for an audit assignment normally depend on the assessed risk level. The Audit Committee meets with the Internal Audit Department and external auditor at least twice a year. During the period under review, the Internal Audit Department reviewed the money lending business in Hong Kong and made a number of recommendations for improvement of control environment.

The risk management and internal control systems aim at safeguarding assets from inappropriate use and ensuring the maintenance of proper accounting records and compliance with the applicable ordinances, rules and regulations. The Board oversees the Company's senior management in the design, implementation and monitoring of the risk management and internal control systems which are designed to provide reasonable but not absolute assurance against misstatement or loss, and to manage risks of failure in the Group's operational systems.

The Internal Audit Department may also conduct ad hoc review in light of the concerns expressed by the Company's senior management or the Audit Committee from time to time, if any.

With the support of the relevant business unit managers, the Board identifies and assesses the key risks, existing or emerging, and formulates strategies and measures to mitigate the relevant risk exposures. A risk register is prepared to facilitate the management of key risks of the Group. For each key risk identified, the risk register records the risk exposure estimation, current risk mitigation measures and further management actions to better control the risks. The Board has reviewed the Group's risk management and internal control systems for the year ended 31 December 2019. The review included considering risk register and the risk management and internal control evaluations conducted by the Audit Committee, the Company's senior management and the internal and external auditors.

PROCEDURE AND INTERNAL CONTROLS FOR THE HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Group acknowledges its responsibilities under the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong and the GEM Listing Rules and the overriding principle that inside information should be announced as soon as reasonably practical when it is the subject of a decision. The procedures and internal controls for handling and dissemination of inside information are as follows:

1. The Group conducts its affairs with close regard to the disclosure requirement under the GEM Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission of Hong Kong in June 2012 and the provisions set forth in the Policy on Disclosure of Inside Information of the Company.

2. The Group has implemented and disclosed its policy on fair disclosure by pursuing broad, non-exclusive distribution of information to the public through channels such as financial reporting, public announcements and the Company's website.

3. The Group has strictly prohibited the unauthorized use of confidential or inside information.

RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Board should present a balanced, clear and understandable assessment in the annual, interim and quarterly reports of the Company and other financial disclosures required under the GEM Listing Rules, and report to regulators as well as information required to be disclosed pursuant to applicable statutory requirements.

The Board has acknowledged its responsibility for the preparation of the consolidated financial statements of the Company for the year ended 31 December 2019. In preparing the financial statements for the year, the Company's senior management provided sufficient explanation and information to the Board for making an informed assessment of financial and other information put before it for approval. In addition, the Board should prepare the financial statements on a going concern basis, with supporting assumptions or qualifications as necessary. The Board was not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement by the external auditor of the Company about its reporting responsibilities in the financial statements of the Group is set out in the independent Auditor's Report from pages 56 to 62 of this annual report.

AUDITOR'S REMUNERATION

The fees paid/payable to the external auditor of the Company for the year ended 31 December 2019 in respect of the audit services and non-audit services provided to the Company and its subsidiaries amounted to HK$660,000 and HK$76,000, respectively.

AUDIT COMMITTEE

The Board has established an Audit Committee with written terms of reference that complies with the CG Code, which has been published on the respective websites of the Stock Exchange and the Company. The Audit Committee currently consists of (i) three Independent Non-executive Directors, namely Mr. Cheng Hong Kei (Chairman of the Audit Committee), Ms. Pong Scarlett Oi Lan, BBS, J.P. and Mr. Yeung Chi Hang; and (ii) a Non-executive Director, namely Mr. Ng Yuk Yeung Paul.

The principal roles and functions of the Audit Committee include but are not limited to:

1. to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;

2. to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;

3. to develop and implement policy on engaging an external auditor to supply non-audit services;

4. to monitor integrity of the Company's financial statements and the annual report and accounts, half-year report and quarterly reports, and to review significant financial reporting judgments contained in them, and the members of the Audit Committee should liaise with the Board and the Company's senior management and the Audit Committee must meet with the Company's external auditor at least twice a year;

5. to review the Company's financial controls, and unless expressly addressed by the Board itself, to review the Company's risk management and internal control systems;

6. to discuss the risk management and internal control systems with the Company's senior management to ensure that the Company's senior management has performed its duty to have effective systems;

7. to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and the response of the Company's senior management to these findings;

8. to ensure co-ordination between the Internal Audit Department and the external auditor, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;

9. to review the Group's financial and accounting policies and practices;

10. to review the external auditor's management letter, any material queries raised by the auditor to the Company about accounting records, financial accounts or control systems and the Company's response;

11. to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; and

12. to review the Company's compliance with the CG Code and disclosures in the Corporate Governance Report.

During the year under review, the Audit Committee met with the Company's senior management and the external auditor twice, where relevant, to review the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters, and performed the following:

1. Reviewed whistleblowing policy and system for employees and parties dealing with the Company to raise complaints, in confidence, to the Audit Committee about improprieties or irregularities relating to the Company and/or the Directors, the Company's senior management, employees or advisers.

2. Reviewed the appointment and remuneration of BDO Limited, the external auditor of the Company and its non-audit services provided to the Group.

3. Reviewed the audit plans, scopes, methods and reporting formats proposed by BDO Limited.

4. Reviewed the internal and external audit reports, and the response of the Company's senior management to the reported findings.

5. Reviewed the quarterly, interim and annual financial statements, reports, and results announcement of the Group for the year under review prior to publication.

6. Reviewed the internal audit reports on risk management and internal control system.

7. Considered the dividend policy of the Company and recommended the same to the Board for adoption.

8. Reviewed the Company's policies and practices on corporate governance.

9. After due deliberation, recommended the appropriate outcomes of the above reviews for the Board's approval.

There were two private sessions between the Audit Committee and the external auditor without the presence of management in the Audit Committee meetings held in 2019.

REMUNERATION AND NOMINATION COMMITTEE

The Board has established the Remuneration and Nomination Committee with written terms of reference that complies with the CG Code, which has been published on the respective websites of the Stock Exchange and the Company. The Remuneration and Nomination Committee currently consists of three (3) Independent Non-executive Directors, namely Ms. Pong Scarlett Oi Lan, BBS, J.P. (chairman of the Remuneration and Nomination Committee), Mr. Cheng Hong Kei and Mr. Yeung Chi Hang.

The principal roles and functions of the Remuneration and Nomination Committee include but are not limited to:

Remuneration function

1. to make recommendations to the Board on the Company's policy and structure for all Directors' and the Company's senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

2. to review and approve the Company senior management's remuneration proposals with reference to the Board's corporate goals and objective;

3. to make recommendations to the Board on the remuneration packages of individual Executive Director and the Company's senior management. This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

4. to make recommendations to the Board on the remuneration of Non-executive Directors;

5. to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;

6. to review and approve compensation payable to Executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and otherwise fair and not excessive;

7. to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;

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

Nomination function

9. to review the structure, size and diversity of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

10. 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;

11. to assess the independence of the Independent Non-executive Directors;

12. to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the chief executive; and

13. to monitor the implementation of the Board Diversity Policy, review the Board Diversity Policy, as appropriate and make relevant recommendations to the Board for consideration and approval.

During the year under review, the Remuneration and Nomination Committee had performed the following:

1. Made recommendations to the Board on the remuneration packages of individual Executive Directors.

2. Reviewed the remuneration of Non-executive Directors (including Independent Non-executive Directors).

3. Reviewed the Group's remuneration policy.

4. Reviewed the structure, size and diversity of the Board.

5. Reviewed the confirmation of independence by the Independent Non-executive Directors.

6. Reviewed the re-election of the retiring Directors at the AGM held on 18 June 2019.

7. After due deliberation, recommended the appropriate outcomes of the above reviews for the Board's approval.

The Remuneration and Nomination Committee reviews the remuneration package annually, taking into consideration market practice, competitive market position and individual performance.

The Remuneration and Nomination Committee has adopted the model described in code provision B.1.2(c)(ii) of the CG Code to make recommendations to the Board on the remuneration packages of Executive Directors and the Company's senior management.

The remuneration of each of the Non-executive Directors and Independent Non-executive Directors is determined by the Board under the recommendation of the Remuneration and Nomination Committee by reference to such Director's duties and responsibilities in the Group, time involvement and the prevailing market conditions.

NOMINATION POLICY

Objectives

The nomination policy (the "Nomination Policy") aims to provide the key selection criteria and principles for the Remuneration and Nomination Committee to identify and evaluate a candidate for recommendation to the Board for selection and appointment of a director of the Company, whether as an additional director or for replacement or otherwise.

Selection Criteria

The Remuneration and Nomination Committee shall consider a number of the factors in assessing the suitability of a proposed candidate to the Board, including but not limited to the following:

1. reputation for integrity;

2. balance of skill, experience, expertise and personal qualities that will be best complement the relevant business sectors of the Company and the overall effectiveness of the Board;

3. capability to devote adequate time for participation in meetings of the Board and all committees as delegated by the Board and attention to the Company's businesses, and commitment to the role;

4. diversity in all aspects, including but not limited to gender, age, cultural, educational and professional background, skills, knowledge and experience;

5. compliance with the criteria of independence as prescribed under Rule 5.09 of the GEM Listing Rules for the appointment of an independent non-executive director; and

6. any other relevant factors as may be determined by the Remuneration and Nomination Committee or the Board from time to time.

Nomination Procedures

1. If the Board determines that an additional or replacement director is required, the Board will notify the Remuneration and Nomination Committee the criteria and deploy various channels (including but not limited to referral from the current directors and shareholders) to source directorship candidates.

2. The Remuneration and Nomination Committee may propose to the Board a candidate recommended or offered for nomination by a shareholder of the Company for election to the Board and the appointment or re-appointment of Directors and succession plan for Directors are subject to the final approval of the Board.

3. On making recommendation, the Remuneration and Nomination Committee may submit the candidate's personal profile and a proposal to the Board for consideration. The proposal must clearly indicate the nominating intention; and the candidate's consent to be nominated and biographical details that are required to be disclosed under the GEM Listing Rules, including the information and/or confirmation required under Rule 17.50(2) of the GEM Listing Rules, subject to any amendments as may be made by the Stock Exchange from time to time.

4. The Board shall observe its Board Diversity Policy and shall, subject to merit and suitability, continue in its endeavours to introduce more diversity into the Board, taking into account professional experience and qualifications, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service and any other factors that the Board might consider relevant and applicable from time to time towards achieving diversity of the Board.

5. Any eligible shareholder of the Company who desires to nominate a person to stand for election as a Director at a general meeting must lodge a written nomination of the candidate together with such person's consent to be nominated and biographical details to the attention of the Board within the lodgment period as more particularly set out in the circular to the shareholders of the Company.

6. Where a retiring Director, being eligible, offers himself for re-election, the Board shall consider and, if consider appropriate, recommend such retiring Director to stand for re-election at a general meeting. A circular containing the requisite information on such retiring Director will be sent to shareholders prior to a general meeting in accordance with the GEM Listing Rules.

Monitoring and Review and Amendment of the Nomination Policy

1. The Remuneration and Nomination Committee will from time to time review the Nomination Policy and monitor its implementation to ensure its effectiveness and compliance with regulatory requirements and good corporate governance practice.

2. The Nomination Policy has been approved by the Board. Any subsequent amendment of the Nomination Policy shall be reviewed by the Remuneration and Nomination Committee and approved by the Board.

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

Every newly appointed Director should receive a formal, comprehensive and tailored induction on appointment for ensuring that he has a proper understanding of the business and operations of the Group and that he is fully aware of his duties and responsibilities as a Director under applicable statute and common law, the GEM Listing Rules, legal and other regulatory requirements as well as the Company's business and governance policies.

All Directors are provided with regular updates on the performance and financial position of the Group to enable the Board as a whole and each Director to discharge their duties. In addition, updates on the latest developments regarding the GEM Listing Rules and other applicable regulatory requirements are provided to each Director to ensure compliance and enhance his awareness of good corporate governance practices.

All Directors should participate in continuous professional development to develop and refresh their knowledge and skills for ensuring that their contribution to the Board remains informed and relevant. According to the training records maintained by the Company, the types of trainings received by the Directors during the year ended 31 December 2019 are summarized as follows:

Name of Directors	Type of Trainings Attending seminars/ E-training/ conferences and/ or similar events	Reading materials and updates
Executive Directors		
Mr. Ng Hung Sang (*Chairman*)	✓	✓
Ms. Cheung Choi Ngor	✓	✓
Mr. Richard Howard Gorges	✓	✓
Ms. Ng Yuk Mui Jessica (*Executive Vice Chairman*)	✓	✓
Non-executive Director		
Mr. Ng Yuk Yeung Paul	✓	✓
Independent Non-executive Directors		
Mr. Cheng Hong Kei	✓	✓
Ms. Pong Scarlett Oi Lan, BBS, J.P.	✓	✓
Mr. Yeung Chi Hang	✓	✓

COMPANY SECRETARY

Mr. Watt Ka Po James ("Mr. Watt") has been appointed as the company secretary of the Company (the "Company Secretary") pursuant to Rule 5.14 of the GEM Listing Rules.

The Board has acknowledged that a company secretary plays a key role in advising the Company on corporate governance and other regulatory compliance matters. For discharging the aforesaid matters effectively and professionally, the Company Secretary must keep up-to-date with regulatory and legal developments relevant to the Company by means of continuous training and professional development. In addition, the Company Secretary has been regarded as a crucial conduit of communications between the Board and the senior management; the Company and the Shareholders; and the Company and the regulators.

Mr. Watt has complied with Rule 5.15 of the GEM Listing Rules by taking no less than 15 hours of relevant professional training during the year under review.

COMMUNICATION WITH SHAREHOLDERS

The Company uses general meeting, annual report, interim report, quarterly report, announcement, circular and its website as communication tools to keep the Shareholders informed of the matters of significance and latest development of the Group.

Shareholders are provided with contact details of the Company to enable them to make enquiries with respect to the Company's affairs. Shareholders can also send their enquiries to the Company through these channels or contact Union Registrars Limited, the branch share registrar of the Company, in case of enquiries about shareholdings.

AGM is one of the channels on which the Directors meet with the Shareholders whose views can be addressed to the Board directly. At the AGM, separate resolution will be proposed by the chairman in respect of each substantially separate issue, and voting on each resolution will be conducted by poll. The chairman of the AGM ensures that an explanation is provided of the detailed procedures for conducting voting by poll and answers any questions from the Shareholders. The notice of AGM is distributed to the Shareholders at least 20 clear business days prior to the AGM. The accompanying circular sets out the details of each proposed resolution and other relevant information as required under the GEM Listing Rules. Voting results are posted on the websites of the Stock Exchange and the Company respectively on the day of the AGM.

Executive Directors, members of the Audit Committee and the Remuneration and Nomination Committee and the external auditor will be available to attend the AGM to answer questions from the Shareholders and to gain and develop a balanced understanding of the views of from the Shareholders.

The Company has adopted a dividend policy, details of which are disclosed in the section headed "Dividend Policy" in the Directors' Report of this annual report.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to Convene an Extraordinary General Meeting

Extraordinary General Meeting ("EGM") should be convened upon the requisition of any two or more the Shareholders holding, at the date of deposit of the requisition, an aggregate of not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Company Secretary for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition. The EGM shall be held within three (3) months after the deposit of such requisition. If within twenty-one (21) days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them may convene such meeting, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board should be reimbursed to the requisitionist(s) by the Company.

Procedures for Shareholders to send enquiries to the Board

The Shareholders may send their enquiries, in written form, to the Board by addressing them to the Company Secretary at the Company's principal place of business in Hong Kong at 28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong.

Procedures for putting forward proposals at a shareholders' meeting

There is no provision allowing the Shareholders to make proposals or move resolutions at the AGMs under the Articles of Association or the laws of the Cayman Islands. The Shareholders who wish to make proposals or move a resolution may, however, convene an EGM in accordance with the "Procedures for Shareholders to Convene an Extraordinary General Meeting" set out above.

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2019, there was no change in the Company's constitutional documents. The Articles of Associations of the Company are available on the websites of the Stock Exchange and the Company.

INVESTOR RELATIONS

The Company keeps on promoting good investor relations and enhancing communication with the Shareholders and potential investors of the Company. The website of the Company contains the latest data and information of the Group so that the Shareholders, the investors and the public can get the information about the Company in a timely manner. The Company's website address is www.scassets.com.

Environmental, Social and Governance Report

The Group hereby presents this Environmental, Social and Governance ("ESG") report for the year ended 31 December 2019 in accordance with requirements set out in Appendix 20 (Environmental, Social and Governance Reporting Guide) ("ESG Guide") of the GEM Listing Rules.

During the year under review, the Group continued to focus on four (4) key areas — (1) Environment; (2) Employment and Labour Practices; (3) Operation Practices; and (4) Community Investment, and to strive to balance the impacts of environmental protection and social responsibility in the Group's strategic plans for the purpose of driving sustainable value for the Group's stakeholders and the communities in which the operations of the Group are located. There were no significant changes in the Group's businesses, operation location and share capital structure during the year under review. This ESG Report was approved by the board of directors of the Company (the "Board").

Risk management is crucial for maintaining the Group's stable daily operation and quick response to the changing environment. With the support of the relevant business unit managers, the Board identifies and assesses the key risks, and formulates strategies and measures to mitigate such relevant risk exposures. A risk register is prepared to facilitate the management of key risks of the Group, including those relating to ESG, which will be reviewed by the Board or any committee delegated by the Board as part of the risk management and internal control process.

The material aspects under the four (4) key areas — 1. Environment; 2. Employment and Labour Practices; 3. Operation Practices; and 4. Community Investment are set out as follows:

1. ENVIRONMENT

1.1 Emission:

Environmental protection plays a crucial role for a corporation's sustainability. It is the strategy of the Group to keep reducing the environmental impact from its operations, and to promote environmental protection within the Group, its marketplace and the communities in which the Group's operations are located. Notwithstanding the nature of business of the Group does not consume much energy and cause severe air and water pollution, the Group keeps minimizing the environmental impacts from its operations by means of:

(a) Control of emission of greenhouse gases ("GHG")

The Group has encouraged staff to (a) use environmentally-friendly public transportation, e.g. MTR for local travelling; (b) use video/audio conferences for business meetings for reducing the frequency of business travel by air so as to reduce direct and indirect emissions of GHG; and (c) use electronic messages, especially internal communications, for the purpose of reduction of paper consumption which in turn will be helpful for reduction of indirect emission of GHG.

Paper consumption is another main source of indirect GHG emissions. The Group has continuously implemented such guides as "Energy Efficiency of Lightings, Air Conditioning and Office Machines Services Guide" and "Recycle Paper and Toner Cartridge Services Guide" to manage the efficient use of resources in the Group's daily operations. In addition, the Group has implemented administrative measure to reduce paper consumption, e.g. e-leave system (application and approval of leave), e-pay slip (salary payment notification), e-internal communications, e-reports, printing on duplex mode, paperless storage and regular waster paper collection for recycling etc. In addition, the Group has encouraged its customers to use e-statements. For giving greater efforts in reduction of GHG emissions, the Group has arranged an independent recycling paper collector to collect used papers from the offices of the Group at regular intervals.

Emission summary:

Indicators	**2019**	2018	*Note*
Total GHG emissions (tonnes)	**19.35**	48.8	
Direct emissions (tonnes)[1]:	**0**	0	
Indirect emissions (tonnes):			
— Electricity	**18.86**	21.4	
— Business travel[2]	**0.24**	26.3	#
— Paper consumption	**0.40**	1.1	
GHG emissions avoided by recycling of used papers (tonnes)	**0.09**	0.25	

1 No company vehicle so no direct emission of GHG
2 It is based on the International Civil Aviation Organization Carbon Emissions Calculator.

Note:

Business travel decreased by approximately 99% was mainly due to the change of meeting mode by video/audio conference.

(b) Control of production of hazardous and non-hazardous wastes:

In view of the nature of the Group's operations, it did not generate any hazardous wastes. Areas are designated in the offices of the Group for disposal of electronic equipment. The Group will arrange an independent third party collector to collect all scrapped electronic equipment for proper treatment. The Group is operating in several leased office premises of which the respective building management is responsible for both water consumption and discharge. The management fee of each of the leased premises paid to the respective building management includes charges for water supply and discharge. The Group had only about 11 employees during the year under review, water consumption volume was only about 0 m^3.

Waste summary:

Indicators	**2019**	2018	*Note*
Electronic equipment (pieces)	**0**	0	#

Note:

No electronic equipment was disposed of during the period under review

1.2 Use of Resources:

(a) Fuel (unleaded petrol) consumption and electricity consumption is respectively the main source of direct and indirect energy consumption. Both fuel and electricity consumptions are the main sources of GHG emissions. The Group issued an e-notice of "Save Our World and Build our Green Office" to all employees for promoting awareness of saving of water, energy and paper at work. In addition, an office of the Group has been using LED energy saving light tubes during the year under review. The results achieved by such improvements are reflected in the energy consumption summary below:

Energy consumption summary:

Indicators	**2019**	2018
Total energy consumption (KWh)	**29,872**	33,916
Direct energy consumption (unleaded petrol) (KWh)[1]:	**0**	0
Indirect emissions (electricity) (KWh):	**29,872**	33,916
Expenses on energy consumption (HK$'000):	**15.94**	41.4

1 No company vehicle so no consumption of unleaded petrol.

(b) The Group is committed to conserving clean water. "Save Water" labels are placed in such water consumption areas as pantries and lavatories to remind employees not to waste water. As mentioned above, the Group is operating in several leased office premises of which the respective building management is responsible for both water consumption and discharge. The management fee of each of the leased premises paid to the respective building management includes charges for water supply and discharge.

(c) During the year under review, the Group mainly engaged in various regulated activities, e.g. dealings in securities, advising on securities; money lending; and asset management. Therefore, the Group did not involve packaging materials.

1.3 Environmental and Natural Resources:

Environmental protection is a continuous process, including management of energy and water consumption, and waste production. During the year under review, such environmental protection measures as using energy saving fluorescent tubes and LED light tubes in office areas; and a notice of "Environmental Initiative and Cost Saving" to all staff to keep office area temperature at 25°C was issued, which would be monitored and reviewed regularly pursuant to the environmental and legal requirements.

In 2019, the Company certified as "Hong Kong Green Organization" from the Environmental Campaign Committee, the Environmental Protection Department.

2. EMPLOYMENT AND LABOUR PRACTICES

2.1 Employment:

"People Oriented" is the Group's persistent notion. In conformity with the principle of harmonious sustainable development, the Group continuously invests its available resources in providing a supportive, comfortable and healthy workplace for employees, and in fostering a caring community in the working environment.

The Group recognizes that attracting competent talents is important for its sustainable growth, so it is committed to providing fair and competitive remuneration package in form of salary and fringe benefits, e.g. personal and life insurance, paid leave and education sponsorship etc. apart from those mandatory employment-related benefits. It is the policy that salary of employees will be reviewed on an annual basis in December, and the eligible employees will be subject to performance appraisal evaluation to be carried out by the respective department heads and then endorsed by such employees, and all such evaluations are subject to the final approval by the relevant executive director or to whom that the director delegates. The Group Human Resources Department will provide a guideline of salary range of each category in light of the current market rate to each department head for reference for ensuring that the salary for each category of the Group remains competitive. In addition, the Group is committed to compliance with the code provisions set out in Appendix 15 of the GEM Listing Rules, regarding of remuneration of directors and senior management.

In order to provide a framework and guidance for ensuring (a) fairness in recruitment; (b) maximization of diversity of applicants; and (c) high caliber candidates are attracted and selected by taking into account of equal opportunities, anti-discrimination, non-harassment and prohibition of child and forced labour, such policies as "Recruitment Policy", "Equal Opportunities and Anti-Discrimination Policy" and "Code of Conduct" have been in force.

For (a) providing basic understanding of the Group's background, organization structures and business objectives; (b) safeguarding the agreed employment terms and conditions, e.g. working hours, probation period, rest periods, termination of employment, other fringe benefits; and (c) adherence to the relevant policies, systems and procedures etc., an orientation training will be provided for all newcomers by the Group Human Resources Department, and the Staff Handbook and the aforesaid policies are available in the Group's intranet folder (paperless for upholding of environmental protection) for reference at any time by the employees.

The Group explicitly opposes any discrimination on the grounds of age, gender, marital status, pregnancy, family status, race, nationality, religion and disability, and from time to time observes the provisions of such relevant laws as Employment Ordinance, Cap. 57, Employees' Compensation Ordinance, Cap. 282, Sex Discrimination Ordinance, Cap. 480, Disability Discrimination Ordinance, Cap. 487 and Race Discrimination Ordinance, Cap. 602 in Hong Kong.

The Group had 11 employees as at 31 December 2019. Indicators of employment type of each gender, employees' age group of each gender, geographical region of employment of each gender and turnover rate of each gender during the years of 2019 and 2018 are as follows:

(a) Employment type and gender:

Number of employees:	**2019**		2018	
	Male	**Female**	Male	Female
Management and Department Head	**2**	**0**	2	0
Managerial	**1**	**1**	1	0
Supervisory	**1**	**0**	4	1
General Staff	**4**	**2**	6	1

(b) Employees' age group and gender:

Number of employees:	**2019**		2018	
	Male	**Female**	Male	Female
18–below 30	**0**	**0**	1	0
30–below 50	**5**	**2**	8	1
50 and over	**3**	**1**	4	1

(c) Geographical region and gender:

Number of employees:	**2019**		2018	
	Male	**Female**	Male	Female
Hong Kong	**5**	**0**	8	1
PRC	**3**	**3**	5	1

(d) Turnover rate:

2019: The average turnover rate for the year of 2019 was about 5.75%

2018: The average turnover rate for the year of 2018 was about 2.1%

2.2 Health and Safety:

The Group is committed to providing employees a safety and healthy working environment by reference to such occupational safety and health publications issued by Occupational Safety and Health Council as Office Lighting, Design of Office Station, Office Stretching Exercises, Work Stress, Work Postures, Correct Use of Display Screen Equipment and OSH Guides for Computer Workstation.

All office premises of the Group are well-equipped with typical safety facilities, e.g. first-aid boxes, fire exits, fire extinguishers, fire detectors and sprinklers and emergency lights. In addition, employees are encouraged to participate to annual fire drill for emergency evacuation organized by the building management.

The Group Human Resources Department oversees the occupational health and safety matters. All occupational health and safety-related accidents must be reported to the Group Human Resources Department which will report all serious injuries and occupational diseases to the Board or any committee delegated by the Board as and when necessary. Staff has been notified that any potential or suspected occupational health and safety-related issues may be notified to the Group Human Resources Department by means of email to the designated email address. The Group Human Resources Department will carry out investigation and remedial actions as and when necessary.

During the year under review, the Group did not have any work-related fatalities. Number of reportable injuries, reportable occupational diseases and lost days due to work-related injury and occupational diseases are as follows:

Number of cases and lost days:	**2019**	2018
Number of reportable injuries[1]	**0**	0
Number of reportable occupational diseases[2]	**0**	0
Number of lost days due to reportable injuries	**0**	0
Number of lost days due to reportable occupational diseases	**0**	0

1 Any work-related injury resulting in incapacity, which is required to notify the Commissioner for Labour pursuant to the Employees' Compensation Ordinance in Hong Kong.

2 Any occupational disease resulting in incapacity, which is required to notify the Commissioner for Labour pursuant to the Employees' Compensation Ordinance.

Due to the impact of the outbreak of novel coronavirus in Hong Kong, the Company launched a business continuity plan for a month effective early of February 2020, under which about 50% employees were arranged to work from home on alternate basis for the purpose of reducing the risk of infection amongst employees. For enhancing the sanitary of working environment for employees, the following measures are continuing in force until the coronavirus situation tapers off:

(i) Public areas and common areas of office are clean and disinfected in a frequent manner during office hours;

(ii) Employees are required to have a 14-day quarantine period by working from home if any infection happens in the same building of their respective residence;

(iii) Hand sanitizers are provided at the office entrances for all employees;

(iv) Employees are required to have a 14-day quarantine period upon return to Hong Kong from such countries as Japan, South Korea, Singapore, France and Iran before the effective date of compulsory 14-day quarantine order applied to such countries and then to all overseas countries; and

(v) Employees are all required to put on face masks in office, and face masks will be provided upon request.

2.3 Development and Training:

For sustainable development of the Group and its employees, Employees Training and Development Policy continued in force during the year under review.

For compliance with the continuous professional training ("CPT") requirements for both corporations and persons carrying on regulated activities set out by the Securities and Futures Commission ("SFC"), the Group is committed to evaluate its training programs annually and to make commensurate adjustments, if necessary, to cater for the training needs of the relevant employees. For ensuring each license representative of the Group remains "fit and proper" at all times, each licence representative of the Group completed at least 5 CPT hours during the year under review for each regulated activity that the employee engaged.

For compliance with Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance, Cap. 615 and the Guideline on Anti-Money Laundering and Counter-Terrorist Financing ("AML Guideline") issued by the SFC, the Group provided appropriate Anti-Money Laundering and Counter-Terrorists Financing training to the relevant employees, including but not limited to introduction to the background to money laundering and terrorist financing ("AML/CTF") and the importance placed on AML/CTF by the Group to all new staff during the year under review.

Performance appraisal evaluation is an interactive exercise between an employee and his/her department head, which involves appraising an employee's past performance and identifying the employee's areas for improvement and enhancement for fulfillment of the agreed objectives. The Group encourages and supports employees to improve and enhance their knowledge and skills that are attributable to achievement of the agreed objectives by granting study and examination leave.

Number of employees trained by employment type and gender during the years of 2019 and 2018 are as follows:

Number of employees:	**2019**		2018	
	Male	**Female**	Male	Female
Management and Department Head	**4**	**1**	2	0
Managerial	**0**	**1**	1	0
Supervisory	**1**	**0**	3	1
General Staff	**1**	**0**	2	0

Average training hours completed per employee by employment type and gender during the years of 2019 and 2018 are as follows:

Number of training hours per employee:	**2019**		2018	
	Male	**Female**	Male	Female
Management and Department Head	**3.5**	**1**	9	0
Managerial	**0**	**0.5**	20	0
Supervisory	**6.75**	**0**	4	13
General Staff	**0.4**	**0**	4	0

2.4 Labour Standards:

The Group strictly complies with the Employment Ordinance in respect of employment in Hong Kong. As per the Recruitment Policy, employment of child and forced labour is strictly prohibited. In addition, all such illegal means as retention of identity cards or passports, intimidation, coercion and undue pressure are strictly prohibited. It is the policy that all employees are aged 18 and above. It is a standard procedure in screening stag that all interviewees are required to present their identity cards for inspection for ascertaining their identities, ages and validity of employment status. No employment offer will be made to any candidates whose ages are below 18. In the event that any irregularities in ages, identities and/or validities of employment status is subsequently found, employment with all such concerned candidates will be immediately terminated, and the Group will report such incident to the relevant authorities as soon as possible.

No child labour was hired or subsequently found in both 2019 and 2018.

3. OPERATION PRACTICES

3.1 Supply Chain Management:

In consideration of the Group's provision of various regulated activities as mentioned in paragraph 1.2(c) above, supply chain management is not applicable.

3.2 Product Responsibility:

The Group is committed to maintain quality of its regulated activities by compliance with such prevailing guidelines and codes issued by the SFC as "Code of Conduct for Persons Licensed by or Registered with the SFC", "Corporate Finance Adviser Code of Conduct", AML Guidelines, "Fit and Proper Guidelines", "Guidelines on Competence", "Licensing Handbook" and "Guidelines on Continuous Professional Training".

To safeguard and maintain the Group's quality of services in provision of regulated activities, the Group's Compliance Department is responsible for handling all complaints (all other non-regulated service complaints, especially corruption or malpractice in nature, are handled by the Group's Internal Audit Department as more detailed set forth in paragraph 3.3 hereinbelow). Complainants may raise their complaints by means of email, facsimile, letter and telephone. The Group's Compliance Department is responsible for collection of all basic information of the complainant, including names and contact details, and the matter of complaint, and then notify the relevant department head on a strict confidential basis for investigation after basic review and evaluation. The outcome of evaluation (if no investigation is required) or of investigation will notify the complainant on a strict confidential basis.

Engagement of regulated activities is not subject to any recall for safety and health reasons, and the Group has not received any complaint about its regulated activities during the year under review.

The Group respects privacy rights of its stakeholders, and a privacy policy statement is published on its website (www.scassets.com). All personal data collected, processed, used, disclosed and retained are subject to the Personal Data Privacy Policy which is prepared by reference to Personal Data (Privacy) Ordinance, Cap. 486. Personal Information Collection Statement (PICS) will be provided for all candidates pertaining to employment, which sets out the purposes of personal data collection, disclosure, retention and storage. In addition, the Group is obliged to safeguard the personal data of its stakeholders and to use such data for specific purpose, e.g. verifying identity and checking creditability for provision of goods and services.

3.3 Anti-corruption:

The Group is committed to conducting its business activities legally and ethically, and zero-tolerance on any form of corruption or malpractice, such as bribery, money laundering, extortion or fraud. Anti-bribery Policy, Anti-Fraud Policy, Compliance Manual and AML Manual, are the main tools for safeguarding against corruption and malpractice. In addition, Code of Conduct stipulates no bribes, kickbacks or advantages solicited from or given to any person for any purposes, the way of handling gifts and other benefits valued at more than HK$500, and no violation of any applicable laws and ethical standards. The Internal Audit Department is responsible for reviewing and auditing the business activities.

During the year under review, there were no confirmed incidents in relation to corruption.

In addition, the Group encourages its stakeholders to report its employees' misconduct by reference to its Whistleblowing Policy and Procedures which are set out on the corporate website (www.scassets.com). Any complainant may raise his/her complaints against inappropriate and unlawful behavior or malpractice of any Group's employees (including its contractors and consultants) on confidential base, directly to the Group Internal Audit Department, without the fear of incrimination. The Group Internal Audit Department will review and evaluate the complaints, and then determine the mode of investigation. If the alleged misconduct, malpractice or irregularity is confirmed, a report prepared by the Group Internal Audit Department will then be circulated to the relevant department head and the Group Human Resources Department for the purpose of consideration and determination of any remedial and disciplinary actions to be taken. A summary of complaints received, results of such complaints and the actions taken will be made available to the Board on an annual basis.

4. COMMUNITY INVESTMENT

As a responsible corporate citizen, the Group uses its expertise and resources to support the communities in which it operates in such manner as helping people in need and organizing charitable events and donating funds raised by such events to local charities etc.

During the year under review, the Group (i) supported a number of charitable organizations including but not limited to YWCA; (ii) participated into "Jessica Run" organized by the Group's fellow subsidiary for raising funds for the disadvantaged; and (iii) "Food Distribution" for providing food to the disadvantaged who were in need of food aid. In addition, the Group encourages staff to participate organ donation organized by Department for Health.

The Group is a supporter for developing a healthy and green community, so it will not only continuously dedicate its efforts to protect the environment by controlling emissions of GHG, consumption of energy and water and waste production etc. but also participates in different events to contribute positivity to the communities in which it operates.

Independent Auditor's Report

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TO THE MEMBERS OF SOUTH CHINA ASSETS HOLDINGS LIMITED
南華資產控股有限公司
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of South China Assets Holdings Limited (the "Company") and its subsidiaries (herein referred to as the "Group") set out on pages 63 to 160, which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated income statement, the consolidated statement of 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 2019, 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.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, 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.

KEY AUDIT MATTERS *(Continued)*

Assessment of net realisable value of properties under development

Refer to notes 3.14, 4(a)(iii) and 21 to the consolidated financial statements.

The carrying value of the Group's properties under development was approximately HK$112,503,000 as at 31 December 2019. The valuation of properties under development is based on the lower of cost and net realisable value. The determination of the estimated net realisable value is mainly dependent upon the Group's estimation of future market developments, future selling prices and construction costs to complete the projects.

OUR RESPONSE:

Our procedures in relation to the management's assessment of the net realisable value of properties under development included:

- Reviewing the calculations of the properties under development's net realisable value and assessing the reasonableness and consistency of the assumptions used by management;
- Verifying management's assumptions around the possibilities for future property development are consistent with underlying documents which include the plans and decisions of government bodies;
- Testing the appropriateness of the management's assumptions concerning the development of sales prices to comparable sites; and
- Assessing the reasonableness of the estimated future costs based on underlying documents.

Assessment of fair value of redeemable convertible preference shares ("RCPSs")

Refer to notes 3.12, 4(b)(ii), 18 and 38(g)(ii) to the consolidated financial statements.

As at 31 December 2019, the carrying amount of the Group's financial assets at fair value through other comprehensive income amounted to approximately HK$217,157,000, of which the carrying amount of RCPSs issued by a related company amounted to approximately HK$178,074,000.

The RCPSs in its entirety (including the embedded redemption option) were measured at fair value which were assessed by the management based on valuations performed by an independent valuer engaged by the Group.

We identified the valuation of RCPSs as a key audit matter as it requires management to exercise significant judgment and estimation, and was assessed by us to be a significant risk of material misstatement.

KEY AUDIT MATTERS *(Continued)*

Assessment of fair value of redeemable convertible preference shares ("RCPSs") *(Continued)*

OUR RESPONSE:

Our procedures in relation to management's fair value assessment of RCPSs included:

- Assessing the valuation methodology of fair value calculation on the RCPSs provided by the Group's independent professional valuer;
- Corroborating and reviewing the key assumptions and critical judgements used in the valuation;
- Reconciling the input data of the valuation provided by the Group's independent professional valuer to its supporting evidence; and
- Assessing the scope, expertise and independence of the independent professional valuer appointed by the Group.

Preparation of the consolidated financial statements on a going concern basis

The consolidated financial statements have been prepared on a going concern basis. The Group has accumulated losses after tax (excluding other comprehensive income/loss) in the past consecutive three years ended 31 December 2019 of approximately of HK$41,558,000 in total.

To consider the appropriateness of the going concern basis in preparing the consolidated financial statements, the Group's management has prepared a cash flow forecast of the Group covering over 15 months from 1 January 2020 and concluded that there will be sufficient funds from the Group's existing cash and fund resources, and cash flows to be generated from its operations to finance its future operations to maintain the Group as a going concern in the year ending 31 December 2020. Also the controlling shareholder (the "Shareholder") has undertaken not to demand immediate repayment of the unpaid interest on the shareholder's loans, which have accumulated to approximately HK$118,925,000 as at 31 December 2019, unless the Group has sufficient funds to pay its other creditors in full.

The preparation of the cash flow forecast involved key assumptions such as revenue growth, gross profit margin, planned capital expenditures, and availability of internal and external fund facilities to the Group.

We focused on this going concern assessment as it involves consideration of future events and application of significant judgements and estimates and accordingly, this was an area of audit focus.

KEY AUDIT MATTERS *(Continued)*

Preparation of the consolidated financial statements on a going concern basis *(Continued)*

OUR RESPONSE:

In assessing the appropriateness of the going concern assumption used in preparing the consolidated financial statements, our procedures included, amongst others:

- Assessing the cash flow resources and requirements of the Group over 15 months from 1 January 2020 based on budgets, forecasts and planned expenditure (the "Projections") prepared by the Group's management by challenging the reasonableness of the underlying assumptions;

- Testing the mathematical accuracy of the Projections;

- Understanding the undertaking from the Shareholder in respect of repayment terms of principal and interest for the available existing loans;

- Considering the liquidity of assets on the statement of financial position and understanding any forecast committed expenditure; and

- Evaluating the adequacy of the relevant disclosures made in the consolidated financial statements.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the 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 and will 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 identified above 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 responsibility 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 the terms of our engagement, 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.

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

As part of an audit in accordance with HKSAs, we exercise professional judgment 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.

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

We communicate with those charged with governance 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 those charged with governance 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, related safeguards.

From the matters communicated with those charged with governance, 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

Cheung Wing Yin
Practising Certificate Number P06946

Hong Kong, 18 March 2020

Consolidated Income Statement

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	5	**19,022**	1,121
Cost of sales		**(16,316)**	–
Gross profit		**2,706**	1,121
Other operating income and gains, net	6	**5,730**	18,446
Gain on disposal of financial assets at fair value through other comprehensive income		**3,999**	5,835
Fair value loss on financial assets at fair value through profit or loss		**(775)**	(11,413)
Administrative and other operating expenses		**(15,428)**	(23,578)
Operating loss	8	**(3,768)**	(9,589)
Finance costs	9	**(14,957)**	(21,046)
Loss before income tax		**(18,725)**	(30,635)
Income tax (expense)/credit	10	**(163)**	22,784
Loss for the year attributable to equity holders of the Company		**(18,888)**	(7,851)
Loss per share attributable to equity holders of the Company for the year			
— Basic and diluted	12	**HK(0.17) cent**	HK(0.07)cent

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Loss for the year		**(18,888)**	(7,851)
Other comprehensive income, that will not be reclassified subsequently to profit or loss			
Fair value gain/(loss) on financial assets at fair value through other comprehensive income	18	**20,143**	(114,350)
Other comprehensive income, that may be reclassified subsequently to profit or loss			
Realisation of exchange reserve upon deregistration of a subsidiary		**–**	(3,516)
Exchange differences on translation of financial statements of overseas subsidiaries		**(2,152)**	(13,922)
Other comprehensive profit/(loss) for the year, net of tax		**17,991**	(131,788)
Total comprehensive loss for the year attributable to equity holders of the Company		**(897)**	(139,639)

Consolidated Statement of Financial Position

As at 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	**123**	156
Goodwill	16	**15,883**	16,184
Loans receivable	19	**2,036**	1,048
Deposits paid	23	**5**	89
Financial assets at fair value through other comprehensive income	18	**217,157**	202,519
		235,204	219,996
Current assets			
Loans receivable	19	**3,125**	1,496
Trade receivables	20	**2,293**	–
Properties under development	21	**112,503**	132,362
Financial assets at fair value through profit or loss	22	**17,797**	18,572
Deposits paid, prepayments and other receivables	23	**21,982**	26,923
Tax recoverable		**716**	722
Cash and bank balances	24	**21,917**	177,393
		180,333	357,468
Current liabilities			
Trade payables	25	**1,566**	1,595
Other payables and accrued expenses	26	**125,460**	151,363
Contract liabilities	26	**–**	15,607
Lease liability	17	**42**	–
Interest-bearing bank borrowing	27	**3,000**	4,000
Loan from a related company	28	**3,553**	3,620
Income tax payable		**57**	–
		133,678	176,185
Net current assets		**46,655**	181,283
Total assets less current liabilities		**281,859**	401,279

Consolidated Statement of Financial Position

As at 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current liabilities			
Loans from shareholders	28	**245,500**	364,020
Net assets		**36,359**	37,259
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	29	**111,785**	111,785
Reserves	32	**(75,426)**	(74,526)
Total equity		**36,359**	37,259

On behalf of the Board

Cheung Choi Ngor
Director

Richard Howard Gorges
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Share capital HK$'000	Treasury shares HK$'000	Capital reserve HK$'000	Financial assets revaluation reserve HK$'000	Employee compensation reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total equity HK$'000
At 1 January 2018	111,785	(20,191)	6,044	(63,047)	22,417	15,935	102,524	175,467
Transactions with owners								
Recognition of equity settled share-based compensation	–	–	–	–	1,431	–	–	1,431
Transactions with owners	–	–	–	–	1,431	–	–	1,431
Transfer between reserves								
Release of reserve upon disposal of financial assets at fair value through other comprehensive income	–	–	–	8,542	–	–	(8,542)	–
Transfer between reserves	–	–	–	8,542	–	–	(8,542)	–
Comprehensive income								
Loss for the year	–	–	–	–	–	–	(7,851)	(7,851)
Other comprehensive income								
Change in fair value of financial assets at fair value through other comprehensive income (note 18)	–	–	–	(114,350)	–	–	–	(114,350)
Realisation of exchange reserve upon deregistration of a subsidiary	–	–	–	–	–	(3,516)	–	(3,516)
Exchange realignment	–	–	–	–	–	(13,922)	–	(13,922)
Total comprehensive loss for the year	–	–	–	(114,350)	–	(17,438)	(7,851)	(139,639)
At 31 December 2018	111,785	(20,191)	6,044	(168,855)	23,848	(1,503)	86,131	37,259

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Share capital HK$'000	Treasury shares HK$'000	Capital reserve HK$'000	Financial assets revaluation reserve HK$'000	Employee compensation reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total equity HK$'000
Balance at 31 December 2018 as originally presented	111,785	(20,191)	6,044	(168,855)	23,848	(1,503)	86,131	37,259
Change in accounting policy								
Adoption of HKFRS 16 (note 2(a)A(i))	–	–	–	–	–	–	(3)	(3)
Restated balance at 1 January 2019	111,785	(20,191)	6,044	(168,855)	23,848	(1,503)	86,128	37,256
Transfer between reserves								
Release of reserve upon disposal of financial assets at fair value through other comprehensive income	–	–	–	5,779	–	–	(5,779)	–
Transfer between reserves	–	–	–	5,779	–	–	(5,779)	–
Comprehensive income								
Loss for the year	–	–	–	–	–	–	(18,888)	(18,888)
Other comprehensive income								
Change in fair value of financial assets at fair value through other comprehensive income (note 18)	–	–	–	20,143	–	–	–	20,143
Exchange realignment	–	–	–	–	–	(2,152)	–	(2,152)
Total comprehensive loss for the year	–	–	–	20,143	–	(2,152)	(18,888)	(897)
At 31 December 2019	111,785	(20,191)	6,044	(142,933)	23,848	(3,655)	61,461	36,359

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Cash flows from operating activities			
Loss before income tax		**(18,725)**	(30,635)
Adjustments for:			
Interest and other income		**(694)**	(1,964)
Depreciation of property, plant and equipment	8	**154**	229
Gain on disposal of financial assets at fair value through other comprehensive income		**(3,999)**	(5,835)
Written off of property, plant and equipment	8	**1**	74
Impairment loss on properties under development	8	**4,000**	–
Fair value loss on financial assets at fair value through profit or loss		**775**	11,413
(Recovery)/Impairment of loans receivable, net	8	**(398)**	11
Equity settled share-based payment expenses	13	**–**	1,431
Gain on deregistration of a subsidiary	6	**–**	(13,690)
Interest expenses	9	**14,957**	21,046
Operating loss before working capital changes		**(3,929)**	(17,920)
Decrease/(Increase) in properties under development		**13,924**	(8,301)
(Increase)/Decrease in loans receivable		**(2,219)**	517
Increase in trade receivables		**(2,328)**	–
Decrease in deposits paid, prepayments and other receivables		**4,910**	122,898
Increase/(Decrease) in other payables and accrued expenses		**2,413**	(15,196)
(Decrease)/Increase in contract liabilities		**(15,550)**	16,461
Cash (used in)/generated from operations		**(2,779)**	98,459
Income tax paid		**–**	–
Net cash (used in)/generated from operating activities		**(2,779)**	98,459

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Cash flows from investing activities			
Interest received	6	**692**	1,964
Proceeds from redemption of redeemable convertible preference shares		**9,504**	15,826
Net cash generated from investing activities		**10,196**	17,790
Cash flows from financing activities			
Repayment of interest-bearing bank borrowing		**(1,000)**	–
Repayment to shareholders		**(118,520)**	(101,270)
Payment of lease liability		**(81)**	–
Loan from a related company		**–**	3,541
Interest paid		**(43,242)**	(31,503)
Net cash used in financing activities		**(162,843)**	(129,232)
Net decrease in cash and cash equivalents		**(155,426)**	(12,983)
Cash and bank balances at 1 January		**177,393**	190,577
Effect of foreign exchange rate changes		**(50)**	(201)
Cash and bank balances at 31 December		**21,917**	177,393
Analysis of balances of cash and cash equivalents			
— Cash and bank balances	24	**21,917**	177,393

1. GENERAL INFORMATION

South China Assets Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2001 Second Revision) of the Cayman Islands. The address of its registered office is P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands and its principal place of business is 28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong. The Company's shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 41 to the consolidated financial statements. The Company and its subsidiaries are together defined to as the "Group" hereafter.

The consolidated financial statements on pages 63 to 160 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements also include the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules").

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") unless otherwise stated.

The consolidated financial statements for the year ended 31 December 2019 were approved and authorised for issue by the board of directors on 18 March 2020.

2. ADOPTION OF HKFRSs

(a) Adoption of new or revised HKFRSs — effective 1 January 2019

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3, Business Combinations
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 12, Income Taxes
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 23, Borrowing Costs

2. ADOPTION OF HKFRSs *(Continued)*

(a) Adoption of new or revised HKFRSs — effective 1 January 2019 *(Continued)*

A. HKFRS 16 — LEASES

(i) *Impact of the adoption of HKFRS 16*

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases ("HKAS 17"), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

From a lessee's perspective, almost all leases are recognised in the statement of financial position as a right-of-use asset and a lease liability, with the narrow exception to this principle being for leases which the underlying assets are of low-value or are determined as short-term leases.

From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17.

The Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

2. ADOPTION OF HKFRSs *(Continued)*

(a) Adoption of new or revised HKFRSs — effective 1 January 2019 *(Continued)*

A. HKFRS 16 — LEASES *(Continued)*

(i) *Impact of the adoption of HKFRS 16 (Continued)*

The following tables summarised the impact of transition to HKFRS 16 on consolidated statement of financial position as of 31 December 2018 to that of 1 January 2019 as follows (increase/(decrease)):

	HK$'000
Consolidated statement of financial position as at 1 January 2019	
Right-of-use asset presented in property, plant and equipment	242
Lease liability (non-current)	84
Lease liability (current)	161
Retained earnings	(3)

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 at the end of 31 December 2018 could be reconciled to the lease liability at the date of initial application recognised in the consolidated statement of financial position as at 1 January 2019:

	HK$'000
Reconciliation of operating lease commitment to lease liability	
Operating lease commitment as at 31 December 2018	255
Less: future interest expenses	(10)
Total lease liability as at 1 January 2019	245

The weighted average lessee's incremental borrowing rate applied to lease liability recognised in the consolidated statement of financial position as at 1 January 2019 is 5%.

2. ADOPTION OF HKFRSs *(Continued)*

(a) Adoption of new or revised HKFRSs — effective 1 January 2019 *(Continued)*

A. HKFRS 16 — LEASES *(Continued)*

(ii) *The new definition of a lease*

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Group has elected not to separate non-lease components and account for all each lease component and any associated non-lease components as a single lease component for all leases.

(iii) *Accounting as a lessee*

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under HKFRS 16, 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 HKFRS 16 provides accounting policy choices 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 (the Group has leased mobile phones, laptop computers and photocopying machines) 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.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

2. ADOPTION OF HKFRSs *(Continued)*

(a) Adoption of new or revised HKFRSs — effective 1 January 2019 *(Continued)*

A. HKFRS 16 — LEASES *(Continued)*

(iii) *Accounting as a lessee (Continued)*

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, unless those costs are incurred to produce inventories. Except for right-of-use asset that meets the definition of an investment property or a class of property, plant and equipment to which the Group applies the revaluation model, the Group measures the right-of-use asset 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 did not hold any leasehold land and buildings for rental or capital appreciation purpose or for own use. The adoption of HKFRS 16 therefore does not have any significant impact on these right-of-use assets. The Group has leased a number of properties under tenancy agreements which the Group exercises it judgement and determines that it is a separate class of asset. As a result, a right-of-use asset arising from a property under tenancy agreement is carried at depreciated cost.

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be 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 shall use 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.

2. ADOPTION OF HKFRSs *(Continued)*

(a) Adoption of new or revised HKFRSs — effective 1 January 2019 *(Continued)*

A. HKFRS 16 — LEASES *(Continued)*

(iii) *Accounting as a lessee (Continued)*

Lease liability (Continued)

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

(iv) *Accounting as a lessor*

As the accounting under HKFRS 16 for a lessor is substantially unchanged from the requirements under HKAS 17, the adoption of HKFRS 16 does not have significant impact on these financial statements.

(v) *Transition*

As mentioned above, the Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application 1 January 2019. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liability at the date of 1 January 2019 for leases previously classified as operating lease applying HKAS 17 and measured the lease liability at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 January 2019.

The Group has elected to recognise a right-of-use asset at 1 January 2019 for leases previously classified operating lease under HKAS 17 as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application. For this right-of-use asset, the Group has applied HKAS 36 Impairment of Assets at 1 January 2019 to assess if there was any impairment as on that date.

2. ADOPTION OF HKFRSs *(Continued)*

(a) Adoption of new or revised HKFRSs — effective 1 January 2019 *(Continued)*

A. HKFRS 16 — LEASES *(Continued)*

(v) *Transition (Continued)*

The Group has also applied the follow practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 January 2019) and accounted for those leases as short-term leases; (iii) exclude the initial direct costs from the measurement of the right-of-use asset at 1 January 2019 and (iv) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int4.

B. HK(IFRIC)-INT23 — UNCERTAINTY OVER INCOME TAX TREATMENTS

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes. Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Under the new interpretation, the Group has to determine unused tax losses, unused tax credits and tax rate consistent with the tax treatment used for or planned to be used in its income tax filling.

The adoption of this interpretation has no material impact on these financial statements as all the times the Group has been using the same basis for the tax treatment used in its income tax filling and income tax provision under HKAS 12 and there was no material difference between tax provision in the Group's financial statements and final tax assessment issued by tax authorities.

2. ADOPTION OF HKFRSs *(Continued)*

(a) Adoption of new or revised HKFRSs — effective 1 January 2019 *(Continued)*

C. AMENDMENTS TO HKFRS 9 — PREPAYMENT FEATURES WITH NEGATIVE COMPENSATION

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met — instead of at fair value through profit or loss.

The adoption of this amendments has no material impact on these financial statements as there was no prepayable financial assets with negative compensation held by the Group as at 31 December 2019.

D. ANNUAL IMPROVEMENTS TO HKFRSS 2015–2018 CYCLE — AMENDMENTS TO HKFRS 3, BUSINESS COMBINATIONS

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

There was no significant impact on the Group's financial statements during the year ended 31 December 2019.

E. ANNUAL IMPROVEMENTS TO HKFRSS 2015–2017 CYCLE — AMENDMENTS TO HKAS 12 — INCOME TAXES

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

There was no significant impact on the Group's financial statements during the year ended 31 December 2019 as there was no dividend payment arising from financial instruments classified as equity.

2. ADOPTION OF HKFRSs *(Continued)*

(a) Adoption of new or revised HKFRSs — effective 1 January 2019 *(Continued)*

F. ANNUAL IMPROVEMENTS TO HKFRSS 2015–2017 CYCLE — AMENDMENTS TO HKAS 23 — BORROWING COSTS

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

The adoption of this amendments has no material impact on these financial statements as there was no borrowing made specifically to obtain a qualifying asset as at 31 December 2019.

(b) New or revised HKFRSs that have been issued but are not yet effective

The following new or revised 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 Group's current intention is to apply these changes on the date they become effective.

Amendments to HKFRS 3	Definition of a business[1]
Amendments to HKAS 1 and HKAS 8	Definition of material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2020

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

3 The amendments were originally intended to be effective for periods beginning on or after 1 January 2018. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

2. ADOPTION OF HKFRSs *(Continued)*

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

AMENDMENTS TO HKFRS 3 — DEFINITION OF A BUSINESS

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process".

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions.

An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

AMENDMENTS TO HKAS 1 AND HKAS 8 — DEFINITION OF MATERIAL

The amendments clarify the definition and explanation of "material", aligning the definition across all HKFRS Standards and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

AMENDMENTS TO HKFRS 9, HKAS 39 AND HKFRS 7 — INTEREST RATE BENCHMARK REFORM

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

HKFRS 17 — INSURANCE CONTRACTS

HKFRS 17 will replace HKFRS 4 as a single principle-based standard for the recognition, measurement, presentation and disclosure of insurance contracts in the financial statements of the issuers of those contracts.

2. ADOPTION OF HKFRSs *(Continued)*

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

AMENDMENTS TO HKFRS 10 AND HKAS 28 — SALE OR CONTRIBUTION OF ASSETS BETWEEN AN INVESTOR AND ITS ASSOCIATE OR JOINT VENTURE

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

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

The consolidated financial statements have been prepared on the historical cost basis except for financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income which are measured at fair values as explained in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of consolidated 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 consolidated financial statements, are disclosed in note 4.

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

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 profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure non-controlling interest that represents a present ownership interest in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

SUBSIDIARIES

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, interests 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rending of services and the use by others of the Group's assets yielding interests and dividends, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

(i) SALES OF PROPERTIES

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

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

3.3 Revenue recognition *(Continued)*

(ii) INTEREST INCOME

— Interest income from loans receivable is recognised on a time-proportion basis using the effective interest method by applying the rate discounting the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of financial assets.

— Bank interest income is recognised on a time-proportion basis using the effective interest method.

(iii) ADVISORY SERVICE

Revenue from the provision of investment advisory services is recognised over time when all the relevant duties of an investment manager as stated in the contract are completed.

3.4 Contract liabilities

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such case, a corresponding receivable would also be recognised.

3.5 Foreign currency translation

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 reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions 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 rates prevailing on the date when the fair value was determined and the exchange gain or loss so arising 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.

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

3.5 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 rates 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 separated in the exchange reserve in equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 have been treated as assets and liabilities of the foreign operation and translated into HK$ at the closing rates. Goodwill arising on the acquisitions of foreign operations before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of a foreign operation, the cumulative exchange differences recognised in the exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

3.6 Borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

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

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

3.7 Goodwill

Goodwill represents the excess of the consideration transferred and the amount recognised for non-controlling interests over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. The consideration transferred is measured at the aggregate of fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually (note 3.10).

Any excess of the Group's interest in net fair value of acquirer's identifiable assets, liabilities and contingent liabilities over the consideration transferred is recognised immediately in profit or loss.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal.

3.8 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the management 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 management are determined following the Group's major product and service lines.

The Group has identified two reportable and operating segments:

(a) "Financial services" segment which is engaged in provision of investment advisory and asset management services and money lending business; and

(b) "Property development" segment which is engaged in property development business in the People's Republic of China (the "PRC").

Each of these operating segments is managed separately as each of the product and service line requires different resources as well as marketing approaches. All inter-segment transfers, if any, are carried out at arm's length prices.

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

3.9 Property, plant and equipment

Property, plant and equipment are stated at acquisition cost less accumulated depreciation and impairment losses (note 3.10). The cost of an asset comprises its purchase price and the costs directly attributable to the acquisition of items.

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. The carrying amount of the replaced part is derecognised. All other costs, such as repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Depreciation on property, plant and equipment is provided using the straight-line method to write off the cost less their residual values over their estimated useful lives, as follows:

Leasehold improvement	3 years or over the lease term, whichever is shorter
Furniture and office equipment	4 to 5 years
Motor vehicles	5 years

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period.

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

3.10 Impairment of non-financial assets

Goodwill, property, plant and equipment and interests in subsidiaries are subject to impairment testing.

Goodwill is tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, 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 assessment of time value of money and the risk specific to the asset.

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

3.10 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, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash generating unit). As a result, some assets are tested individually for impairment and some are tested at cash generating unit level. Goodwill in particular is allocated to those cash generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

Impairment losses recognised for cash generating units, 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 cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods including impairment losses recognised in an interim period. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.11A Leases (accounting policies applied from 1 January 2019)

THE GROUP AS LESSEE

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.

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

3.11A Leases (accounting policies applied from 1 January 2019) *(Continued)*

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, unless those costs are incurred to produce inventories. Except for right-of-use asset that meets the definition of an investment property or a class of property, plant and equipment to which the Group applies the revaluation model, the Group measures the right-of-use asset applying a cost model. Under the cost model, the Group measures the right-to-use asset at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

Leasehold interests in land represent up-front payments to acquire the land use rights. Certain leasehold interests in land are included in properties under development (note 3.14).

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.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

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

3.11B Leases (accounting policies applied until 31 December 2018)

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

OPERATING LEASE CHARGES AS THE LESSEE

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases. Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss on a straight-line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made, over the term of lease. Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

Leasehold interests in land represent up-front payments to acquire the land use rights. Certain leasehold interests in land are included in properties under development (note 3.14).

3.12 Financial Instruments

(i) FINANCIAL ASSETS

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

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

3.12 Financial Instruments *(Continued)*

(i) FINANCIAL ASSETS *(Continued)*

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

Fair value through other comprehensive income ("FVOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

FVTPL: Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

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

3.12 Financial Instruments *(Continued)*

(i) FINANCIAL ASSETS *(Continued)*

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at FVOCI are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses except for foreign exchange gain and losses are recognised in other comprehensive income until the financial asset is derecognised or reclassified, and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

(ii) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at banks and on hand.

(iii) IMPAIRMENT LOSS ON FINANCIAL ASSETS

The Group recognises loss allowances for expected credit losses ("ECLs") on financial assets measured at amortised cost. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The ECLs are based on the 12 months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

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

3.12 Financial Instruments *(Continued)*

(iii) IMPAIRMENT LOSS ON FINANCIAL ASSETS *(Continued)*

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

As at 31 December 2019, the provision for impairment losses is determined as follows:

— Receivables that are subject to provision for impairment losses on the individual basis

If expected credit risk assessment indicates that the Group will not be able to collect the amount under the original terms, a provision for impairment of that receivable is made. Basis for determining provision of bad debts on individual basis is based on the amount of the present value of the future cash flows expected to be derived from the receivable below its carrying amount.

— Receivables that are subject to provision for impairment losses on the grouping basis

The Group classifies receivables into several groupings in accordance with credit risk characteristics and measures ECL on the basis of groupings. The Group refers to the historical credit loss experience, combined with the current situation and the forecast of future economic conditions, based on default risk exposure and the expected credit loss rate for the next twelve months or entire lifetime, to calculates the expected credit loss.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

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

3.12 Financial Instruments *(Continued)*

(iv) FINANCIAL LIABILITIES

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at FVTPL are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at FVTPL, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at FVTPL if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise, except for the gains and losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

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

3.12 Financial Instruments *(Continued)*

(iv) FINANCIAL LIABILITIES *(Continued)*

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, accrued expenses, bank borrowing, loans from a related company and shareholders, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(v) EFFECTIVE INTEREST METHOD

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(vi) SHARE CAPITAL AND SHARE PREMIUM

Ordinary shares issued by the Company are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Share premium includes any premiums received on the issuance of share over the par value. Any transaction costs associated with the issuing of shares are deducted from the share premium (net of any related income tax benefit) to the extent that they are incremental costs directly attributable to the equity transaction.

(vii) DERECOGNITION

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

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

3.12 Financial Instruments *(Continued)*

(vii) DERECOGNITION *(Continued)*

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

3.13 Accounting for income tax

Income tax comprises current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

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

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

Current tax assets and current tax liabilities are presented net if, and only if,

(a) the Group has the 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)*

3.13 Accounting for income tax *(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.

3.14 Properties under development

Properties held under development for future sale in the ordinary course of business are included in current assets and comprise certain land held as held under operating lease (notes 3.11A and 3.11B), capitalised depreciation of certain property, plant and equipment (note 3.9), borrowing costs capitalised (note 3.6) and aggregate cost of development, materials and constructions, wages, other direct expenses and an appropriate portion of overheads.

Properties under development are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated selling expenses.

On completion, the properties are transferred to properties held for sale.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

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

3.15 Pension obligations and employee benefits

DEFINED CONTRIBUTION PLAN

Pensions to employees are provided through a defined contribution plan.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution.

The contributions recognised in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognised if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. 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 assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of its payroll costs to the central pension scheme. The Scheme is responsible for the entire pension obligations payable to the retired employees and the obligation of the Group under these plans is limited to the fixed percentage contribution payable. Contributions under the Scheme are recognised as an expense in profit or loss as employees rendered services during the year.

Short-term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

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)*

3.16 Share-based employee compensation

SHARE OPTION SCHEME

The Group operates equity settled share-based compensation plan for remuneration of its employees.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

Upon exercise of share options, the amount previously recognised in employee compensation reserve and the proceeds received net of any directly attributable transaction costs up to the nominal value of the share issued are reallocated to share capital with any excess being recorded as share premium. When the share options are lapsed, forfeited or still not exercised at the expiry date, the amount previously recognised in employee compensation reserve will be transferred to retained profits.

SHARE AWARD SCHEME

The Group operates a share award plan which allows it to issue equity-settled share-based payments to selected employees.

For the award granted to the employees, the fair value of the employee services received in exchange for the grant of the share award is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the share awards granted. At each reporting date, the Group revises its estimates of the number of share awards that are expected to vest. It recognises the impact of the revision of original estimates, if any, in profit or loss, with a corresponding adjustment to equity. The share award plan also allows the Group to issue other shares to selected employees, the fair value of the awards granted and measured as the Group's liability at the end of each reporting period, taking into account the terms and conditions on which the other shares are awarded.

All share-based compensation is recognised as an expense in profit or loss unless if qualifies for recognition as asset. If vesting periods or other vesting conditions apply, the expense is recognised over the vest period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of share options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than originally vested.

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

3.17 Provisions and contingent liabilities

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

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. They are initially measured at fair value at the date of acquisition and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisation, if appropriate.

3.18 Related parties

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

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

(ii) has significant influence over the Group; or

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

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

3.18 Related parties *(Continued)*

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

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group 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 the employees of 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 key management personnel of the entity (or of a parent of the entity); or

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

Close members of the family 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:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

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

The Group makes estimates and assumptions concerning the future. Such estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Critical judgements in applying accounting policies

(i) GOING CONCERN CONSIDERATION

The assessment of the going concern assumption involves making judgement by the directors of the Company at a particular point of time, about the future outcome of events or conditions which are uncertain. The Group's management has prepared a cash flow forecast of the Group covering over 15 months from 1 January 2020 to 31 March 2021 and concluded that there will be sufficient funds from the Group's existing cash and fund resources, and cash flows to be generated from its operations to finance its future operations to maintain the Group as a going concern in the year ending 31 December 2020. Also the controlling shareholder (the "Shareholder") has undertaken not to demand immediate repayment of the unpaid interest on the shareholder's loans, which have accumulated to approximately HK$118,925,000 as at 31 December 2019, unless the Group has sufficient funds to pay its other creditors in full. Accordingly, the directors of the Company consider that the Group and the Company have the capability to continue as a going concern.

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

(a) Critical judgements in applying accounting policies *(Continued)*

(ii) ESTIMATED IMPAIRMENT OF GOODWILL

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 3.10. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of estimates about future cash flows and discount rates. In the process of estimating expected future cash flows management makes assumptions about future revenues and profits. These assumptions relate to future events and circumstances. The actual results may vary and may cause a material adjustment to the carrying amount of goodwill within the next financial year. Determining the appropriate discount rate involves estimating the appropriate adjustment for market risk and for asset specific risk factors.

(iii) PROVISION OF WRITE-DOWN OF PROPERTIES UNDER DEVELOPMENT

Management of the Group reviews the estimation of net realisable value of the properties under development at the end of each reporting period, and makes provision for impairment loss, if any. These estimates are based on the management's monitoring of the development progress, and the market conditions which may affect the future cost and the sales price. It could change as a result of changes in market conditions or internal factors of the Group. Such changes will have impact on the net realisable value of the properties under development and the provision for impairment in the period, and therefore the Group need to reassesses theses estimates at the end of each report period.

(iv) IMPAIRMENT OF TRADE AND OTHER RECEIVABLES

The Group's management assesses the collectability of trade and other receivables on a regular basis to determine if any provision for impairment is necessary. This estimate based on, where appropriate, the evaluation of an ageing analysis of the receivables and on the management's judgement. If the financial condition of the Group's debtors were to deteriorate, resulting in an impairment of their ability to make payments, provision for impairment may be required. Management reassesses the provision for impairment at the reporting dates. The carrying amounts of trade and other receivables are disclosed in notes 20 and 23.

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

(b) Key sources of estimation uncertainty

In addition to information disclosed elsewhere in these consolidated financial statements, other key sources of estimation uncertainty that have a significant risk of resulting a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

(i) LAND APPRECIATION TAX ("LAT")

LAT is levied on the appreciation of land value, being the proceeds from the sales of properties less deductible expenditure including land costs, borrowing costs and all property development expenditure.

The company engaging in property development business in the PRC are subject to LAT, which have been included in the tax expenses. However, the implementation of these taxes varies amongst various PRC cities and the Group has not finalised its LAT returns with various tax authorities. Accordingly, significant judgement is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognises these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact on the tax expense and provisions for LAT in the period in which such determination is made.

(ii) FAIR VALUE MEASUREMENT

A number of assets and liabilities included in the Group's consolidated financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial assets and financial liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

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

— Level 2: observable direct and indirect inputs other than quoted prices included within Level 1; and

— Level 3: unobservable inputs are inputs for which market data are not available.

The classification of an item into the different levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfer of items between levels is recognised in the period they occur.

The Group measures a number of items at fair value:

— Financial assets at fair value through other comprehensive income (note 18)

— Financial assets at fair value through profit or loss (note 22)

For more detailed information in relation to the fair value measurement of the items above, please refer to the applicable notes.

5. REVENUE

Revenue represents income from the principal activities of the Group, which consisted of property development, money lending business and other financial advisory service.

	2019 HK$'000	2018 HK$'000
Revenue from contracts with customers		
— Sale of properties	17,284	–
— Rendering of services	622	–
	17,906	–
Revenue from other sources		
— Interest income from loans receivable	1,116	1,121
	19,022	1,121

(i) Disaggregation of revenue from contracts with customers

	2019		2018	
	Financial services HK$'000	Property development HK$'000	Financial services HK$'000	Property development HK$'000
Geographical markets:				
— PRC	–	17,284	–	–
— Hong Kong	622	–	–	–
	622	17,284	–	–
Timing of revenue recognition:				
— Goods transferred at a point in time	–	17,284	–	–
— Services transferred over time	622	–	–	–
	622	17,284	–	–
Sales of properties by types				
— Residential units	–	13,279	–	–
— Storerooms	–	2,251	–	–
— Shops	–	1,754	–	–
	–	17,284	–	–

5. REVENUE *(Continued)*

(ii) Performance obligations

SALE OF PROPERTIES

The performance obligation is satisfied upon control of a property is transferred to the customer and the typical payment term is payment on billing schedule as established in the contracts.

ADVISORY SERVICES

The performance obligation is satisfied over time as service is rendered and payment is generally due upon customer acceptance, except for new customer, where payment in advance is normally required.

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

	2019 HK$'000	2018 HK$'000
Trade receivables (note 20)	2,293	–
Contract liabilities (note 26)	–	15,607

6. OTHER OPERATING INCOME AND GAINS, NET

	2019 HK$'000	2018 HK$'000
Bank interest income	692	1,964
Gain on deregistration of a subsidiary (note)	–	13,690
Recovery of loans receivable, net	398	–
Exchange gain, net	4,628	–
Other income, net	–	2,748
Sundry income	12	44
	5,730	18,446

Note:

Pursuant to an approval of deregistration issued by a PRC local authority, one of the Group's wholly owned subsidiaries, 瀋陽南華鴻泰房地產開發有限公司 ("南華鴻泰") was deregistered during the year ended 31 December 2018. With reference to the legal opinion of the Group's PRC legal advisor, the Group's management considered that the obligation of the Group in relation to the liabilities of 南華鴻泰 was fully discharged following the deregistration. Accordingly, the Group has recorded a gain on deregistration of 南華鴻泰 of approximately HK$13,690,000 during the year ended 31 December 2018.

7. SEGMENT INFORMATION

The management have identified the Group's two business segments as reportable segments as further described in note 3.8.

These segments are monitored and strategic decisions are made on the basis of adjusted segment operating result.

For the year ended 31 December 2019

	Financial services HK$'000	Property development HK$'000	Consolidated HK$'000
Segment revenue:			
Revenue from external customers	1,738	17,284	19,022
Other operating income and gains, net	410	6	416
	2,148	17,290	19,438
Segment results	(210)	(3,954)	(4,164)
Unallocated corporate income			5,314
Unallocated corporate expenses			(8,310)
Fair value loss on financial assets at fair value through profit or loss			(775)
Gain on disposal of financial assets at fair value through other comprehensive income			3,999
Unallocated finance costs			(14,789)
Loss before income tax			(18,725)
Income tax expense			(163)
Loss for the year			(18,888)

	Financial services HK$'000	Property development HK$'000	Unallocated HK$'000	Consolidated HK$'000
Other segment information				
Depreciation of property, plant and equipment	(89)	–	(65)	(154)
Recovery on loans receivable, net	398	–	–	398

7. SEGMENT INFORMATION *(Continued)*

As at 31 December 2019

	Financial services HK$'000	Property development HK$'000	Consolidated HK$'000
Segment assets	25,760	129,552	155,312
Financial assets at fair value through other comprehensive income			217,157
Financial assets at fair value through profit or loss			17,797
Other corporate assets			25,271
Total assets			415,537
Segment liabilities	3,252	6,990	10,242
Loans from shareholders			245,500
Other corporate liabilities *			123,436
Total liabilities			379,178

* Including accrued shareholders' loans interest.

7. SEGMENT INFORMATION *(Continued)*

For the year ended 31 December 2018

	Financial services HK$'000	Property development HK$'000	Consolidated HK$'000
Segment revenue:			
Revenue from external customers	1,121	–	1,121
Other operating income, net	2	16,800	16,802
	1,123	16,800	17,923
Segment results	(4,932)	16,144	11,212
Unallocated corporate income			1,644
Unallocated corporate expenses			(17,009)
Fair value loss on financial assets at fair value through profit or loss			(11,413)
Gain on disposal of financial assets at fair value through other comprehensive income			5,835
Unallocated finance costs			(20,904)
Loss before income tax			(30,635)
Income tax credit			22,784
Loss for the year			(7,851)

	Financial services HK$'000	Property development HK$'000	Unallocated HK$'000	Consolidated HK$'000
Other segment information				
Depreciation of property, plant and equipment	(45)	(112)	(94)	(251)
Impairment on loans receivable, net	(11)	–	–	(11)

7. SEGMENT INFORMATION *(Continued)*

As at 31 December 2018

	Financial services HK$'000	Property development HK$'000	Consolidated HK$'000
Segment assets	23,313	134,031	157,344
Financial assets at fair value through other comprehensive income			202,519
Financial assets at fair value through profit or loss			18,572
Other corporate assets			199,029
Total assets			577,464
Segment liabilities	5,202	22,583	27,785
Loans from shareholders			364,020
Other corporate liabilities *			148,400
Total liabilities			540,205

* Including accrued shareholders' loans interest.

7. SEGMENT INFORMATION *(Continued)*

The Group's non-current assets (other than financial instruments) by geographical areas are presented as follows:

	Specified non-current assets	
	2019	2018
	HK$'000	HK$'000
Hong Kong	**15,991**	16,408
PRC	**20**	21
	16,011	16,429

The Group's revenue and other operating income and gains by geographical areas are presented as followings:

Revenue by geographical areas

	2019	2018
	HK$'000	HK$'000
Hong Kong	**1,738**	1,121
PRC	**17,284**	–
	19,022	1,121

Other operating income and gains by geographical areas

	2019	2018
	HK$'000	HK$'000
Hong Kong	**5,724**	1,646
PRC	**6**	16,800
	5,730	18,446

The geographical locations of revenue allocated are based on the locations at which the properties were sold and services were provided. The geographical locations of non-current assets are based on the physical location of the assets.

None of the customers of the Group contributed more than 10% of the Group's revenue for the years ended 31 December 2019 and 2018.

8. OPERATING LOSS

	2019 HK$'000	2018 HK$'000
Operating loss is arrived at after charging/(crediting):		
Costs of properties included in cost of sales	**15,103**	–
Auditor's remuneration		
— Audit services	**660**	640
— Non-audit services	**76**	–
	736	640
Exchange (gain)/loss, net	**(4,628)**	7,387
Depreciation on property, plant and equipment (note 15)	**154**	251
Less: Depreciation capitalised in properties under development	**–**	(22)
Depreciation charged to administrative expenses	**154**	229
Written off of property, plant and equipment (note 15)	**1**	74
Impairment loss on properties under development, charged to other operating expenses	**4,000**	–
(Recovery)/Impairment of loans receivable, net	**(398)**	11
Employee benefit expense (including directors' emoluments)	**5,451**	9,957
Less: Employee benefit expense capitalised in properties under development (note 13)	**(388)**	(422)
Employee benefit expense (including directors' emoluments) charged to administrative expenses (note 13)	**5,063**	9,535
Operating leases rentals	**65**	2,185

9. FINANCE COSTS

	2019	2018
	HK$'000	HK$'000
Interest charged on bank borrowing	**164**	142
Interest charged on loan from a related company	**423**	192
Interest charged on loans from shareholders	**14,366**	20,712
Interest charged on lease liability	**4**	–
Total interest expenses	**14,957**	21,046

No interests were capitalised during the years ended 31 December 2018 and 2019. There was no general borrowing pool to expenditures on qualifying assets incurred.

10. INCOME TAX (EXPENSE)/CREDIT

	2019	2018
	HK$'000	HK$'000
Current tax in PRC		
Enterprise Income Tax ("EIT"):		
Over provision in respect of prior years	**–**	22,784
LAT	**(163)**	–
	(163)	22,784

No provision for Hong Kong profits tax was made as the Group had no estimated assessable profits arising in or derived from Hong Kong for the years ended 31 December 2019 and 2018.

The Group's subsidiaries in the PRC are subject to the PRC EIT at the standard rate of 25% on the estimated assessable profits. No provision for EIT has been made as the subsidiaries operated in the PRC had no assessable profits for the years ended 31 December 2019 and 2018. The income tax credit provided for the year ended 31 December 2018 represents reversal of over provision in respect of prior years.

10. INCOME TAX (EXPENSE)/CREDIT *(Continued)*

The provision of LAT for the year ended 31 December 2019 is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided, as appropriate, at ranges of progressive rates from 30% to 60% on the appreciation value, with certain allowable deductions including land costs, borrowing costs and the relevant property development expenditure.

The Group is required to prepay LAT in accordance with the relevant PRC tax rules in respect of pre-sale of property development projects. During the year ended 31 December 2019, prepaid LAT of approximately HK$105,000 (2018: HK$105,000) relating to pre-sale of properties (formerly recorded as other receivables) has been presented as deduction against the tax payables of a respective subsidiary in the consolidated statement of financial position.

Reconciliation between income tax expense/(credit) and accounting loss at applicable tax rates:

	2019	2018
	HK$'000	HK$'000
Loss before income tax	**(18,725)**	(30,635)
Tax at the applicable tax rates, calculated at the rates applicable to the tax jurisdiction concerned	**(3,416)**	(4,997)
Tax effect of non-deductible expenses	**4,407**	6,988
Tax effect of non-taxable income	**(920)**	(4,455)
Utilisation of tax losses previously not recognised	**(113)**	–
Tax effect of tax losses not recognised	**73**	2,456
Tax effect of temporary difference not recognised	**10**	8
Over provision in respect of prior years (note)	**–**	(22,784)
Provision of LAT	**163**	–
Tax effect on LAT	**(41)**	–
Income tax expense/(credit)	**163**	(22,784)

Note:

With reference to 稅務事項通知書 issued by the PRC tax authority and the legal opinion of the Group's PRC legal advisor, the directors of the Company are on the view that after the deregistration of 南華鴻泰 (note 6), the tax provision of 南華鴻泰 provided in prior years, amounting to approximately HK$22,784,000 was fully discharged. Accordingly, the Group has recorded income tax credit of approximately HK$22,784,000 during the year ended 31 December 2018.

As at 31 December 2019, the Group has estimated unused tax losses of approximately HK$132,031,000 (2018: HK$134,697,000) which were available for offset against future profits. No deferred tax asset has been recognised in respect of the estimated tax losses due to the unpredictability of future profit streams. The amount of estimated tax losses that have no expiry date is approximately HK$131,349,000 (2018: HK$131,609,000) and the remaining tax losses of approximately HK$682,000 (2018: HK$3,088,000) are subject to expiry period of five years.

10. INCOME TAX (EXPENSE)/CREDIT *(Continued)*

Withholding tax was calculated at 5% of the dividend declared in respect of profits earned by PRC entities to a Hong Kong investor. No deferred taxation for the years ended 31 December 2019 and 2018 had been provided in the consolidated financial statements in respect of the withholding tax that would be payable on distribution of the retained profits since these PRC subsidiaries generated loss and no retained profits as at 31 December 2019 and 2018.

11. DIVIDEND

No dividend was paid or proposed during the years ended 31 December 2019 and 2018, nor has any dividend been proposed since the end of reporting periods.

12. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss per share attributable to equity holders of the Company is based on the following data:

	2019 **HK$'000**	2018 HK$'000
Loss for the year attributable to equity holders of the Company, used in the basic loss per share calculation	**(18,888)**	(7,851)

	2019	2018
Weighted average number of ordinary shares in issue during the year	**11,178,498,344**	11,178,498,344
Less: Weighted average number of shares held for share award scheme	**(169,163,118)**	(169,163,118)
Weighted average number of ordinary shares used in the basic loss per share calculation	**11,009,335,226**	11,009,335,226

Diluted loss per share for the years ended 31 December 2019 and 2018 are the same as the basic loss per share.

No share option was granted during the years ended 31 December 2019 and 2018. The Company's share options have no dilution effect for the years ended 31 December 2019 and 2018 because the exercise price of the Company's share options were higher than the average market price of the share for the years.

13. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	2019 HK$'000	2018 HK$'000
Wages and salaries	**5,162**	8,220
Equity settled share-based payment expenses	**–**	1,431
Defined contribution plans	**289**	306
Less: Employee benefit expense capitalised in properties under development (note 8)	**(388)**	(422)
Total employee benefit expense charged to administrative expenses	**5,063**	9,535
Employee benefit expense charged to administrative expenses		
Wages and salaries	**4,862**	7,890
Equity settled share-based payment expenses	**–**	1,431
Defined contribution plans	**201**	214
	5,063	9,535

Included in employee benefit expense is senior management personnel compensation and comprises the following categories:

	2019 HK$'000	2018 HK$'000
Salaries, allowances and benefits in kind	**3,201**	2,505
Equity settled share-based payment expenses	**–**	1,431
Defined contribution plans	**57**	54
	3,258	3,990

14. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

Directors' emoluments for the year, disclosed pursuant to the GEM Listing Rules and Section 383 of the Hong Kong Companies Ordinance (Cap.622) and the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap.622G), is as follows:

	2019	2018
	HK$'000	HK$'000
Fees	**420**	420
Other emoluments:		
Equity settled share-based payment expenses	**–**	1,022
	420	1,442

Certain directors of the Company were granted share options, in respect of their services to the Group, under the share option scheme of the Company, details are set out in note 30(B) to the consolidated financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the measurement is the same as the Group's accounting policy applicable for share-based payment transactions (see note 3.16).

14. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

The emoluments paid or payable to the directors of the Company and the chief executive were as follows:

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Equity settled share-based payment expenses HK$'000	Defined contribution plans HK$'000	Total HK$'000
Year ended 31 December 2019					
Executive directors					
Ng Hung Sang	–	–	–	–	–
Richard Howard Gorges	–	–	–	–	–
Cheung Choi Ngor	–	–	–	–	–
Ng Yuk Mui Jessica	–	–	–	–	–
Non-executive director					
Ng Yuk Yeung Paul	**100**	–	–	–	**100**
Independent non-executive directors					
Pong Scarlett Oi Lan	**120**	–	–	–	**120**
Yeung Chi Hang	**100**	–	–	–	**100**
Cheng Hong Kei	**100**	–	–	–	**100**
	420	–	–	–	**420**
Year ended 31 December 2018					
Executive directors					
Ng Hung Sang	–	–	–	–	–
Richard Howard Gorges	–	–	–	–	–
Cheung Choi Ngor	–	–	409	–	409
Ng Yuk Mui Jessica	–	–	–	–	–
Non-executive director					
Ng Yuk Yeung Paul	100	–	613	–	713
Independent non-executive directors					
Pong Scarlett Oi Lan	120	–	–	–	120
Yeung Chi Hang	100	–	–	–	100
Cheng Hong Kei	100	–	–	–	100
	420	–	1,022	–	1,442

14. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

There was no arrangement under which a director waived or agreed to waive any emoluments during the years ended 31 December 2019 and 2018.

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. The non-executive directors' emoluments shown above were mainly for their services as directors of the Company or its subsidiaries. The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included zero (2018: two) directors whose emoluments was reflected in the analysis presented above. The emoluments payable to the five (2018: three) individuals during the year who were also members of senior management of the Group are as follows:

	2019 **HK$'000**	2018 HK$'000
Salaries, allowances and benefits in kind	**2,645**	2,405
Defined contribution plans	**54**	54
	2,699	2,459

Their emoluments fell within the following bands:

	Number of individuals	
	2019	2018
Emolument bands		
Nil to HK$1,000,000	**5**	2
HK$1,000,001 to HK$1,500,000	**–**	1
	5	3

During the year, no amount was paid by the Group to the director or the five (2018: three) highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement HK$'000	Furniture and office equipment HK$'000	Motor vehicles HK$'000	Right-of-use asset HK$'000	Total HK$'000
At 31 December 2017 and 1 January 2018					
Cost	1,676	3,081	305	–	5,062
Accumulated depreciation	(1,588)	(2,739)	(250)	–	(4,577)
Net book amount	88	342	55	–	485
Year ended 31 December 2018					
Opening net book amount	88	342	55	–	485
Depreciation (note 8)	(20)	(202)	(29)	–	(251)
Write-off (note 8)	–	(56)	(18)	–	(74)
Exchange realignment	–	(3)	(1)	–	(4)
Closing net book amount	68	81	7	–	156
At 31 December 2018					
Cost	1,594	2,350	140	–	4,084
Accumulated depreciation	(1,526)	(2,269)	(133)	–	(3,928)
Net book amount	68	81	7	–	156
Year ended 31 December 2019					
Opening net book amount	**68**	**81**	**7**	**–**	**156**
Initial application of HKFRS 16	**–**	**–**	**–**	**242**	**242**
Depreciation (note 8)	**(20)**	**(53)**	**–**	**(81)**	**(154)**
Effect of modification to lease terms	**–**	**–**	**–**	**(120)**	**(120)**
Write-off (note 8)	**–**	**(1)**	**–**	**–**	**(1)**
Exchange realignment	**–**	**–***	**–***	**–**	**–***
Closing net book amount	**48**	**27**	**7**	**41**	**123**
At 31 December 2019					
Cost	**100**	**2,032**	**140**	**122**	**2,394**
Accumulated depreciation	**(52)**	**(2,005)**	**(133)**	**(81)**	**(2,271)**
Net book amount	**48**	**27**	**7**	**41**	**123**

* : The amounts are lower than HK$1,000.

16. GOODWILL

The net carrying amount of goodwill is analysed as follows:

	2019 HK$'000	2018 HK$'000
At 1 January		
Gross and net carrying amount	16,184	17,068
For the year ended		
Net carrying amount at the beginning of year	16,184	17,068
Exchange realignment	(301)	(884)
Net carrying amount at the end of year	15,883	16,184
At 31 December		
Gross and net carrying amount	15,883	16,184

The carrying amount of goodwill, net of any impairment loss, is allocated to the cash generating unit ("CGU") comprising the property development business of the Group in the PRC.

The recoverable amount for the cash generating units was determined based on the value-in-use ("VIU") calculations, covering a detailed five-year budget plan which represents the business cycle and strategy plan of the Group's property development segment and discount rate of 12% estimated by the management.

The discount rate used is pre-tax rate and reflects specific risks relating to the relevant segment.

Apart from the discount rate, other key assumptions including revenue, construction costs and other direct costs during the forecasted period have been determined, based on the Group's management expectations for the market development after taking into consideration published market forecast and research.

16. GOODWILL *(Continued)*

Sensitivities of key assumptions in calculating VIU

Apart from the considerations described in determining the VIU of the cash generating units above, the Group's management is not currently aware of any other probable changes that would necessitate changes in its key estimates. However, the key estimates are particularly sensitive to the property market development.

The Group's management considered that a reasonably possible change in a single key assumptions on which the recoverable amount is based would not cause the property development CGU's carrying amount to exceed its recoverable amount though taken together a combination of reasonable changes in key assumption could result in a recoverable amount that is lower than the CGU's carrying amount.

VIU from the Group's property development

Input	Key assumptions	Associated risk	Reasonably possible change
Cash flow projections	• Selling price. • Constant construction costs. • Payroll cost.	• Uncertain property development market. • Uncertain regulatory environment.	• Cash flow projections decrease by 3%. This does not result in an impairment.
Discount rate	• Reasonable estimate of required rate of return from shareholders, plus risk premium for the property development.	• The rate used is not appropriate to the business.	• Discount rate increased to 15%. This does not result in an impairment.

17. LEASES

HKFRS 16 was adopted from 1 January 2019 without restatement of comparative figures. For an explanation of the transitional requirements that were applied as at 1 January 2019, see Note 2(a)A. The accounting policies applied subsequent to the date of initial application, 1 January 2019, are disclosed in note 3.11A.

Nature of leasing activities (in the capacity as lessee)

The Group leases a property in Hong Kong. Under the property lease, the periodic rent is fixed over the lease term. The values in the table below reflect the current proportions of lease payments that are fixed.

31 December 2019	**Lease contracts Number**	**Fixed payments HK$'000**	**Variable payments HK$'000**	**Sensitivity HK$'000**
Property lease with fixed payments	1	14 per month	N/A	N/A

The movements in lease liability:

	HK$'000
Balance as at 31 December 2018	–
Adoption of HKFRS 16 (note 2(a)A(i))	245
Balance as at 1 January 2019	245
Effect of modification to lease terms	(122)
Interests charged	4
Lease paid	(85)
Balance as at 31 December 2019	42

17. LEASES *(Continued)*

Future lease payments are due as follows:

	Minimum lease payments 2019 HK$'000	**Interest 2019 HK$'000**	**Present value 2019 HK$'000**
Not later than one year	**43**	**1**	**42**

	Minimum lease payments 2018 (note) HK$'000	Interest 2018 (note) HK$'000	Present value 2018 (note) HK$'000
Not later than one year	170	9	161
Later than one year and not later than two years	85	1	84
	255	10	245

The present value of future lease payments are analysed as:

	2019 HK$'000	2018 (note) HK$'000
Current liability	**42**	161
Non-current liability	**–**	84
	42	245

Note: The Group has initially applied HKFRS 16 using the cumulative effect approach and adjusted the opening balances at 1 January 2019 to recognise lease liability relating to lease which was previously classified as operating lease under HKAS 17. Comparative information as at 31 December 2018 has not been restated. See note 2(a)A(i) to the consolidated financial statements for further details about transition.

	2019 HK$'000
Short term lease expense	**65**

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Group held approximately 378.8 million (2018: 390.7 million) redeemable convertible preference shares ("RCPSs") and 212,405,565 listed ordinary shares (2018: 212,405,565) issued by a related company of which its shares are listed on the Main Board of the Stock Exchange. They represented 100% (2018: 100%) of total issued preference shares of the related company and 2% (2018: 2%) of the total issued ordinary share capital of the related company and were designated as financial assets at fair value through other comprehensive income by the Group. A director/controlling shareholder of the Company has controlling interests in the related company.

The fair values of the RCPSs as at 31 December 2019 and 2018 are determined by the directors of the Company with reference to the valuation carried out at that date by BMI Appraisals Limited, an independent qualified professional valuer not connected to the Group.

The fair value of the listed ordinary shares has been determined by reference to their quoted bid prices at the reporting date in an active market.

The movements of the carrying amounts of the financial assets at fair value through other comprehensive income are as follows:

	Listed ordinary shares (note (a))	**RCPSs**
	HK$'000	HK$'000
Net carrying amount at 1 January 2018	65,846	261,014
Redeemed during the year (note (b))	–	(9,991)
Change in fair value		
— credited to equity	(25,064)	(89,286)
Net carrying amount at 31 December 2018 and 1 January 2019	40,782	161,737
Redeemed during the year (note (b))	–	(5,505)
Change in fair value		
— (debit)/credit to equity	(1,699)	21,842
Net carrying amount at 31 December 2019	39,083	178,074

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME *(Continued)*

Notes:

(a) 212,405,565 listed ordinary shares were received by the Company from bonus issue offered by the related company to its holders of RCPSs.

(b) During the year, the related company redeemed approximately 11.9 million (2018: 19.8 million) RCPSs at HK$0.8 (2018: HK$0.8) per share and the total proceeds from the redeemed RCPSs is HK$9,504,000. Accordingly, a gain on redemption of approximately HK$3,999,000 was recognised which was calculated at the consideration of RCPSs, a fixed redemption price of HK$0.8 per share minus the carrying amount of RCPSs at the redemption date. The accumulated losses of approximately HK$5,779,000 previously recorded under other comprehensive income were transferred to retained earnings.

19. LOANS RECEIVABLE

The Group's loans receivable arose from the money lending business. Loans receivable bear interest determined on case by case basis and have credit periods mutually agreed between the contractual parties.

	2019	2018
	HK$'000	HK$'000
Loans receivable	**13,538**	10,501
Less: provision for impairment loss	**(8,377)**	(7,957)
	5,161	2,544
Less: Non-current portion	**(2,036)**	(1,048)
Current portion	**3,125**	1,496

The loans receivable relate to a diversified portfolio of customers and there is no significant concentration of credit risk.

The loans receivable at the end of the reporting period are analysed by the remaining period to the contractual maturity date, net of provision, as follows:

	2019	2018
	HK$'000	HK$'000
Repayable:		
On demand	**66**	11
Within 3 months	**790**	444
3 months to 1 year	**2,269**	1,041
1 to 5 years	**2,036**	1,048
	5,161	2,544

19. LOANS RECEIVABLE *(Continued)*

Movements in the provision for impairment of loans receivable are as follows:

	2019 HK$'000	2018 HK$'000
At 1 January	7,957	7,265
Impairment losses recognised	420	692
At 31 December	8,377	7,957
Recovery of loans receivable written off in previous years	818	681

Included in the above impairment of loans receivable is a provision for individually impaired loans receivable of approximately HK$8,064,000 (2018: HK$7,862,000) and collectively impaired loans receivable of approximately HK$313,000 (2018: HK$95,000) as at 31 December 2019 with carrying amounts before provision of approximately HK$8,064,000 (2018: HK$7,862,000) and HK$5,474,000 (2018: HK$2,639,000), respectively. The individually impaired loans receivable relate to customers that were in default or delinquency in payments or entered bankruptcy or other financing reorganisation and only a portion of the receivables is expected to be recovered.

The ageing analysis of the loans receivable that are either individually or collectively considered to be impaired is as follows:

	2019 HK$'000	2018 HK$'000
Current (not past due)	5,095	2,533
1–90 days past due	47	11
91–180 days past due	19	–
	5,161	2,544

Loans receivable that were not past due relate to a large number of diversified third party customers for whom there was no significant concentration of credit risk.

As at 31 December 2019 and 2018, the Group does not hold any collateral nor other credit enhancement over these balances in general.

The Group's exposure to credit risk related to loans receivable are disclosed in note 38(c).

20. TRADE RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade receivables	**2,293**	–
Impairment loss recognised	**–**	–
	2,293	–

Ageing analysis of trade receivables based on settlement due date as at the reporting dates is as follows:

	2019 HK$'000	2018 HK$'000
Current to 90 days	**2,288**	–
Over 90 days	**5**	–
	2,293	–

The settlement terms of trade receivables arising from the ordinary course of business are repayable on demand.

21. PROPERTIES UNDER DEVELOPMENT

	2019	2018
	HK$'000	HK$'000
Leasehold interests in land located in the PRC, at cost	**42,967**	45,733
Development costs and other direct attributable expenses capitalised	**69,536**	86,629
	112,503	132,362

	2019	2018
	HK$'000	HK$'000
Balance at beginning of the year	**132,362**	130,308
Additions	**1,180**	8,323
Transferred to cost of sales	**(15,103)**	–
Impairment loss recognised	**(4,000)**	–
Exchange realignment	**(1,936)**	(6,269)
Balance at end of the year	**112,503**	132,362

In September 2018, a PRC wholly-owned subsidiary ("Cangzhou Subsidiary") of the Company received a notice from the land bureau in Cangzhou, Hebei Province, the PRC (the "Cangzhou Land Bureau"), specifying the decision on repossession of a piece of land site owned by Cangzhou Subsidiary, which is located at Huanghua City, Hebei Province, the PRC (the "Relevant Land"). The carrying amount of the Relevant Land under properties under development as at 31 December 2019 is approximately HK$25,248,000 (2018: HK$25,725,000). In October 2018, Cangzhou Subsidiary applied to the land bureau in Hebei Province (the "Hebei Land Bureau") for administrative review on the land repossession decision (the "Administrative Review"). For the purpose of seeking mediation through negotiation with the Cangzhou Land Bureau, Cangzhou Subsidiary applied to the Hebei Land Bureau to temporarily suspend the process of the Administrative Review, and the application was duly accepted by the Hebei Land Bureau in December 2018. As the mediation process had not been finalised as at 31 December 2019, the Administration Review is still valid and its validity would not be adversely affected. The Group's management, with reference to the legal opinion of the Group's PRC legal advisor, are of the view that the legal ownership of Cangzhou Subsidiary in the Relevant Land remained unchanged as at 31 December 2019 and 2018. Accordingly, the Group controls the Relevant Land and has the right to obtain economic benefits from it.

21. PROPERTIES UNDER DEVELOPMENT *(Continued)*

Properties under development are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated selling expenses. During the year, the Group has assessed development status for the Group's property projects in the PRC (the "PRC Projects"), and considered that one of the PRC Projects recorded shortfall upon comparison of its carrying amount with the recoverable amount in the properties under development (the "Shortfall"). As at 31 December 2019, such Shortfall was approximately HK$4,000,000, which in the opinion of the directors of the Company, it was unlikely to be recovered and impaired accordingly.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss represented the equity securities listed in Hong Kong. Fair value of the listed equity securities has been determined by reference to their quoted bid prices at the reporting date in an active market.

23. DEPOSITS PAID, PREPAYMENTS AND OTHER RECEIVABLES

	2019 **HK$'000**	2018 HK$'000
Prepayments	**1,798**	6,053
Other receivables (note (a))	**1,336**	2,245
Deposits paid (note (b))	**18,853**	18,714
	21,987	27,012
Less: Non-current portion	**(5)**	(89)
Current portion	**21,982**	26,923

Notes:

(a) Included in other receivables, approximately HK$40,000 was the amount due from a related company as at 31 December 2019. A director/controlling shareholder of the Company is the director of the parent of the related company. During the year, the maximum outstanding balance due from the related company was approximately HK$628,000. The balance was unsecured, non-interest bearing and repayable on demand.

(b) The balance mainly comprises of refundable deposits paid to the PRC local authorities for PRC property development projects of the Group.

24. CASH AND BANK BALANCES

	Notes	2019 HK$'000	2018 HK$'000
Cash at banks and in hand	(a)	**21,917**	20,707
Short-term bank deposits denominated in RMB	(b)	**–**	153,180
Short-term bank deposits denominated in HK$	(c)	**–**	3,506
	(d)	**21,917**	177,393

Notes:

(a) Cash at banks earns interest at the floating rates based on the daily bank deposit rates.

(b) As at 31 December 2018, short-term bank deposits denominated in RMB, with maturities less than three months, earned interest at fixed bank deposit at rates ranged from 1.25% to 1.65% per annum.

(c) As at 31 December 2018, short-term bank deposits denominated in HK$, with maturities less than three months, earned interest at fixed bank deposit at rates 1.45% per annum.

(d) As at 31 December 2019, the Group had cash and bank balances denominated in Renminbi ("RMB") of approximately HK$2,288,000 (2018: HK$1,716,000) deposited with the banks in the PRC. RMB is not freely convertible into foreign currencies. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

The fair values of cash at banks are not materially different from their carrying amounts because of the short maturity period on their inception.

25. TRADE PAYABLES

The credit terms of trade payables vary according to the terms agreed with different suppliers. Ageing analysis of trade payables as at the reporting dates, based on the invoice dates, is as follows:

	2019 HK$'000	2018 HK$'000
Over 180 days	**1,566**	1,595

The balances are short term in nature and hence, the directors of the Company consider that the carrying amounts of trade payables are approximate to their fair values.

26. OTHER PAYABLES, ACCRUED EXPENSES AND CONTRACT LIABILITIES

	2019 HK$'000	2018 HK$'000
Other payables (note (a))	3,551	1,355
Accrued expenses (note (b))	121,909	150,008
	125,460	151,363
Contract liabilities (note (c))	–	15,607

Notes:

(a) As at 31 December 2019, included in the Group's other payables, approximately HK$3,130,000 (2018: Nil), represented amount due to a related company. A director/controlling shareholder of the Company has controlling interests in the related company. The amount was unsecured, non-interest bearing and repayable on demand.

(b) As at 31 December 2019, included in the Group's accrued expenses, approximately HK$118,925,000 (2018: HK$147,210,000), represented accrued interest payables on a shareholder's loans made available to the Group. The accrued interest were unsecured, non-interest bearing and repayable on demand.

The Group has obtained undertakings on not demanding immediate repayment from a controlling shareholder of the Company in respect of the interest payable of approximately HK$118,925,000 unless the Group has sufficient funds to pay its other creditors in full.

As at 31 December 2019, the remaining balance of approximately HK$2,984,000 (2018: HK$2,798,000) recorded in accrued expenses, were accrued payroll cost and other operating expenses.

(c) The contract liabilities represents deposits received from pre-sale of properties.

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

Sale of properties

The Group receives payments from customers based on billing schedule as established in contracts. The received amount is recorded as contract liabilities until the date of delivery, and transfer of control, of the properties to the customers.

Movements in contract liabilities arising from property development:

	HK$'000
Balance as at 31 December 2018 and 1 January 2019	15,607
Revenue recognised	(14,950)[*1]
Reclassified to other payables	(600)
Exchange realignment	(57)
Balance as at 31 December 2019	–

[*1]: Being revenue recognised during the year since all the revenue recognition criteria are met.

27. INTEREST-BEARING BANK BORROWING

	2019 HK$'000	2018 HK$'000
Current		
Bank loan due for repayment which contains a repayment on demand clause — unsecured and guaranteed	**3,000**	4,000

The bank loan is guaranteed by the Company and bears interest at floating rate of 2.5% per annum above the HIBOR.

The Group's banking facility was amounting to HK$4,000,000 (2018: HK$4,000,000), of which HK$3,000,000 (2018: HK$4,000,000) was utilised at 31 December 2019.

28. LOANS FROM SHAREHOLDERS AND A RELATED COMPANY

(a) As at 31 December 2019 and 2018, loans from a controlling shareholder are unsecured and bear interest at floating rate with reference to the prime lending rate as established from time to time by The Hong Kong and Shanghai Banking Corporation Limited, except for a loan from a shareholder amounted to HK$3,500,000 (2018: HK$3,500,000) which is interest free.

As at 31 December 2019, no repayment on the loans from shareholders is required whether in part or in full on or before 31 December 2020. As at 31 December 2018, no repayment on the loans from shareholders is required whether in part or in full on or before 31 December 2019. The directors of the Company consider that the fair values of the loans are not materially different from their carrying amounts as at 31 December 2019 and 2018.

(b) As at 31 December 2019, loan from a related company of approximately HK$3,553,000 (2018: HK$3,620,000), was unsecured, bear interest at 12% and repayable within 1 year. A director/ controlling shareholder of the Company is the director of the parent of the related company.

29. SHARE CAPITAL

	2019 Number of shares	2019 HK$'000	2018 Number of shares	2018 HK$'000
Authorised:				
Ordinary shares of HK$0.01 each				
At beginning and end of the year	**100,000,000,000**	**1,000,000**	100,000,000,000	1,000,000
Issued and fully paid:				
Ordinary shares of HK$0.01 each				
At beginning and end of the year	**11,178,498,344**	**111,785**	11,178,498,344	111,785

30. SHARE OPTION SCHEME

The 2012 Share option scheme (the "2012 Scheme")

The Company's 2012 Scheme was approved by shareholders of the Company and became effective on 8 May 2012.

Particulars of the 2012 Scheme as required under the GEM Listing Rules are set out below:

(A) SUMMARY OF THE 2012 SCHEME

(i) *Purpose of the 2012 Scheme*

The purpose of the 2012 Scheme is to provide incentives or rewards to the Employees (as defined in sub-section headed "Participants of the 2012 Scheme" below) and other person(s) for their contribution to the Group and to enable the Group to attract and retain employees of appropriate qualifications and with necessary experience to work for the Group and any entity in which any member of the Group holds any equity interest.

(ii) *Participants of the 2012 Scheme*

The board of directors of the Company (the "Board") or a duly authorised committee thereof, may, at its discretion, grant options to any full time or part time employee (including any executive and non-executive director or proposed executive and non-executive director) of the Group (the "Employees"), business partner, agent, consultant, contractor, representative of any member of the Group, invested entity, client or supplier, advisor, any other group or classes of participants and shareholder who have contributed to the Group (collectively the "Participants"), to subscribe for shares of HK$0.01 each in the share capital of the Company ("Shares") in accordance with the provisions of the 2012 Scheme.

30. SHARE OPTION SCHEME *(Continued)*

The 2012 Share option scheme (the "2012 Scheme") *(Continued)*

(A) SUMMARY OF THE 2012 SCHEME *(Continued)*

(iii) *Total number of Shares available for issue under the 2012 Scheme*

The total number of Shares available for issue under the share options, which may be granted under the 2012 Scheme shall not exceed 1,117,849,834 Shares, being 10% of the total number of Shares in issue as at the date of passing the resolution to adopt the 2012 Scheme.

(iv) *Maximum entitlement of each participant*

No Participants shall be granted an option if total number of Shares issued and to be issued upon exercise of the options granted and to be granted (including both exercised, cancelled and outstanding options) in any 12-month period up to and including the date of grant to such participant would exceed in aggregate 1% of the Shares for the time being in issue unless the proposed grant has been approved by the shareholders of the Company in general meeting with the proposed grantee and his associates (as defined in the GEM Listing Rules) abstaining from voting.

(v) *Period within which the Shares must be taken up under an option*

An option may be exercised in accordance with the terms of the 2012 Scheme at any time during a period as the Board may determine which shall not be more than ten years from the date of grant of the option subject to the provisions of early termination thereof and the Board may provide restrictions on the exercise of an option during the period an option may be exercised.

(vi) *Minimum period, if any, for which an option must be held before it can be exercised*

At the time of granting an option, the Board may, at its discretion, specify the minimum period(s), if any, for which an option must be held before it can be exercised.

(vii) *Amount payable upon acceptance of the option and the period within which the payment must be made*

HK$1.00 shall be paid within 28 days from the date of offer of the option.

(viii) *Basis of determining the exercise price of the option*

The exercise price for Shares under the 2012 Scheme shall be a price determined by the Board, but in any case will not be less than the highest of:

(1) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer, which must be a trading day;

(2) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer; or

(3) the nominal value of a Share.

30. SHARE OPTION SCHEME *(Continued)*

The 2012 Share option scheme (the "2012 Scheme") *(Continued)*

(A) SUMMARY OF THE 2012 SCHEME *(Continued)*

(ix) *Remaining life of the 2012 Scheme*

Subject to early termination of the 2012 Scheme pursuant to the terms thereof, the 2012 Scheme shall be valid and effective for a period of 10 years commencing from the date on which the 2012 Scheme becomes effective, i.e. 8 May 2012 and ending on 7 May 2022.

During the year, the Company did not grant any share options under the 2012 Scheme (2018: Nil).

(B) DETAILS OF SHARE OPTIONS GRANTED OR OUTSTANDING

Particulars and movements of the outstanding share options granted under the 2012 Scheme during the year ended 31 December 2019 were as follows:

	Number of share options								Price of shares		
Name and category of participant	Balance as at 01/01/2019	Granted during the year	Exercised during the year	Forfeited during the year	Cancelled during the year	Balance as at 31/12/2019	Date of grant of share option	Exercisable periods of share options (note (i))	Exercise price per share option HK$	Immediately preceding the grant date of share option (note (ii)) HK$	Immediately preceding the exercise date of share option (note (iii)) HK$
Directors											
Cheung Choi Ngor	55,896,000	–	–	–	–	55,896,000	01/10/2013	01/10/2016 – 30/09/2023	0.188	0.188	N/A
Ng Yuk Yeung Paul	83,840,000	–	–	–	–	83,840,000	01/10/2013	01/10/2016 – 30/09/2023	0.188	0.188	N/A
Others											
Ng Yuk Fung Peter	55,896,000	–	–	–	–	55,896,000	01/10/2013	01/10/2016 – 30/09/2023	0.188	0.188	N/A
Sub-total	195,632,000	–	–	–	–	195,632,000					

30. SHARE OPTION SCHEME *(Continued)*

The 2012 Share option scheme (the "2012 Scheme") *(Continued)*

(B) DETAILS OF SHARE OPTIONS GRANTED OR OUTSTANDING *(Continued)*

Particulars and movements of the outstanding share options granted under the 2012 Scheme during the year ended 31 December 2018 were as follows:

	Number of share options								Price of shares		
Name and category of participant	Balance as at 01/01/2018	Granted during the year	Exercised during the year	Forfeited during the year	Cancelled during the year	Balance as at 31/12/2018	Date of grant of share option	Exercisable periods of share options (note (i))	Exercise price per share option HK$	Immediately preceding the grant date of share option (note (ii)) HK$	Immediately preceding the exercise date of share option (note (iii)) HK$
Directors											
Cheung Choi Ngor	55,896,000	–	–	–	–	55,896,000	01/10/2013	01/10/2016 – 30/09/2023	0.188	0.188	N/A
Ng Yuk Yeung Paul	83,840,000	–	–	–	–	83,840,000	01/10/2013	01/10/2016 – 30/09/2023	0.188	0.188	N/A
Others											
Ng Yuk Fung Peter	55,896,000	–	–	–	–	55,896,000	01/10/2013	01/10/2016 – 30/09/2023	0.188	0.188	N/A
Sub-total	195,632,000	–	–	–	–	195,632,000					

Notes:

(i) All share options granted are subject to a vesting period and becoming exercisable in whole or in part in the following manner:

From the date of grant of share options	Exercisable percentage
Within 36 months	Nil
37th–48th months	30%
49th–60th months	60%
61th–120th months	100%

(ii) The price of the shares disclosed as immediately preceding the date of grant of the share options is the Stock Exchange's closing price on the trading day immediately prior to the date of the grant of the share options.

(iii) The weighted average closing price of the shares immediately before the date on which the options are exercised.

30. SHARE OPTION SCHEME *(Continued)*

The 2012 Share option scheme (the "2012 Scheme") *(Continued)*

(B) DETAILS OF SHARE OPTIONS GRANTED OR OUTSTANDING *(Continued)*

Notes: (Continued)

(iv) The fair values of share options granted under the 2012 Scheme on 1 October 2013 and measured at the respective date of grant was approximately HK$44,289,000. The following significant assumptions were used to derive the fair values, using the Black-Scholes option pricing model:

Date of grant	**1 October 2013**
Expected volatility	54.276%
Expected life (in years)	10.0
Risk free interest rate	2.049%
Expected dividend yield	Nil

The expected volatility is based on the historical volatility of the Company's share price, adjusted for any expected changes to future volatility based on publicly available information. The expected life used in the model has been adjusted based on management's best estimate.

(v) During the year, no employee compensation expense has been recognised in profit or loss (2018: HK$1,431,000) with a corresponding credit in employee compensation reserve. No liabilities were recognised due to share-based payment transactions.

(vi) Share options and weighted average exercise prices are as follows for the reporting period presented:

	2019		2018	
	Number	**Weighted average exercise price HK$**	Number	Weighted average exercise price HK$
Balance at 1 January and 31 December	**195,632,000**	**0.188**	195,632,000	0.188

The options outstanding at 31 December 2019 and 2018 had exercise prices of HK$0.188 and a weighted average remaining contractual life of 4 years and 5 years, respectively.

31. SHARE AWARD SCHEME

A share award scheme (the "Share Award Scheme") was adopted by the Board of the Company on 18 March 2011 (the "Adoption Date"). The specific objectives of the Share Award Scheme are to recognise the contributions by certain employees of the Group and to give incentive to them in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for the development of the Group.

The Board may, from time to time, at its sole discretion select any employee (the "Selected Employee") of any member of the Group for participation in the Share Award Scheme and determine the number of awarded shares to be awarded to the Selected Employees by taking into consideration matters including the general financial condition of the Group and the rank and performance of the relevant Selected Employee.

The Company shall settle a sum of up to and not exceeding HK$50,000,000 for the purpose of purchase of such number of shares and/or other shares (as the case maybe) to be awarded by the Board to the Selected Employee(s) under the Share Award Scheme.

The Share Award Scheme shall be valid and effective for a term of 15 years commencing on the Adoption Date provided that no further settlement of the amount to the Trust Fund shall be made on or after 10th anniversary date of the Adoption Date.

Details of the Share Award Scheme are set out in the Company's announcements dated 18 March 2011, 5 November 2013 and 7 December 2014.

In accordance with the Share Award Scheme, the Awards shall be released subject to the vesting periods ranged from 18 months to 33 months from the date of grant of the awards.

No award was granted, vested and forfeited of the Company's shares and other shares during the years ended 31 December 2019 and 2018.

32. RESERVES

The amount of the Group's reserves and the movements therein for the current and previous years are presented in the consolidated statement of changes in equity on pages 67 to 68.

Group

TREASURY SHARES

	2019		2018	
	Number of shares	**HK$'000**	Number of shares	HK$'000
Balance brought forward and carried forward	**169,163,118**	**20,191**	169,163,118	20,191

The Company acquired its own shares through one of its subsidiaries in the open market which are held as treasury shares, and will be used to satisfy the awards granted under the Share Award Scheme (note 31); the relevant shares are available for resale and have been included in treasury shares, shown as a component of the reserves of the Company.

32. RESERVES *(Continued)*

Company

	Treasury shares HK$'000	Capital reserve HK$'000	Employee compensation reserve HK$'000	Retained earnings/ (Accumulated losses) HK$'000	Total HK$'000
At 1 January 2018	(20,191)	652	22,417	33,832	36,710
Recognition of equity settled share-based compensation	–	–	1,431	–	1,431
Loss for the year	–	–	–	(113,776)	(113,776)
At 31 December 2018 and 1 January 2019	**(20,191)**	**652**	**23,848**	**(79,944)**	**(75,635)**
Loss for the year	–	–	–	**(13,916)**	**(13,916)**
At 31 December 2019	**(20,191)**	**652**	**23,848**	**(93,860)**	**(89,551)**

The Company's reserves available for distribution include capital reserve, employee compensation reserve and retained profits. Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its memorandum or articles of association provided that the Company is able to pay its debts as they fall due in the ordinary course of business immediately following the distribution of dividend.

33. OPERATING LEASE COMMITMENTS

(a) As lessor

As at 31 December 2019 and 2018, there are no future minimum lease receipts under non-cancellable operating leases with its tenants falling due.

(b) As lessee

As at 31 December 2019 and 2018, the total future minimum lease payments under non-cancellable operating leases payments by the Group are as follows:

	2019 **HK$'000**	2018 HK$'000
Within one year	**11**	170
In the second to fifth years, inclusive	**–**	85
	11	255

The Group leased only one office under operating lease arrangement, with leases negotiated for initial terms of two years (2018: two years). None of the leases include contingent rentals.

The Group has initially applied HKFRS 16 using the cumulative effect approach and adjusted the opening balance at 1 January 2019. Upon the adoption of HKFRS 16, amounts of all lease commitment except the leases which the underlying assets are of low-value or are determined as short-term leases have been recognised as "lease liability" as disclosed in note 2(a)A(i) to the consolidated financial statements.

The operating lease commitments as at December 2019 exclude those recognised as "lease liability" and represents a short-term lease.

34. CAPITAL COMMITMENTS

	2019 **HK$'000**	2018 HK$'000
Contracted but not provided for:		
— Expenditure in respect of properties under development	**20,683**	21,073

35. CONTINGENT LIABILITIES

As at 31 December 2019 and 2018, the Group does not have any significant contingent liabilities.

36. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these consolidated financial statements, the Group had the following related party transactions during the year:

		2019 HK$'000	2018 HK$'000
(i)	Interest expenses charged by shareholders	14,366	20,712
(ii)	Interest expenses charged by a related company	423	192
(iii)	Rental and building management fee charged by a related company	–	2,136
(iv)	Management fee charged by a related company	2,094	–
(v)	Travel related products purchased from a related company	11	31
(vi)	Consultancy fee income from related companies	622	–

Details of the balances with related parties at the reporting date are included in notes 23(a) and 26(a) and (b) to the consolidated financial statements.

The above transactions were conducted in accordance with the terms mutually agreed between the Group and the related parties. A director/controlling shareholder of the Company has controlling interests in the related companies or being the director of the parent of the related companies.

Compensation of key management personnel of the Group:

Details of their remuneration are disclosed in notes 13 to 14 the consolidated financial statements.

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities:

	As at 1 January 2018 HK$'000	Financing cash flow: Proceed received HK$'000	Financing cash flow: Repayment of principal HK$'000	Financing cash flow: Interest paid HK$'000	Non-cash changes: Interest expense recognised HK$'000	Non-cash changes: Effect of foreign exchange rate changes HK$'000	At 31 December 2018 HK$'000
Year ended 31 December 2018							
Loan from a related company	–	3,541	–	(106)	192	(7)	3,620
Loans from shareholders	465,290	–	(101,270)	–	–	–	364,020
Accrued interest on the loans from shareholders	157,753	–	–	(31,255)	20,712	–	147,210
Bank borrowings	4,000	–	–	(142)	142	–	4,000
	627,043	3,541	(101,270)	(31,503)	21,046	(7)	518,850

	As at 1 January 2019 HK$'000	**Financing cash flow: Repayment of principal HK$'000**	**Financing cash flow: Interest paid HK$'000**	**Non-cash changes: Interest expense recognised HK$'000**	**Non-cash changes: Effect of modification to lease terms HK$'000**	**Non-cash changes: Effect of foreign exchange rate changes HK$'000**	**At 31 December 2019 HK$'000**
Year ended 31 December 2019							
Loan from a related company	**3,620**	**–**	**(423)**	**423**	**–**	**(67)**	**3,553**
Loans from shareholders	**364,020**	**(118,520)**	**–**	**–**	**–**	**–**	**245,500**
Accrued interest on the loans from shareholders (note 28(a))	**147,210**	**–**	**(42,651)**	**14,366**	**–**	**–**	**118,925**
Bank borrowings	**4,000**	**(1,000)**	**(164)**	**164**	**–**	**–**	**3,000**
Lease liability	**245**	**(81)**	**(4)**	**4**	**(122)**	**–**	**42**
	519,095	**(119,601)**	**(43,242)**	**14,957**	**(122)**	**(67)**	**371,020**

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which result from its operating, financing and investing activities. The Group does not have written risk management policies and guidelines. However, the Group's management meets periodically to analyse and formulate strategies to manage the Group's exposure to market risk, credit risk and liquidity risk. The Group's exposure to these risks is kept to a minimum. The Group has not used any derivatives or other instruments for hedging purpose.

The Group's financial assets include financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss, loans receivable, trade receivables, other receivables and deposits paid and cash and bank balances. The Group's financial liabilities include trade payables, other payables and accrued expenses, loans from a related company and shareholders, interest-bearing bank borrowing, and lease liability.

(a) Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group has foreign currency exposures. Such exposures arise from the balance of assets and liabilities in currencies other than the functional currency of the Group's entities. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date that are considered significant by the directors of the Company are stated as follows:

	As at 31 December	
	2019	2018
	HK$'000	HK$'000
Assets:		
RMB	**22,375**	172,605
Liabilities:		
RMB	**(6,933)**	(3,035)
Net exposure to foreign currency risk	**15,442**	169,570

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

(a) Foreign currency risk *(Continued)*

The Group's policy requires the management monitors foreign exchange exposure by closely monitoring the movement of foreign currency rate and may enter into foreign currency options or forward contract, when and where appropriate.

The sensitivity analysis of the Group's exposure to foreign currency risk at the end of the year has been determined based on the assumed percentage changes in foreign currency exchange rates taking place at the beginning of the year and held constant throughout the years. Under the Linked Exchange Rate System in Hong Kong, HK$ is pegged to US$, management considers that there is no significant foreign exchange risk with respect to US$.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual reporting date. Results of the analysis as presented in the below table represent an aggregation of the effects on each of the group entities' profit or loss and equity in regards to a 5% depreciation in their functional currencies against the foreign currencies. The analysis is performed on the same basis for 2018.

	(Increase)/decrease in loss and (decrease)/increase in equity	
	2019	2018
	HK$'000	HK$'000
RMB	**(772)**	(8,479)

The same percentage appreciation in the functional currencies of the Group's entities against the respective foreign currencies would have the same magnitude on the Group's profit or loss and equity but of opposite effect.

(b) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. As the Group has no significant interest-bearing assets other than cash and bank balances, the income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from interest-bearing bank borrowing and loans from a shareholder which bore floating interest. These borrowings carry at variable rates expose the Group to cash flow interest rate risk.

The Group's objective is to manage its interest rate risk, working within an agreed framework, to ensure that there are no unduly exposures to significant interest rate movements.

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

(b) Interest rate risk *(Continued)*

SENSITIVITY ANALYSIS

The following table demonstrates the sensitivity of the Group's profit or loss and equity at the reporting date to a reasonably possible change in interest rate, with all other variables held constant.

	Increase in interest rate	(Increase)/ decrease in loss and (decrease)/ increase in equity
	%	HK$'000
2019	**0.5**	**(1,023)**
2018	0.5	(1,522)

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of reporting period. The assumed changes in interest rates are considered to be reasonably possible changes on observation of current market conditions and represent management's assessment of a reasonably possible change in interest rates over the next twelve month period. The analysis is performed on the same basis for 2018.

The same percentage decrease in interest rate would have the same magnitude on the Group's profit or loss and equity but of opposite effect, on the basis that all variables remain constant. The assumed changes have no impact on the Group's other components of equity.

(c) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instruments and cause a financial loss to the Group.

The Group's policy is to deal only with creditworthy counterparties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, the Group continuously monitors the recoverability of amounts due from customers and other counterparties, assess impairment of the receivable either individually or by group, and incorporates this information into its credit risk controls and the Group's exposure to bad debts is not significant. Where available at reasonable cost, external reports on customers and other counterparties are obtained and used.

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

(c) Credit risk *(Continued)*

In respect of other receivables and deposits paid, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics at the reporting dates.

There is no concentration of credit risk as the Group's bank balances were mainly deposited in over ten financial institutions with good credit ratings, and the Group has a large number of counterparties for trade and loans receivables, other receivables and deposits paid. Management does not expect any losses from non-performance by these institutions and counterparties.

ECL of loans receivable in different stages are measured respectively at each reporting date by the Group. Stage 1 includes loans receivable that have not had a significant increase in credit risk since initial recognition. For these assets, loss provisions are provided at 12-month ECL; Stage 2 includes loans receivable that have had a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment. For these loans receivable, lifetime ECL are recognised. Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognised.

Analysis of the gross carrying amount of loans receivable is as follows:

	Stage 1 HK$000	**Stage 2 HK$000**	**Stage 3 HK$000**	**Total HK$000**
Gross carrying amount as at 1 January 2019	2,639	–	7,862	10,501
Net increase in lending to customers during the year	2,835	–	202	3,037
Gross carrying amount as at 31 December 2019	**5,474**	**–**	**8,064**	**13,538**

Movement in the allowances from impairment are as follows:

	Stage 1 12-month ECL HK$000	**Stage 2 Lifetime ECL** HK$000	**Stage 3 Lifetime ECL** HK$000	**Total** HK$000
As 1 January 2019	95	–	7,862	7,957
Transfer from/to 12 months ECL to/ from lifetime ECL	–	–	–	–
Charged to profit or loss	218	–	202	420
As at 31 December 2019	**313**	**–**	**8,064**	**8,377**

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

(c) Credit risk *(Continued)*

ECL for loans receivable under stage 1 is calculated on collective basis. The ECL for stage 2 and stage 3 is calculated on individual basis.

The Group has pre-defined loss rate of each loan's category. The loss rate are reference to actual loss experience over the past 5 years and adjusted to reflect forward-looking economic information.

(d) Liquidity risk

Liquidity risk related to the risk that the Group will not be able to meet its obligation associated with its financial liabilities. The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows due in day-to-day business. Liquidity needs are monitored on a day-to-day basis. Long-term liquidity needs for a 360-day lookout period are identified monthly.

The Group maintains mainly cash to meet its liquidity requirements for up to 30-day periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities.

As at the reporting dates, the Group's financial liabilities have contractual maturities based on contractual undiscounted cash flows are summarised below:

	Less than 1 year or on demand HK$'000	Over 1 year HK$'000	Total undiscounted cash flow HK$'000	Carrying amount HK$'000
At 31 December 2019				
Trade payables	1,566	–	1,566	1,566
Other payables and accrued expenses	125,460	–	125,460	125,460
Lease liability	43	–	43	42
Interest-bearing bank borrowing	3,000	–	3,000	3,000
Loan from a related company	3,865	–	3,865	3,553
Loans from shareholders	–	257,600*	257,600*	245,500
	133,934	257,600	391,534	379,121

* Including 1 year's interest

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

(d) Liquidity risk *(Continued)*

	Less than 1 year or on demand HK$'000	Over 1 year HK$'000	Total undiscounted cash flow HK$'000	Carrying amount HK$'000
At 31 December 2018				
Trade payables	1,595	–	1,595	1,595
Other payables and accrued expenses	151,363	–	151,363	151,363
Interest-bearing bank borrowing	4,000	–	4,000	4,000
Loan from a related company	3,859	–	3,859	3,620
Loans from shareholders	–	382,497*	382,497*	364,020
	160,817	382,497	543,314	524,598

* Including 1 year's interest

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

(e) Summary of financial assets and financial liabilities by category

The carrying amounts of the Group's financial assets and financial liabilities at the reporting dates are categorised as follows. See note 3.12 to the consolidated financial statements for explanations about how the category of financial instruments affects their subsequent measurement.

	2019 HK$'000	2018 HK$'000
Financial assets		
Financial assets at fair value through other comprehensive income	**217,157**	202,519
Financial assets at fair value through profit or loss	**17,797**	18,572
Financial assets at amortised cost:		
— Trade receivables	**2,293**	–
— Loans receivable	**5,161**	2,544
— Other receivables and deposits paid	**20,189**	20,959
— Cash and bank balances	**21,917**	177,393
	284,514	421,987
Financial liabilities		
Financial liabilities at amortised cost		
— Trade payables	**1,566**	1,595
— Other payables and accrued expenses	**125,460**	151,363
— Loan from a related company	**3,553**	3,620
— Loans from shareholders	**245,500**	364,020
— Interest-bearing bank borrowing	**3,000**	4,000
Lease liability	**42**	–
	379,121	524,598

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

(f) Equity price risk

Equity price risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than changes in interest rates and foreign exchange rates).

The Group is exposed to equity price risk arising from individual equity investments classified as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income at the end of the reporting period. The Group's listed investments and the underlying shares of RCPSs are listed on the Stock Exchange and are valued at quoted market prices at the end of the reporting period.

SENSITIVITY ANALYSIS

At 31 December 2019, it is estimated that a general increase of 5% of the price of the financial assets at fair value through profit or loss and the underlying share price of the financial assets at fair value through other comprehensive income, with all other variables held constant, would decrease the Group's loss for the year and increase the Group's retained earnings by approximately HK$890,000 and increase of other component of equity by approximately HK$6,079,000 respectively.

A decrease of 5% of the price of the financial assets at fair value through profit or loss and the underlying share price of the financial assets at fair value through other comprehensive income, with all other variables held constant, would increase the Group's loss for the year and decrease the Group's retained earnings by approximately HK$890,000 and decrease of other component of equity by approximately HK$7,332,000 respectively.

The assumed changes in market prices represent management's assessment of a reasonably possible change in market prices over the next twelve month period. The analysis is performed on the same basis for 2018.

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

(g) Fair value measurements recognised in the consolidated statement of financial position

(i) FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE

The fair values of the Group's financial assets and financial liabilities not measured at fair value approximate their carrying amounts as at 31 December 2019 and 2018 because of the immediate or short-term maturity.

(ii) FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

HKFRS 13 introduced a three-level hierarchy for fair value measurement disclosures and additional disclosures about the relative reliability of fair value measurements.

The hierarchy groups financial assets and financial liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and financial liabilities. The fair value hierarchy has the following levels:

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

— Level 2: observable direct and indirect inputs other than quoted prices included within Level 1; and

— Level 3: unobservable inputs are inputs for which market data are not available.

The financial assets and financial liabilities measured at fair value in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

	At 31 December 2019			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Financial assets at fair value through profit or loss				
— Equity securities of a listed company	17,797	–	–	17,797
Financial assets at fair value through other comprehensive income				
— RCPSs of a related company	–	–	178,074	178,074
— Equity securities of a listed company	39,083	–	–	39,083
Net fair values	56,880	–	178,074	234,954

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

(g) Fair value measurements recognised in the consolidated statement of financial position *(Continued)*

(ii) FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE *(Continued)*

	At 31 December 2018			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Assets				
Financial assets at fair value through profit or loss				
— Equity securities of a listed company	18,572	–	–	18,572
Financial assets at fair value through other comprehensive income				
— RCPSs of a related company	–	–	161,737	161,737
— Equity securities of a listed company	40,782	–	–	40,782
Net fair values	59,354	–	161,737	221,091

There have been no transfers between different levels during the year ended 31 December 2019.

The level in the fair value hierarchy within which the financial assets and financial liabilities are categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting periods.

Information about level 1 fair value measurements

For the financial assets at fair value through profit or loss, the equity securities are shares of listed company and are denominated in HK$. Fair values have been determined by reference to their quoted bid prices at the reporting date.

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

(g) Fair value measurements recognised in the consolidated statement of financial position *(Continued)*

(ii) FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE *(Continued)*

Information about level 3 fair value measurements

Financial assets at fair value through other comprehensive income in respect of RCPSs of a related company are denominated in HK$. Their fair values are determined using Binomial Option Pricing Model and the significant unobservable input used in the fair value measurement is the expected volatility. The fair value measurement is positively correlated to the expected volatility.

As at 31 December 2019, it is estimated that with all other variables held constant, an increase in the expected volatility by 5% would have increased the Group's other component of equity by approximately HK$152,000 (2018: decreased HK$670,000) while a decrease in the expected volatility by 5% would have decreased the Group's other component of equity by approximately HK$1,218,000 (2018: increased HK$244,000) for RCPSs as a whole.

Significant inputs as follow:	**2019**	2018
Aggregate principal amount	**HK$308,050,505**	HK$312,552,905
Underlying stock price	**HK$0.184 per share**	HK$0.192 per share
Conversion price	**HK$0.4 per share**	HK$0.4 per share
Risk-free rate	**1.764%–1.829%**	2.01%
Interest rate	**8.79%–11.34%**	10.08%
Expected volatility	**56.20%–60.40%**	70.39%
Redemption price	**100% of the principal amount**	100% of the principal amount
Expected redemption date	**31 December 2024–2044**	In end of 30th year

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

(g) Fair value measurements recognised in the consolidated statement of financial position *(Continued)*

(ii) FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE *(Continued)*

Information about level 3 fair value measurements (Continued)

A reconciliation of the opening and closing fair value balances are provided as below.

	Financial asset at fair value through other comprehensive income 2019 HK$'000	Financial asset at fair value through other comprehensive income 2018 HK$'000
At 1 January	**161,737**	261,014
Fair value gain/(loss) recognised in other comprehensive income	**21,842**	(89,286)
Redeemed during the year	**(5,505)**	(9,991)
At 31 December	**178,074**	161,737

39. CAPITAL MANAGEMENT

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing goods and services commensurately with the level of risk.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently does not adopt any formal dividend policy.

The Group sets the amount of equity capital in proportion to its overall financing structure. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Three of the subsidiaries of the Group are regulated by the Securities and Futures Commission (the "SFC") and are required to comply with certain minimum capital requirements according to the rules of the SFC. The Group has established a compliance department which is operated by experienced compliance officers and is monitored by management. The principal roles of the compliance department are to monitor the daily financial status and to review internal control of the Group regularly to ensure the Group's regulated subsidiaries are in compliance with related regulations.

The capital-to-overall financing ratio at reporting dates was as follows:

	2019 **HK$'000**	2018 HK$'000
Capital		
Total equity	**36,359**	37,259
Overall financing		
Loan from a related company	**3,553**	3,620
Loans from shareholders	**245,500**	364,020
Interest-bearing bank borrowing	**3,000**	4,000
	252,053	371,640
Capital-to-overall financing ratio	**14.43%**	10.03%

40. STATEMENT OF FINANCIAL POSITION

	Note	2019 HK$'000	2018 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries		–	–
Current assets			
Amounts due from subsidiaries		386,342	613,215
Deposits paid, prepayments and other receivables		200	–
Cash and bank balances		117	117
		386,659	613,332
Current liabilities			
Other payables and accrued expenses		118,925	113,783
Amounts due to subsidiaries		–	192,899
		118,925	306,682
Net current assets		267,734	306,650
Total assets less current liabilities		267,734	306,650
Non-current liabilities			
Loans from shareholders		245,500	270,500
Net assets		22,234	36,150
EQUITY			
Share capital		111,785	111,785
Reserves	32	(89,551)	(75,635)
Total equity		22,234	36,150

On behalf of the Board

Cheung Choi Ngor	**Richard Howard Gorges**
Director	*Director*

41. INFORMATION ABOUT PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries, each of which is a limited liability company, at 31 December 2019 are as follows:

Name of subsidiary	Place of incorporation/ registration	Particulars of issued/ paid-up capital	Effective percentage of equity interest held by the Company Directly	Indirectly	Principal activities and place of operation
Crystal Hub Limited	British Virgin Islands	1 ordinary share of US$ 1 each	100%	–	Investment holding, Hong Kong
滄州南華房地產開發有限公司	The PRC	HK$10,000,000	–	100%	Property development, The PRC
滄州君明工程有限公司	The PRC	HK$2,300,000	–	100%	Property development, The PRC
滄州和豐物業服務有限公司	The PRC	RMB$500,000	–	100%	Property development, The PRC
滄州南華滄東產業園區開發有限公司	The PRC	HK$15,000,000	–	100%	Property development, The PRC
Grandbase Universal Limited	Hong Kong	Ordinary shares of HK$2	–	100%	Investment holding, Hong Kong
Grandland Management Limited	Hong Kong	Ordinary shares of HK$2	–	100%	Provision of management services for the Group, Hong Kong
South China Financial Credits Limited	Hong Kong	Ordinary shares of HK$42,125,000	–	100%	Money lending, Hong Kong
South China Asset Management Limited	Hong Kong	Ordinary shares of HK$6,600,000	–	100%	Provision of investment advisory and asset management services, Hong Kong
Excellent Tide Limited	Hong Kong	Ordinary shares of HK$11,350,001	–	100%	Provision of dealing in securities service, Hong Kong
South China Futures Investment Limited	Hong Kong	Ordinary shares of HK$6,300,000	–	100%	Provision of dealing in futures contract service, Hong Kong
South China Wealth Advisory Limited	Hong Kong	Ordinary shares of HK$1,000,000	–	100%	Provision of dealing in insurance and MPF service, Hong Kong

41. INFORMATION ABOUT PRINCIPAL SUBSIDIARIES *(Continued)*

The financial statements of the Company's subsidiaries are audited by BDO Limited for statutory purpose or Group consolidation purpose.

As at 31 December 2019 and 2018, none of the subsidiaries had issued any debt securities.

The above table lists the principal subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

42. EVENT AFTER THE REPORTING DATE

The emergence and spread of the novel coronavirus in January 2020 has affected business and economic activity in the PRC and beyond. The Group has already assessed the overall impact of the situation on the operation of the Group and taken all possible effective measures to limit and keep the impact in control. The Group will keep continuous attention on the change of situation and make timely response and adjustments in the future.

The Group does not have other significant subsequent events.

Summary of Financial Information

	Year ended 31 December				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**19,022**	1,121	1,736	5,539	556
(Loss)/profit from operations	**(3,768)**	(9,589)	33,757	(266,018)	49,332
Finance costs	**(14,957)**	(21,046)	(26,372)	(26,562)	(1,270)
(Loss)/profit before income tax	**(18,725)**	(30,635)	7,385	(292,580)	48,062
Income tax (expense)/credit	**(163)**	22,784	(22,204)	–	–
(Loss)/profit for the year	**(18,888)**	(7,851)	(14,819)	(292,580)	48,062
Assets and liabilities					
Total assets	**415,537**	577,464	870,549	953,501	3,238,177
Total liabilities	**(379,178)**	(540,205)	(695,082)	(720,183)	(753,877)
	36,359	37,259	175,467	233,318	2,484,300

Details of Properties

PROPERTIES UNDER DEVELOPMENT

Location	Type	Stage of completion	Anticipated completion date	Group's attributable interest	Approximate gross floor area	Approximate site area
Huanghua New City property development project	Commercial/ retail	Main contract work to be commenced	2023	100%	149,000 sq.m.	65,257 sq.m.