中國信息科技發展有限公司

China Information Technology Development Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 8178)

2019

ANNUAL REPORT

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

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This report, for which the Directors of China Information Technology Development Limited (the "Company" or "CITD") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

This report will be available on the Company's website http://www.citd.com.hk and will remain on the "Latest Company Report" page on the GEM website at http://www.hkgem.com for at least 7 days from the date of its posting.

Contents

Corporate Information

EXECUTIVE DIRECTORS

Mr. Wong King Shiu, Daniel
(Chairman and Chief Executive Officer)
Mr. Wong Kui Shing, Danny
Mr. Chan Kai Leung

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hung Hing Man
Mr. Wong Hoi Kuen
Dr. Chen Shengrong

COMPANY SECRETARY

Mr. Chang Ki Sum Clark

COMPLIANCE OFFICER

Mr. Chang Ki Sum Clark

AUTHORISED REPRESENTATIVES

Mr. Wong Kui Shing, Danny
Mr. Chang Ki Sum Clark

NOMINATION COMMITTEE

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Mr. Wong Hoi Kuen
Dr. Chen Shengrong

REMUNERATION COMMITTEE

Mr. Wong Hoi Kuen *(Chairman)*
Mr. Hung Hing Man
Dr. Chen Shengrong

AUDIT COMMITTEE

Mr. Hung Hing Man *(Chairman)*
Mr. Wong Hoi Kuen
Dr. Chen Shengrong

AUDITOR

ZHONGHUI ANDA CPA Limited

LEGAL ADVISOR

Conyers Dill & Pearman

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The Hongkong and Shanghai Banking
Corporation Limited
Public Bank (Hong Kong) Limited
DBS Bank (Hong Kong) Limited

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Corporate Information

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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GEM STOCK CODE

8178

WEB-SITE ADDRESS

www.citd.com.hk

Chairman's Statement

Dear Shareholders,

I am pleased to present the annual results of China Information Technology Development Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2019.

MARKET OVERVIEW

The global economy ended 2019 on a relatively solid footing with the hope for Brexit and the relieving Sino-US trade conflicts, yet, the economic growth of China has slowed down in 2019. Still within the government's target of between 6.0% and 6.5%, nonetheless, the Chinese economy grew 6.1%, marking the weakest expansion in 29 years.

Meanwhile, economy of Hong Kong was battered by the prolonged social unrest and the external factors like the Sino-US trade war in 2019. GDP tumbled 2.9% in year-on-year terms in the fourth quarter, following Q3's revised 2.8% decline, which indicated that the economy contracted at the sharpest pace since Q2 2009 in the Q4 in 2019.

The economic growth of both Hong Kong and the rest of the world slowed down in 2019, nevertheless, it is encouraging for the information technology ("IT") industry that the government of Hong Kong as well as the PRC have been emphasizing the development of Guangdong-Hong Kong-Macao Greater Bay Area ("Greater Bay Area"). Hong Kong, known for its status as international financial, transportation, trade centres and aviation hub as well as its renowned professional services, shall bear vital role in facilitating and supporting the economic development of the region, with a view to enhancing the functions of the Greater Bay Area in the country's two-way opening up.

In 2019, the IT development has drifted the opposite way against the situation of the macro-economy. Biotechnology, artificial intelligence ("AI"), smart city and financial technologies were identified as the four areas of strength for development in Hong Kong in recent years. The expenditure on research and development as a percentage of the gross domestic product is expected to be doubled in five years from 2017. Hong Kong's innovation and technology sector together with that of Shenzhen, the Shenzhen-Hong Kong technology cluster has ranked the world's second largest based on the Global Innovation Index 2019.

On 4 March 2020, the Chinese Communist Party Politburo Standing Committee meeting further pointed out that the progress for advanced infrastructure including network for 5G and data center etc. shall be sped up. This further indicates that the Chinese economic investment structure and investment mechanism shall experience changes after the epidemic. "New Infrastructure" has become the big word in the economy.

As a matter of fact, it is undeniable to us that reliance on IT has increased in every aspects of our lives as well as in business operations of corporations. In 2019, big data and AI had continued to steal the spotlight in the industry. With abundance of data gathered, it only becomes valuable and insightful information and knowledge when it is effectively and orderly analyzed. Big data is hence the goldmine of our times. This is especially the case when the 5G network will soon be launched, offering faster speeds and more reliable connections on smartphones and other devices than ever before, continued and increasing deluge of data will drive greater demand for data analytic solution everywhere.

Chairman's Statement

Another emerging trend in the industry, AI is poised to become another key part of our lives and in business. In recent year, China has become a focal point on its AI development, There are many reports that China is outpacing the U.S. in the number of AI startups and AI-related patents created. Some experts say that China will be the next global AI superpower.

NAVIGATING NEW MARKET TERRAIN

To welcome the huge potential in the market, our subsidiaries, Macro Systems Limited ("Macro Systems") and DataCube Research Centre Limited ("DataCube") have continued to dedicate their effort in developing innovative and advanced technology, especially in big data and AI fields while paying close attention to the market conditions.

In 2019, we prepared ourselves by disposing non-core businesses so that we can concentrate our resources on the development of Macro Systems and DataCube. Aiming to create value and sustainable development for the Group, we cautiously and strategically determine the locations for our future developments. Accord with the "Belt and Road Initiative" adopted by the Chinese government and the strategic planning of Greater Bay Area, we had acquired a 19% equity interest in 廣州市德煌投資有限公司 (Guangzhou Dehuang Investment Company Limited*), a company with data centres and data racks located in Nansha District. We believe that through this acquisition, we can step into a strategic location that allows us to establish and cement our business in this core area of Greater Bay Area.

Apart from the hardware, the Company is more than committed to keep pace with the market trends and excel in our technology and products. During the year, we continued to enhance our unique AI Book and our BI Canvas, two of our many innovations. Our AI Book is an automated machine learning platform embedded with AI technologies such as deep learning, machine learning, screening, combing and analysing data through four stages. AI Book analysis results will then be displayed on the BI Canvas platform, whereby various visual charts are presented to help companies understand business value and trends. We also developed an omni-channel consumer portrait product that helps our retail clients to transform from traditional retail model to a omni-channel one. The omni-channel consumer portrait grouping can help the clients to analyse the consumer value based on the RFMIS transaction data of the people, then each retail store site and products category can be grouped according to the customers' loyalty and consumption pattern, thus, assisting the retail clients to efficiently and appropriately allocate their marketing resources to the right target customer groups.

Thanks to the hard work of our top-notch data science team and our all-rounded expert term, during the year, we succeeded to extend our client portfolio of DataCube and Macro to a wide spectrum of clients ranging from public transportation, real estates, logistics, energy saving companies to healthcare, financial and banking corporations etc. Through these cooperation with different companies, we understand more of the special needs for each industries and each company. We tailor and design the products and services that is distinctive to cater the needs of each of our valuable clients.

Chairman's Statement

PROSPECTS

The year 2020, seemingly dawned in the midst of gloominess of the unstable social sentiment in Hong Kong, coupled with the widespread of Coronavirus in the world. Amid the virus concern, the Federal Reserves of the United States, made a very rare move to reduce the benchmark rate a half point, following the Reserve Bank of Australia's cut on the interest rate in early March 2020. Yet, we are cautiously positive to our long term development of the business. With the foundations we laid in 2019, excellent and advanced technology and knowledge we possess, we shall turn the risk we will be facing into opportunities. As a socially responsible corporation, it is also a time for us to contribute to the society with our expertise. The recent outbreak of novel coronavirus and its suspected spread in certain building in Hong Kong, have proved the importance of an advanced building system in epidemic prevention, the concept of "Epidemic Prevention Building" and the centralised disinfection system. We have been cooperating with our client in product research and development and market exploration in areas including Smart City, predictive analysis development and healthcare and epidemic prevention products. DataCube shall provide advanced IoT-based machine learning modelling technology and develop predictive analytics modules to strengthen the building maintenance, energy saving and epidemic prevention capabilities of their Building Operating System. On the other hand, as an epidemic prevention measure, many companies and even the government departments have decided to implement "work from home" arrangement to minimize the risk of spreading of novel coronavirus in wider community. Macro, which has been awarded and certified by more than 120 international organisations and obtained certificates, including ISO 27001 & ISO20000, provides secure and reliable Virtual Desktop Infrastructure ("VDI") and delivers end-users mobility and access to virtual desktop anytime and anywhere. Our VDI ensures high security level to prevent data leakage while enhancing efficient resource sharing and flexible development. The demand for remote desktop service shoots up due to the "work from home" arrangement, the number of clients for the VDI services, especially from the banking, finance and insurance sector has increased significantly and we believe that it will have positive impact on the business of the Company.

In the years to come, we shall continue to strengthen and build up our core business through Macro and DataCube and seek for potential markets and business opportunities in order to create value and long-term benefits to the sustainable development of the Company as well as to our Shareholders.

ACKNOWLEDGEMENTS

The success of the Group is not possible without the support of its shareholders, investors, business associates and customers for their confidence in management's ability. On behalf of the Board, I would like to sincerely extend my appreciation and gratitude. Under this difficult operating environment, it is important if not vital that the Group's directors, management, and staff are dedicated to hurdle hand in hand together through the hard times. I would like to thank all directors, management and our staff on their commitment during the year. Together, I and our team will be able to see out this turbulent year with progressive success.

Wong King Shiu, Daniel
Chairman and Chief Executive Officer
China Information Technology Development Limited

Management Discussion and Analysis

BUSINESS REVIEW

CITD Group

Laying solid roots for business

In 2016, the Company placed 1,830,792,000 new shares of the Company to not less than six independent placees at a price of HK$0.13 each and raised a net proceeds of approximately HK$230 million (the "Placement"). It was expected that the net proceeds raised would be utilized as follows: HK$73 million for the refurbishment of and operation of the business in the PRC properties as acquired in the acquisition of Joyunited Investments Limited on 7 April 2016 ("PRC Properties"), the Company would have approximately HK$69 million for the general working capital and approximately HK$88 million for the projects that are currently in progress. More details on the Placement had been disclosed in the relevant announcement of the Company dated 8 December 2015 and the circular dated 18 March 2016. The Placement had been completed on 9 May 2016. As at 31 December 2019, the use of net proceeds from the Placement was as follows: (1) approximately HK$73.0 million for refurbishment and other expenses relating to the PRC Properties; (2) approximately HK$63.8 million for investment in Macro China Holding Limited, business development under DataCube Research Centre Limited ("DataCube Research Centre" or "DataCube"), IT business in Japan and a data centre in the PRC; (3) as a result of the loss in book value of the listed securities held by the Group, the Group has not realised those listed securities to settle part of the consideration for the PRC Properties as was planned. Instead, approximately HK$24.2 million had been applied to settle the consideration for the PRC Properties; and (4) approximately HK$69.0 million for administrative expenses and other expenses incurred by the Group.

Aiming to provide our clients with business agility for their sustainable business development, during the year ended 31 December 2019, the Group had continued to improve ourselves to deliver affordable but advanced and quality services and products to our clients.

During the year ended 31 December 2019, the Group has made a momentous step to merge the offices of CITD and Macro in Kwun Tong, together with the solution center in Tsimshatsui and our office in Guangzhou, the Group is more than ready to set off for the journey of business development in 2019 and in the future.

On 15 January 2019, the Company entered into a non-legally binding memorandum of understanding (the "MOU") with an independent third party in relation to the possible acquisition of certain land and buildings with a data centre located in Nansha District, Guangzhou, the People's Republic of China ("PRC"). The Company has to pay a refundable deposit of RMB20 million in cash to the independent third party upon signing of the MOU. As no formal agreement had been entered into between the Group and the Vendor on or before the date falling 180 days from the date of execution of the MOU (i.e. 15 July 2019) nor there be an agreement reached in extending the date of entering into the formal agreement in relations thereto, the MOU had automatically lapsed and ceased to have any effect. The Group did not pay any deposit in relation to the MOU. Details of the MOU and the lapse of MOU are set out in the announcements dated 15 January 2019 and 22 July 2019 respectively.

Meanwhile, the Group had made various changes with the vision to equip and strengthen ourselves for the up-coming business developments.

Management Discussion and Analysis

On 21 June 2019, the Company has granted an aggregate of 217,056,000 share options (the "Options") to the grantees (the "Grantees") of the Company, to subscribe, in aggregate, for up to 217,056,000 ordinary shares (each a "Share") of HK$0.1 each in the share capital of the Company subject to acceptance of the Grantees, with an exercise price of HK$0.1 per Share, under the share option scheme (the "Share Option Scheme") adopted by the Company on 2 August 2012. Among the total of 217,056,000 Options, 60,048,000 Options were granted to the employees of the Company and the remaining 157,008,000 Options were granted to the consultants of the Company. The Company believes that human resources are of utmost importance to the success of a business and we believe that the grant of Options can provide incentives for the employees and consultants of the Group to work towards the goal of the Company.

On 2 August 2019, Giant Prestige Investments Limited, a direct wholly-owned subsidiary of the Company, as the vendor (the "Vendor") has entered into an agreement (the "Agreement") with Winner Sino Corporate Development Limited (the "Purchaser") and 廣州麓湖錦城置業管理有限公司 (Guangzhou Luhu Jincheng Properties Management Limited*) as the Purchaser's Guarantor (the "Purchaser's Guarantor"), pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase 10 ordinary shares of US$1.00 each in the share capital of the Joyunited Investments Limited (the "Target Company"), representing 100% of the issued share capital of the Target Company and any obligation or liabilities incurred or may be incurred or due or which would fall due by Target Company to the Vendor on or at any time prior to completion of the Agreement at the consideration of RMB260,000,000 (equivalent to approximately HK$295,874,000) in cash (the "Disposal").

As one or more of the relevant percentage ratios under the GEM Listing Rules in respect of the transactions contemplated under the Agreement exceed 25% but are below 75%, the Disposal constitutes a major transaction for the Company and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules. Details of the Disposal are set out in the announcement dated 2 August 2019 and the circular dated 4 September 2019. The Disposal has been approved by the shareholders of the Company at the extraordinary general meeting held on 17 October 2019. The completion of the Disposal has not been taken place before the long stop date of 31 October 2019 (the "Long Stop Date"), no such later Long Stop Date can be agreed by the Parties. The Board is of the view that as a result of the default by the Purchaser, the Parties failed to complete the Disposal in accordance with the terms of the Agreement after all the conditions precedent have been satisfied. The Company has therefore notified the Purchaser of its intention to accept the Purchaser's repudiation and terminate the Agreement by way of a written notice on 18 December 2019 (the "Termination"). In accordance with the terms of the Agreement, the deposit of RMB13,000,000 (equivalent to approximately HK$14,475,000) paid by the Purchaser to the Vendor has been forfeited in favour of the Vendor. The Company and the Vendor will continue with their ownership of 100% equity interest in the Target Company and the Target Group will still be subsidiaries of the Company and the financial results of the Target Group will be consolidated into the consolidated financial statements of the Company. The Company has been exploring other potential purchaser(s) for a disposal of the Target Company after the Termination.

As there may be a potential litigation risk in relation to the abovementioned matter, the management considered that the deposit of RMB13,000,000 shall be recognised as other payable instead of income for a year for prudence sake.

Management Discussion and Analysis

Further to the Group's strategy to dispose the non-core assets and to pursue the foregoing new business strategy, apart from the abovementioned Disposal, on 19 August 2019, Guangzhou Deyong as vendor, entered into another disposal agreement, pursuant to which 科華恒盛股份有限公司 (Kehua Hengsheng Co., Ltd.*), as purchaser, conditionally agreed to acquire and the vendor has conditionally agreed to sell 10% equity interest of 廣州德昇雲計算科技有限公司 (Desheng Cloud Computing Technology Co. Ltd.*) ("Desheng Cloud Computing") at the consideration of RMB20,000,000 (equivalent to approximately HK$22,260,000) in cash ("Disposal of Desheng Cloud Computing"). Desheng Cloud Computing was acquired by the Group in February 2018 at the acquisition cost of HK$12,385,000. Considering the volatile global economic situation and the negative impact on the economy brought by the recent social unrest in Hong Kong, the Company believes that the Disposal of Desheng Cloud Computing may allow the Company to realise the investment in the Desheng Cloud Computing with an estimated gain of approximately HK$8,572,000 and further liquidate its resources for maintaining our existing businesses while seeking for new business opportunities. With the development of Guangdong-Hong Kong-Macao Greater Bay Area, the Group will continue to seek for investment opportunities that offer synergies to the existing businesses of the Group in strategic locations where the Group can take advantage to expand its client base and reputation in the PRC and further excel and become a comprehensive AI and BI solutions provider. Details of the said Disposal of Desheng Cloud Computing are set out in the announcement dated 19 August 2019. The Disposal of Desheng Cloud Computing has been completed on 25 September 2019.

On 28 August 2019, an acquisition agreement was entered into between 廣州市德永科技投資有限公司, (Guangzhou Deyong Technology Investment Limited*), a company incorporated in the PRC with limited liability ("Guangzhou Deyong") as the purchaser and an indirect wholly-owned subsidiary of the Company as the vendor, an Independent Third Party and 廣州市德煌投資有限公司 (Guangzhou Dehuang Investment Company Limited*), a company incorporated in the PRC with limited liability ("Guangzhou Dehuang"), for the acquisition of a 19% equity interest in Guangzhou Dehuang, a company with data centres and data racks located in Nansha District. The consideration of RMB66,341,000 (equivalent to approximately HK$72,842,000) should be satisfied by the promissory note issued on 3 September 2019 by Guangzhou Deyong. Completion of the acquisition of interest in Guangzhou Dehuang had taken place on 3 September 2019. Details of the said acquisition and its completion are set out in the announcement dated 28 August 2019 and 4 September 2019 respectively.

Nansha District is the core area of Guangdong-Hong Kong-Macao Greater Bay Area and the PRC government may plan to develop Nansha District as a comprehensive transportation hub of the Greater Bay Area. The projects for further development of Guangzhou Dehuang and its property have been proposed as the core infrastructure project of Guangzhou Nansha Economic and Technological Development Zone and has been recommended to be granted with the "green channel" so that the process of the project development will be speed up. The Group believes that the investment will allow the Company to step into this strategic location in China for development of the business of Macro China and DataCube and provide data modelling, big data analysis as well as AI and BI technology to the clients. With the Guangzhou Dehuang acquired, the Group is able to provide more comprehensive and integrated services to our clients all over PRC and Hong Kong and broaden its client base.

Meanwhile, the existing business of Macro Systems Limited and its subsidiaries ("Macro Group") and DataCube Research Centre, continue to bring synergies and refinement to the whole business of the Company.

* For identification purposes only.

Management Discussion and Analysis

MACRO

Business Transformation with unimpeded data support and transport

Established in 1997, Macro Systems Limited is a reputable company in providing diverse IT platform, digital solution and business consulting service. Holding a vision of "We Make IT Smart", Macro assists worldwide corporate clients to thrive for business success and perform digital transformation by its comprehensive solution and service portfolio. Over the past 23 years, Macro is committed to serving corporate clients with excellent quality which well recognized by the ISO/IEC 27001 international standard and more than 120 global certificates and partnerships.

Macro provides enterprises with the end-to-end product set. The completed IT platform, from IT Infrastructure, Cloud-ready to the Hybrid cloud platform, offers a stable and reliable foundation to support clients' business development. On top of it, Macro expands clients' workspace securely by the user-friendly Virtual Desktop Infrastructure ("VDI") solution. It successfully enables end-users to access their office desktop anywhere, anytime and maintain corporate data security and high productivity, especially in the recent circumstance that many enterprises and even the Hong Kong government department office announced the special work arrangement due to the coronavirus outbreak. In addition to the product and solution, Macro further completes the business scope by its reputable IT managed service brand, PrimeServe series, to deliver all products and solutions to clients in an easy and hassle-free manner that the quality is well proven by ISO/IEC 20000 international recognition.

To achieve the corporate vision, during the year ended 31 December 2019, Macro allied with various top-class industry elites to continuously push the enterprise market's digital transformation in Hong Kong. The effort is well affirmed by the sales and quality awards and partnerships title issued by various world-class partners. In 2019, we held hands tightly with our elite partners to organize different activities, such as Solution Experience Tour and various joint-promotion campaigns to penetrate the market deeper. More remarkably, during the year, we had involved in the development of the Hwawei Cloud Business. These cooperation allowed Macro to extend its business network with different partners who can create synergy to our business. More importantly, we gradually established our brand name in the cloud sector.

Apart from that, to provide our clients the most updated knowledge and market trend, we regularly organized various seminars and workshops. Across different aspects, from fundamental IT platform to work digitalization and even collaborate with the sister company, DataCube, to promote AI technology at our own venue, the Macro Solution Centre at Tsimshatsui. Those marketing activities had successfully attracted hundreds of enterprise clients' participation and in return, generated high exposures among our valuable clients and brought positive influence to the business directly in terms of both business opportunity and long-term clients relationship. Macro treasures very much of the communications and aims to maintain close relationships with every clients so that we can understand their technical needs, enabling us to tailor and develop products and services that cater and satisfy. In 2019, we succeeded to expand our clienteles range from various industries from banking, consumer goods, food & beverage, hotel and tourism, manufacturing and construction, property developers to public sectors of the Hong Kong Government and non-governmental organizations.

Management Discussion and Analysis

DATACUBE

Polishing data from rocks to diamonds

DataCube Research Centre, founded in 2017, is dedicated to promote data modelling, big data analysis as well as developing related technologies to expedite the adoption and drive the evolution of artificial intelligence and business intelligence ("BI") and across different industries and regions, so as to provide the technological platform and all related resources to drive the development of Smart Cities in Asia. Its services include machine learning model, visualization analytic dashboard, data engineering services (Data cleaning/ ETL/API integration), pre-setting hardware and cloud services. DataCube is here to help companies discover emerging trends and hidden insights, and adjust business strategies in an agile manner.

AI Book, is an innovative automated machine learning platform developed by DataCube. It embeds AI technologies such as deep learning, machine learning screening combing and analyzing data through four states. The automatic predictive power based on Internet of Things of AI Book, helps our client to solve complicated business problem and discover the root cause through self-service analytics for optimizing strategy. The AI Book analysis result will then be displayed on the BI Canvas platform. BI Canvas of DataCube is a self-service business intelligence platform, providing a variety of visual charts to help companies understand business value and trends from the data gathered with AI Book. The massive data are transformed into various charts and line graphs in real time mode. It is clear and easy to understand and helps decision makers to spot out business value and hidden trends, quickly response to the market and adjust business deployment.

During the year ended 31 December 2019, DataCube has kicked off to partner with various powerful vertical software partners with the vision to develop AI+ predictive modules jointly for improving the existing and new projects. We had projects with a well-known leading energy AIOT, Energy saving management contract provider for product research and development and market exploration in areas including Smart City, predictive analysis development and healthcare and epidemic prevention products. Currently, the product has been developed. It will generate more benefits on the data centers of "New Infrastructure" (which consumes huge amount of energy) when the product is finalized and matured. At the same time, it contributes to the reduction of carbon emission and environmental protection of the society.

We also entered into memorandum of understandings and strategic cooperation agreements with various corporations including public transportation and real estates companies. End of last year, DataCube signed an MOU with a reputable public transportation corporation in Hong Kong. Aiming for incident prediction and maintenance, we had achieved some actual progress on the project. Meanwhile, we had made consent with Huawei that we shall jointly cooperate, to take the abovementioned corporation as application scenarios, to improve the development of the abovementioned intelligent solutions, and create opportunities for entering the Chinese mass transportation market. Apart from that, DataCube, as an Advanced Technology Partner of Huawei Cloud, shall also introduce the same to the Smart Campus solution of Huawei Cloud.

Besides, in 2019, DataCube had participated in China Hi-Tech Fair, one of the largest technology expo and presented to over 500,000 visitors from all over the world, the latest technology and products DataCube offered.

During the Year, Macro Group has contributed a revenue of approximately HK$52,358,000 to the Group while DataCube had gradually engaged in more projects with different business partners. This encouraging result motivates the Directors and the Company to continue developing the business of Macro Group and DataCube.

OTHER BUSINESSES

In late March 2019, the Company has entered into a formal sales and purchase agreement (the "Agreement") with an independent third party (the "Fullpay Seller") in relation to the acquisition of 51% of the equity interest of FULLPAY K.K. (FULLPAY 株式會社) ("Fullpay") at a consideration of HK$15,300,000 (the "Acquisition"). The Company has subscribed 16.67% equity interest of Fullpay in January 2017, therefore upon the Acquisition, the Company owns 67.67% of the equity interest of Fullpay. On 31 December 2019, the Company and Fullpay Seller agreed to terminate the Fullpay Agreement and the Fullpay Seller agreed to return the deposit of HK$14,700,000 to the Company.

Meanwhile, on 16 December 2019, the Company has entered into a sales and purchase agreement with an independent third party in relation to the disposal of 16.67% of the equity interest of Fullpay at a consideration of HK$1,000,000. As at 31 December 2019, the Company no longer held any interest in Fullpay.

Other than the above, during the year, revenue from provision of information technology related services remained as staple income of the Group.

FUTURE PROSPECT

Agility for Business Success

What happened in the first few months of 2020 painted despair on the canvas of the year 2020. With the global outbreak of coronavirus, the socio-economic sentiment in general remains pessimistic. Nonetheless, with the hard work our Group done in 2019, we believe that we are more than well-equipped to turn the risk we face to opportunities.

Leveraging the membership of Hong Kong Smart City Consortium of CITD, we shall cement our brand name in the market and contribute to the establishment of Smart City in both Hong Kong and China by organizing various webinar or workshops to keep our client update with the latest knowledge. We shall also participate in large-scale exhibitions and events, like the Cloud Expo 2020 later this year to increase brand awareness, hence further expand our business footprints. Encouraged by the Nutanix Master Partner we achieved earlier in 2020, to enhance our competitiveness, we shall continue to strive for partnerships and recognitions.

Amid of the social instability and epidemic outbreak, having the mission to bring business agility to our clients, our VDI solution enables our client to continue their operations anywhere, anytime when "work from home" is practicing in many offices in Hong Kong and even government departments. Recently, the demand for remote desktop service shoots up due to the "work from home" arrangement, the number of clients for the VDI solution, especially from the banking, finance and insurance sector has increased significantly and we believe that it will have positive impact on the business of the Company. Meanwhile, to allow our customers to experience the business agility we bring, the Group will establish a brand-new, scenario driven business agility zone at our solution centre in Tsimshatsui.

Management Discussion and Analysis

Assisting our clients to manage their data and technical matters, we help lay a healthy root for their business to flourish with the data efficiently transmitted, accurately analyzed and insightfully predicted. Business strategy and decisions with higher productivity and cost effectiveness can be easily attained without compromising quality. In this ever-changing world, especially in the world of IT, we believe that what we built in 2019 not only will create business agility for our clients, but also to the business of the Group. Working together with our clients as well as our business partner, the Group believes that we shall bear fruits for our sustainable business in the years to come.

FINANCIAL REVIEW

Revenue

The Group's revenue for 2019 amounted to approximately HK$63,712,000, increased by 23.3% from approximately HK$51,666,000 in 2018. The increase in revenue is mainly attributable to the increase in number of IT projects obtained by Macro Group during the year.

Cost of sales and services

The Group had a total cost of sales and services of approximately HK$40,731,000 in 2019, which increased by 30.9%, compared with approximately HK$31,112,000 in 2018. The increase is in line with the increase in number of IT projects during the year.

Gross profit

The gross profit of the Group in 2019 amounted to approximately HK$22,981,000 which increased by approximately HK$2,427,000, compared with approximately HK$20,554,000 in 2018. The increase is mainly attributable to more IT projects were obtained during the year. The gross profit margin of Macro Group is about 22.2% for the year; whereas, it was about 17.3% in 2018.

Other income and gains

During the financial year ended 31 December 2019, the Group generated other income and gains of approximately HK$654,000 (2018: approximately HK$1,169,000) which comprised: (i) dividend income amounted to approximately HK$243,000 (2018: HK$160,000); (ii) gain on disposal of equity investments at fair value through other comprehensive income amounted to approximately HK$nil (2018: HK$65,000); (iii) foreign exchange gain of approximately HK$nil (2018: approximately HK$588,000); (iv) gain on disposal of property, plant and equipment of approximately HK$27,000 (2018: HK$nil) and (v) other miscellaneous items in an aggregate amounted of approximately HK$384,000 (2018: approximately HK$356,000).

Management Discussion and Analysis

Selling and distribution expenses

The Group's selling and distribution expenses in 2019 amounted to approximately HK$4,760,000, which decreased by 10.4%, compared with approximately HK$5,314,000 in 2018. The decrease was mainly due to decrease in promotional activities efforts of the Group during the year.

Administrative expenses

Administrative expenses of the Group in 2019 were approximately HK$41,757,000, decreased by 0.6%, compared to approximately HK$42,018,000 in 2018. The decrease is mainly due to reduction of unnecessary operation costs and the reduction of rental cost upon merging the offices of CITD and Macro during the year.

Gain on disposal of subsidiaries

During 2018, the Group recognized a gain of HK$11,662,000 from disposal of its equity interests in Rosy Beauty Investments Limited ("Rosy Beauty"), Pantosoft and China Information Technology Development Japan K.K. ("CITDJ"), which were completed on 9 January 2018, 5 June 2018 and 31 August 2018 respectively.

Fair value gain/(loss) on investments at fair value through profit or loss

As at 31 December 2019, the Group held an investment portfolio comprising of marketable securities that are listed on the Stock Exchange. The financial gain from the portfolio amounted to approximately HK$5,703,000 (2018: loss of approximately HK$19,461,000).

Change in fair value of investment properties

As at 31 December 2019, the Group recorded a decrease in fair value of investment properties of approximately HK$33,196,000 (2018: approximately HK$41,805,000) due to the recession of the property market in the PRC.

Finance costs

Finance costs of the Group for 2019 were approximately HK$6,557,000, an increase of approximately HK$1,600,000, comparing to approximately HK$4,957,000 in 2018. The increase is mainly due to the interest on promissory notes issued for acquiring 19% equity interest of Guangzhou Dehuang Investment Company Limited during the year.

Management Discussion and Analysis

Loss attributable to owners

The Group's loss attributable to owners of the Company was approximately HK$80,850,000 for 2019 as compared to approximately HK$75,308,000 in 2018. The increase in loss was mainly due to (i) the recognition of share options granted to employees and consultants for the amount of approximately HK$9,627,000; (ii) the loss on initial recognition of loan receivables of approximately HK$15,249,000; and (iii) the decrease in fair value of investment properties of approximately HK$33,196,000 in 2019.

FINANCIAL POSITION

Liquidity and financial resource

As at 31 December 2019, cash and bank balances held by the Group increased from approximately HK$4,658,000 as of 31 December 2018 to approximately HK$4,959,000.

As at 31 December 2019, the Group's total borrowings amounted approximately HK$106,712,000 (2018: approximately HK$52,921,000). The gearing ratio (calculated as total borrowings over total equity) of the Group was 0.28 (2018: 0.12). The increase in total borrowings is mainly due to the issuance of promissory note for acquisition of 19% equity interest in Guangzhou Dehuang during the year.

For the year ended 31 December 2019, the Group had capital expenditure of approximately HK$3,176,000 (2018: approximately HK$2,630,000) for addition of property, plant and equipment, and approximately HK$295,000 for further construction works of investment properties (2018: approximately HK$2,550,000 for addition of investment properties by acquisition of a subsidiary and further construction works).

Capital structure

As at 31 December 2019 and as at the date of this report, there are a total of 5,722,159,908 issued shares of the Company.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial condition, results of operations, and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to the Group's businesses. To their best of knowledge and belief, the Directors consider that the followings are the key risks and uncertainties identified by the Group as at the date of this report.

Foreign Exchange Rates Risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Liquidity Risk

Liquidity risk is the potential risk that the Group will be unable to meet its obligations when they fall due because of an inability to obtain adequate funding or liquidate assets. In managing liquidity risk, the Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

Price Risk

The Group's financial assets at fair value through profit or loss are measured at fair value at the end of each reporting period. Therefore, the Group is exposed to equity security price risk. The Directors manage this exposure by maintaining a portfolio of investments with different risk profiles.

EMPLOYEES AND REMUNERATION POLICIES

There were a total of 66 employees in the Group as of 31 December 2019 (2018: 59 employees). Total expenses on employee benefits amounted to approximately HK$23,361,000 (2018: approximately HK$25,117,000) of which HK$2,664,000 is related to equity-settled share-based payment for the year ended 31 December 2019. The management believes the remuneration packages offered by the Group to its employees are competitive.

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

During the year ended 31 December 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

SUBSEQUENT EVENTS

Save as disclosed in this report, there was no other subsequent event after the year ended 31 December 2019.

Biographical Information of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. WONG King Shiu, Daniel, aged 60, has been appointed as the chairman of the Board (the "Chairman") and chief executive officer (the "Chief Executive Officer") of the Company with effect from 25 November 2019. He has over 13 years of experience in natural resources industry and served as an executive director in a various natural resources company which is listed in Hong Kong. He also has extensive experience in the management and development of natural resources projects in China. He is currently an independent non-executive director of Huisheng International Holdings Limited (Stock Code: 1340). He was also an executive director of China Baoli Technologies Holdings Limited (Stock Code: 164) from 13 January 2012 to 3 October 2019. Mr. Daniel Wong joined the Group on 16 August 2017.

Mr. WONG Kui Shing, Danny, aged 60, holds a Bachelor of Arts degree from the University of Hong Kong. He ceased to be the Chairman and Chief Executive Officer on 25 November 2019. He is currently an executive director of Rosedale Hotel Holdings Limited (Stock Code: 1189) and a non-executive director of TFG International Group Limited (Stock Code: 542). Currently, he is also an independent non-executive director of Far East Holdings International Limited (Stock Code: 36) and Tech Pro Technology Development Limited, of which the listing of shares had been cancelled under Rule 6.01A on 2 March 2020. He was an executive director of Huiyin Holdings Group Limited (Stock Code: 1178) from 8 May 2017 to 10 April 2019, executive director of Larry Jewelry International Company Limited (Stock Code: 8351) from 3 October 2016 to 10 October 2019, and executive director of TFG International Group Limited (Stock Code: 542) from 21 August 2015 to 1 February 2019. He was also a vice chief executive officer of InvesTech Holdings Limited (Stock Code: 1087) ("InvesTech Holdings") from 27 June 2015 to 24 September 2015. He was a non-executive director and a member of the nomination committee of InvesTech Holdings from 24 September 2015 to 1 June 2017. He was a non-executive director of Shi Shi Services Limited (Stock Code: 8181) from 19 October 2015 to 18 January 2017. He was a former executive director and managing director of Emperor Culture Group Limited (Stock Code: 491). In addition, Mr. Wong was a former executive director of SMI Holdings Group Limited (Stock Code: 198). He has extensive exposure in the financial and investment fields for over 20 years and is well experienced in the international investment market. Mr. Wong joined the Group on 26 March 2015.

Mr. CHAN Kai Leung, aged 54, holds a BSc (Hons) Degree in Computing and Information Systems from London Metropolitan University. He is currently the director and general manager of Macro Systems Limited ("Macro Systems"), the subsidiary of the Company. He founded Macro Systems in 1997 and is responsible for providing Macro Systems the vision and leadership and supporting the continuous improvement of overall market strategy, business development and operation. Mr. Chan has more than 20 years' experience in information system. Mr. Chan joined the Group in December 2016 and appointed as an executive Director on 16 August 2017.

Biographical Information of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. HUNG Hing Man, aged 49, holds a master's degree in Business Administration from the University of Western Sydney. He is a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Taxation Institute of Hong Kong and the Society of Chinese Accountants and Auditors. Mr. Hung is currently a proprietor of a certified public accountants firm. He has extensive working experience in corporate finance, accounting, auditing and taxation sectors. Mr. Hung is also an independent non-executive director of Heng Tai Consumables Group Limited (Stock Code: 197) since 20 February 2017 and REXLot Holdings Limited (Stock Code: 555) since 1 January 2019 respectively. He was an independent non-executive director of the Hong Kong listed company, namely China Baoli Technologies Holdings Limited (Stock Code: 164) from 31 March 2009 to 21 September 2015 and Ping An Securities Group (Holdings) Limited (Stock Code: 231) from 23 September 2009 to 17 November 2015. Mr. Hung joined the Group on 24 April 2015.

Mr. WONG Hoi Kuen, aged 59, is a practising certified public accountant in Hong Kong and a chartered accountant in the United Kingdom. He is a fellow member of The Hong Kong Institute of Certified Public Accountants, The Association of Certified Public Accountants and The Institute of Chartered Accountants in England and Wales.

Mr. Wong is an independent non-executive director, members of audit committee and nomination committee of Elife Holdings Limited (Stock Code: 223) since 9 May 2011 and an independent non-executive director of REXLot Holdings Limited (Stock code: 555) since 29 June 2018. Mr. Wong was also an independent non-executive director, members of audit committee and nomination committee of China Baoli Technologies Holdings Limited (Stock Code: 164) from 13 February 2006 to 16 July 2018. Mr. Wong joined the Group on 16 August 2017.

Dr. CHEN Shengrong, aged 38, obtained a doctorate degree in Business Administration from the Pacific States University of the USA in 2011. She was an audit manager with Baker Tilly China Certified Public Accountants and had been the vice general manager of New Times Securities Company Limited in charge of risk control. From August 2014 to December 2016, Dr. Chen served as the vice president of finance of Skyslink New Energy Asset Management Limited. Since January 2017, she serves as the vice president of Sky Cloud Green Data Technology Co., Ltd.（天之雲綠色數據技術有限責任公司）. Dr. Chen has extensive experience in internal control of enterprises, risk control in investment businesses, project risk evaluation and assets restructuring management. Dr. Chen joined the Group on 30 January 2015.

COMPANY SECRETARY

Mr. Chang Ki Sum Clark, is a member of The Hong Kong Institute of Certified Public Accountants. Mr. Chang has 10 years of experience in auditing, accounting and company secretarial matters. Mr. Chang has obtained his bachelor degree of business administration in accountancy from the City University of Hong Kong in 2009. He is the founder and the managing director of Clark Chang & Co CPA Limited since December 2017. He had worked with Ming Lam Holdings Limited (Stock Code: 1106), a company listed on the Main Board of the Stock Exchange, as company secretary from May 2015 to September 2015. Mr. Chang is responsible for company secretarial and overall financial management matters of the Group.

Report of the Directors

The Directors present their report and the audited consolidated financial statements of China Information Technology Development Limited and its subsidiaries for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 40 to the consolidated financial statements. 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 indication of likely future developments in the Group's businesses and other relevant information, can be found in the Management Discussion and Analysis set out on pages 8 to 17 and the Chairman's Statement as set out on pages 5 to 7 of this report. Such discussion forms part of this Report of the Directors.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2019 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 47 to 50.

The audit committee of the Company (the "Audit Committee") has reviewed the draft audited consolidated financial statements and annual report before presenting them to the Board for consideration and approval.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2019.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited consolidated financial statements, is set out on page 121. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movement in the share capital and share options of the Company during the year are set out in note 36 and note 37 to the consolidated financial statements respectively.

EQUITY-LINKED AGREEMENTS

Save for the share option scheme adopted by the Company on 2 August 2012 ("Share Option Scheme") as disclosed in the section headed "Share Options" of this Report of the Directors, the Company has not entered into any equity-linked agreement for the year ended 31 December 2019.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association (the "Articles of Associations") or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 39 to the consolidated financial statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2019, the Company had no reserve available for distribution to shareholders (including share premium account, foreign currency translation reserve and retained earnings). Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its articles of association and provided that immediately following the distribution or dividend the Company is able to pay its debts as they fall due in the ordinary course of business, in accordance with the Company's Articles of Association, dividends shall be distributed out of the retained profits or other reserves, including the share premium account, of the Company.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 30.2% of the total sales for the year and sales to the largest customer included therein amounted to 9.4%. Purchases from the Group's five largest suppliers accounted for 70.4% of the total purchases for the year ended 31 December 2019 and purchase from the largest supplier included therein amounted to 25.8%.

None of the Directors or any of their associates or any shareholders of the Company (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers.

Report of the Directors

DIRECTORS

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

Executive Directors:

Mr. Wong King Shiu, Daniel *(appointed as Chairman and Chief Executive Officer on 25 November 2019)*
Mr. Wong Kui Shing, Danny *(ceased to be the Chairman and Chief Executive Officer on 25 November 2019)*
Mr. Chan Kai Leung
Mr. Tse Chi Wai *(retired as executive Director upon the conclusion of the annual general meeting on 28 June 2019 (the "AGM"))*
Mr. Takashi Togo *(retired as executive Director upon the conclusion of the AGM)*

Non-executive Director:

Mr. Wong Chi Yung *(retired as non-executive Director upon the conclusion of the AGM)*

Independent non-executive Directors:

Mr. Hung Hing Man
Mr. Wong Hoi Kuen
Dr. Chen Shengrong

In accordance with Articles 87(1) and 87(2) of the Company's Articles of Association, one-third of the Directors will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

CONFIRMATION OF INDEPENDENCE

The Company has received annual confirmations of independence from Mr. Hung Hing Man, Mr. Wong Hoi Kuen and Dr. Chen Shengrong and as at the date of this report still considers them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors of the Company and the senior management of the Group are set out on pages 18 to 19 of the annual report.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The Directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Board of Directors with reference to Directors' duties, responsibilities and performance and the results of the Group as well as the recommendation of the remuneration committee of the Company (the "Remuneration Committee"). Further details of the Directors' remuneration and the five highest paid individuals are set out in the Note 11 to the consolidated financial statements on pages 91 to 93 of the annual report.

PERMITTED INDEMNITY OF DIRECTORS

Pursuant to the Articles of Association, every Director or other senior officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto, and no director or other officer shall be liable for any loss, damages or misfortune which may happen to or be incurred by the Company in the execution of the duties of his office or in relation thereto. The Company has arranged appropriate directors' and officers' liability insurance coverage for the directors and officers of the Company during the year.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTION, ARRANGEMENT AND CONTRACTS

None of the Directors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES

At 31 December 2019, the interests and short positions of the Directors and chief executive of the Company in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise required pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange were as follows:

		Nature of Interest		Percentage of the Company's
Name	**Capacity**	**Registered Shareholder**	**Underlying Interest**	**issued share capital** *(approximate %)* *(Note a)*
Mr. Wong Kui Shing, Danny	Interest in controlled corporation *(Note b)*	403,971,449	—	7.06%
	Beneficial owner	147,816,000	5,688,000	2.68%
Mr. Wong King Shiu, Daniel	Beneficial owner	10,008,000	57,000,000	1.17%

Note:

(a) The percentage is calculated based on the total number of ordinary shares of the Company in issue as at the date of this report, which was 5,722,159,908 Shares.

(b) The 403,971,449 Shares are held by Discover Wide Investments Limited ("Discover Wide"), which is wholly-owned by Mr. Wong Kui Shing, Danny. Pursuant to the provisions 7 and 8 of Part XV of the SFO, Mr. Wong is deemed to have an interest in all shares in which Discover Wide has, or deemed to have an interest.

Save as disclosed above and in the section headed "Share Options", as at 31 December 2019 and as at of the date of this report, none of the Directors or chief executive had registered an interest or a short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise required pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

SHARE OPTIONS

On 11 April 2017, the Company granted a total of 571,200,000 Options with rights to subscribe for 571,200,000 ordinary shares of HK$0.1 each in the share capital of the Company under the Share Option Scheme.

On 27 September 2017, the Company granted a total of 571,200,000 Options with rights to subscribe 571,200,000 ordinary shares of HK$0.1 each in the share capital of the Company under the Share Option Scheme.

On 21 June 2019, the Company granted a total of 217,056,000 Options with rights to subscribe 571,200,000 ordinary shares of HK$0.1 each in the share capital of the Company under the Share Option Scheme.

As at the date of this report, details of the Options granted and remain effective are as follows:

				Number of share options			
Name of Grantees	Position held with the Company	Date of Grant	Exercise period	Outstanding as at 1 January 2019	Lapsed during the year	Outstanding as at 31 December 2019	Exercise price per share
Directors							
Mr. Wong King Shiu, Daniel	Executive Director	27 September 2017	27 September 2017 - 26 September 2027	57,000,000	—	57,000,000	HK$0.130
Mr. Wong Kui Shing, Danny	Executive Director	11 April 2017	11 April 2017 - 10 April 2027	5,688,000	—	5,688,000	HK$0.153
Mr. Chan Kai Leung	Executive Director	27 September 2017	27 September 2017 - 26 September 2027	5,016,000	—	5,016,000	HK$0.130
Mr. Hung Hing Man	Independent non-executive Director	11 April 2017	11 April 2017 - 10 April 2027	2,016,000	—	2,016,000	HK$0.153
Dr. Chen Shengrong	Independent non-executive Director	11 April 2017	11 April 2017 - 10 April 2027	2,016,000	—	2,016,000	HK$0.153
Mr. Wong Hoi Kuen	Independent non-executive Director	27 September 2017	27 September 2017 - 26 September 2027	2,016,000	—	2,016,000	HK$0.130
Former Directors							
Ms. Wu Jingjing	Executive Director (currently vice president of Business Development Department of the Company)	11 April 2017	11 April 2017 - 10 April 2027	2,016,000	—	2,016,000	HK$0.153
Mr. Tse Chi Wai	Executive Director (currently consultant of the Company)	11 April 2017	11 April 2017 - 10 April 2027	57,000,000	—	57,000,000	HK$0.153
Mr. Takashi Togo	Executive Director (currently consultant of the Company)	11 April 2017	11 April 2017 - 10 April 2027	57,000,000	—	57,000,000	HK$0.153
Mr. Wong Chi Yung	Non-executive Director (currently consultant of the Company)	11 April 2017	11 April 2017 - 10 April 2027	33,000,000	—	33,000,000	HK$0.153
	Sub-total			222,768,000	—	222,768,000	

			Number of share options					
Name of Grantees	Date of Grant	Exercise period	Outstanding as at 1 January 2019	Granted on 21 June 2019	Exercised on 11 July 2019	Lapsed during the year	Outstanding as at 31 December 2019	Exercise price per share
Other employees	11 April 2017	11 April 2017 - 10 April 2027	202,968,000	—	—	—	202,968,000	HK$0.153
	27 September 2017	27 September 2017 - 26 September 2027	334,680,000	—	—	—	334,680,000	HK$0.130
	21 June 2019	21 June 2019 - 20 June 2029	—	60,048,000	—	—	60,048,000	HK$0.100
Consultants of the Company	11 April 2017	11 April 2017 - 10 April 2027	202,992,000	—	—	—	202,992,000	HK$0.153
	27 September 2017	27 September 2017 - 26 September 2027	171,000,000	—	—	—	171,000,000	HK$0.130
	21 June 2019	21 June 2019 - 20 June 2029	—	157,008,000	10,008,000	—	147,000,000	HK$0.100
	Total		**1,134,408,000**	**217,056,000**	**10,008,000**	**–**	**1,341,456,000**	

All the outstanding Options granted on 11 April 2017 are exercisable during the period from date of grant to 10 April 2027 at an exercise price of HK$0.153 per share. The closing price per share immediately before the date of grant on 11 April 2017 was HK$0.145.

All the outstanding Options granted on 27 September 2017 are exercisable during the period from date of grant to 26 September 2027 at an exercise price of HK$0.130 per share. The closing price per share immediately before the date of grant on 27 September 2017 was HK$0.130.

All outstanding Options granted on 21 June 2019 are exercisable during the period from date of grant to 20 June 2029 at an exercise price of HK$0.100 per share. The closing price per share immediately before the date of grant on 21 June 2019 was HK$0.091.

Subsequently, 10,008,000 Options (granted on 21 June 2019) were lapsed in January 2020 and 57,000,000 Options (granted on 27 September 2017) were lapsed in February 2020.

Save as disclosed above, none of the outstanding Options were exercised or cancelled or lapsed during the year ended 31 December 2019.

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

At 31 December 2019, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in ordinary shares of the Company:

Name	**Capacity and nature of interest**	**Number of ordinary shares held**	**Percentage of the Company's issued share capital** *(Note a)*
Mr. Zhang Rong	Beneficially owner	748,144,000 *(Registered Shareholder)*	13.07%
Discover Wide Investments Limited	Beneficially owner	403,971,449 *(Registered Shareholder)*	7.06%

Note:

(a) The percentage is calculated based on the total number of ordinary shares of the Company in issue as at the date of this report, which was 5,722,159,908 Shares.

Save as disclosed above, as at 31 December 2019, no person, other than the Directors of the Company, whose interests are set out in the section "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares and Debentures" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

ENVIRONMENTAL, SOCIAL AND CORPORATE RESPONSIBILITY

As a responsible corporation, the Group is committed to maintaining the highest environmental and social standards to ensure sustainable development of its business. The Group has complied with all relevant laws and regulations in relation to its business including health and safety, workplace conditions, employment and the environment. The Group understands a better future depends on everyone's participation and contribution. It has encouraged employees, customers, suppliers and other stakeholders to participate in environmental and social activities which benefit the community as a whole.

The details of environmental, social and governance policies and performance of the Group will be disclosed in a standalone Environmental, Social and Governance Report, which will be issued in or before June 2020.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and management of the Company are aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year under review, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

RELATIONSHIP WITH STAKEHOLDERS

The Group is committed to operate in a sustainable manner while balancing the interests of its various stakeholders including customers, suppliers and employees. Through regular stakeholder engagement via different channels, the stakeholders are encouraged to give their opinions regarding the environmental, social and governance policies of the Group.

The Group maintains strong relationships with its employees and offers them with safe working environments. The Group has enhanced cooperation with its suppliers and has provided high quality products and services to its customers so as to ensure sustainable development.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year ended 31 December 2019 and up to the date of this report, the Directors had an interest in any business apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business that need to be disclosed pursuant to the GEM Listing Rules were as follows:

Name of Director	Name of Company	Nature of Business	Nature of interest
Wong Kui Shing, Danny	TFG International Group Limited ("TFG"), Stock Code: 542	Money Lending Business	Non-executive director of TFG
	Huiyin Holdings Group Limited ("Huiyin"), Stock Code: 1178	Money Lending Business	Executive director of Huiyin *(resigned as director of Huiyin with effect from 10 April 2019)*
Wong King Shiu, Daniel	Huisheng International Holdings Limited ("Huisheng"), Stock Code: 1340	Money Lending Business	Independent non-executive director of Huisheng

As the Board is independent to the boards of the above mentioned companies, the Group is capable of carrying on its business independently of and at arm's length, from the business of those companies.

During the year and up to the date of this report, save as disclosed above, none of the Directors or the controlling shareholders (as defined in the GEM Listing Rules) of the Company were considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

Report of the Directors

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

CORPORATE GOVERNANCE

The Company's corporate governance report is set out on pages 30 to 42.

AUDITORS

ZHONGHUI ANDA CPA Limited retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Mr. Wong King Shiu, Daniel
Chairman and Chief Executive Officer

Hong Kong
27 March 2020

Corporate Governance Report

INTRODUCTION

The Company has complied with the code provisions (the "Code Provision(s)") of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 of the GEM Listing Rules (the "Code") for the year ended 31 December 2019, except for the following:

Code Provision A.2.1

Chairman and Chief Executive Officer

Code Provision A.2.1 stipulates the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Mr. Wong Kui Shing, Danny served as both the Chairman and the Chief Executive Officer until 25 November 2019. Thereafter, Mr. Wong King Shiu, Daniel has been appointed as the Chairman and Chief Executive Officer of the Company with effect from 25 November 2019, such practice deviates from code provision A.2.1 of the Code. The Board is of the opinion that it is appropriate and in the best interests of the Company for the same person to hold both positions as it helps maintain the continuity of the policies and the stability of the operations of the Company.

Code Provision A.2.7

Code Provision A.2.7 stipulates that the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present.

The board meetings of the Company held during the year had included the participation of the executive Directors, yet the non-executive Directors (including independent non-executive Directors) could freely provide their independent opinion to the Board.

The Company will endeavor to arrange the meetings for the Chairman with the non-executive Director (including the independent non-executive Directors) so as to comply with the requirement of Code Provision A.2.7.

Code Provision A.4.1

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term.

None of the non-executive Directors is appointed for a specific term, which constitutes a deviation from Code Provision A.4.1. Nonetheless, in accordance with the Articles of Association of the Company, all non-executive Directors are subject to retirement by rotation. The Company considers that there are sufficient measures to ensure the corporate governance standard of the Company is not less exacting than the Code.

Code Provision E.1.2.

Code Provision E.1.2 of the Code stipulates that the chairman of the board should attend the annual general meeting.

Mr. Wong Kui Shing, Danny, the then Chairman was unable to attend the annual general meeting on 28 June 2019 ("AGM") due to other business commitment. An executive Director of the Company chaired AGM and answered questions from the shareholders. The AGM provides a channel for communication between the Board and the shareholders. Other than the AGM, the shareholders may communicate with the Company through the contact information listed on the Company's website. The Company will endeavor to ensure of the attendance of the Directors so as to comply with the requirement of Code Provision E.1.2.

BOARD OF DIRECTORS AND ITS RESPONSIBILITIES

The Board, which currently comprises six Directors, including three executive Directors and three independent non-executive Directors. The Board is responsible for corporate strategy, annual, interim and quarterly results, succession planning, internal control and risk management, major acquisitions, disposals and capital transactions, and other significant operational and financial matters of the Company. Major corporate matters that are specifically delegated by the Board to the management include the preparation of annual, interim and quarterly accounts for board approval before public reporting, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of risk management and internal controls procedures, and compliance with relevant statutory requirements and rules and regulations.

All Directors have given sufficient time and attention to the affairs of the Group. Each executive Director and non-executive Director (including the independent non-executive Director) has sufficient experience, knowledge and execution ability to hold the position so as to carry out his duties effectively and efficiently.

Upon reasonable request, the Directors are enabled to seek independent professional advice in appropriate circumstances to assist them perform their duties to the Company.

The composition of the Board, details of backgrounds and qualifications of all Directors are set out in the "Corporate Information" and "Biographical Details of Directors and Senior Management" sections of this annual report. The latest list of Directors setting out their roles and responsibilities is available and accessible at the websites of the Company (http://www.citd.com.hk) and the Stock Exchange (www.hkexnews.hk).

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding the director's securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.46 to 5.67 of the GEM Listing Rules. The Directors have confirmed that they have complied with the GEM Listing Rules throughout the year ended 31 December 2019.

TRAINING, INDUCTION AND CONTINUING DEVELOPMENT OF DIRECTORS

Each Director receives comprehensive, formal and tailored induction on the first occasion of his appointment so as to ensure the he has appropriate understanding of the business and operations of the Company and that he is fully aware of his responsibilities and obligations under the GEM Listing Rules and relevant regulatory requirements. The Company is committed to arranging and funding suitable training to all Directors for their continuous professional development.

During the year, each Director is briefed and updated from time to time to ensure that he is fully aware of his responsibilities under the GEM Listing Rules and applicable legal and regulatory requirements and the governance policies of the Group. All Directors also understand the importance of continuous professional development and are committed to participating any suitable training to develop and refresh their knowledge and skills.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The executive Directors and non-executive Directors have not entered into any service contract with the Company with a fixed term, yet all the Directors of the Company are subject to retirement and re-election at the forthcoming general meeting of the Company after his appointment and will also be subject to retirement but rotation and re-election in accordance with the Articles of Associations and the Code.

BOARD MEETING

During the year of 2019, the board held totally 15 board meetings and 2 general meetings. The attendance of each Director are set out below:

Name of Director	**Attendance/ Number of board meetings held**	**Attendance/ Number of general meeting held**
Executive Directors:		
Mr. Wong King Shiu, Daniel *(appointed as the Chairman and Chief Executive Officer since 25 November 2019)*	15/15	2/2
Mr. Wong Kui Shing, Danny *(ceased to be the Chairman and Chief Executive Officer from 25 November 2019)*	6/15	0/2
Mr. Chan Kai Leung	15/15	2/2
Mr. Tse Chi Wai *(retired upon the conclusion of AGM on 28 June 2019)*	6/6	0/1
Mr. Takashi Togo *(retired upon the conclusion of AGM on 28 June 2019)*	0/6	0/1

Name of Director	**Attendance/ Number of board meetings held**	**Attendance/ Number of general meeting held**
Non-executive Director:		
Mr. Wong Chi Yung *(retired upon the conclusion of AGM on 28 June 2019)*	4/6	0/1

Name of Director	Attendance/ Number of board meetings held	Attendance/ Number of general meeting held
Independent non-executive Directors:		
Mr. Hung Hing Man	15/15	2/2
Mr. Wong Hoi Kuen	15/15	2/2
Dr. Chen Shengrong	10/15	0/2

At least 14 days' notice of a Board meeting is normally given to all Directors who are given an opportunity to include matters for discussion in the agenda. The Board's procedures comply with the Articles of Association, as well as relevant rules and regulations.

If a Director has a conflict of interest in relation to a transaction or proposal to be considered by the Board, the individual is required to declare such interest and to abstain from voting. The matter is considered at a Board meeting attended by Directors who have no material interest in the transaction.

Board minutes of each Board meeting are kept by the Company Secretary and are open for inspection at any reasonable time on reasonable notice by any Director.

NON-EXECUTIVE DIRECTORS

The Board fulfilled the requirement of appointing at least three independent non-executive directors and they represented at least one-third of the Board as stipulated by the GEM Listing Rules. It met the requirement of having at least one of the independent non-executive directors with appropriate professional qualifications or accounting or related financial management expertise. The independent non-executive Directors have appropriate and sufficient experience and qualification to carry out their duties so as to fully represent the interests of the shareholders.

The Company has received from each independent non-executive Director an annual confirmation for independence pursuant to Rule 5.09 of the GEM Listing Rules. The independent non-executive Directors have confirmed that they are independent.

DIRECTORS' AND OFFICERS' INSURANCE

The Company has arranged for appropriate liabilities insurance for the Directors to cover their liabilities arising out of corporate activities.

CORPORATE GOVERNANCE FUNCTION

The Board is responsible for the corporate governance functions, which include but not limited to the following duties:

(a) To develop and review the Company's policies and practices on corporate governance;

(b) To review and monitor the training and conditions professional development of Directors and senior management;

(c) To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) To develop, review and monitor the code of conduct applicable to employees and Directors; and

(e) To review the Company's compliance with the Code and disclosure in the Corporate Governance Report.

During the year, the Board has reviewed and discharged the above corporate governance functions.

REMUNERATION COMMITTEE

The Company established a remuneration committee (the "Remuneration Committee") with written terms of reference in compliance with Rules 5.34 to 5.36 of the GEM Listing Rules.

During the year under review, members of the Remuneration Committee are Mr. Wong Hoi Kuen (Committee Chairman), Mr. Hung Hing Man, Dr. Chen Shengrong. All of the Remuneration Committee members are independent non-executive Directors.

Its main role and function included the recommendations of specific remuneration packages of all executive directors, including benefits in kind, pension rights and compensation payments, any compensation payable for loss or termination of their office or appointment, and making recommendations to the Board on the remuneration of non-executive directors and senior management of the Company. The Remuneration Committee will consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration.

During the year of 2019, 2 Remuneration Committee meetings were held. The attendance of each member is set out below:

Name of member	Attendance/ Number of meetings held
Mr. Wong Hoi Kuen *(Committee Chairman)*	2/2
Mr. Hung Hing Man	2/2
Dr. Chen Shengrong	2/2

The works performed by the Remuneration Committee during the year include the following:

- reviewed and determined the policy for the remuneration of Directors and senior management;
- reviewed and recommended the remuneration package of the Directors and senior management of the Company;
- reviewed and approved the terms of executive Directors' service contract.

No Director nor any of his/her associates was involved in deciding his/her own remuneration.

For the year, the remuneration payable (including equity-settled share option expense) to a senior management (excluding Directors) fell within the band of HK$nil to HK$500,000.

Further details of the remuneration of the Directors and the five highest paid individuals are set out in note 11 to the financial statements.

NOMINATION OF DIRECTORS

The Board is empowered under the Company's Articles of Association to appoint any person as a director either to fill a casual vacancy or, subject to authorisation by the shareholders of the Company in general meeting, as an additional member of the Board. The Company has adopted the nomination policy (the "Nomination Policy") with effect from 1 January 2019. The Nomination Policy sets out the procedures, process and criteria for identifying and recommending candidates for election to the Board of Directors. The criteria for recommending the suitable candidates for directorship include (i) reputation for integrity, (ii) qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy, (iii) commitment in respect of sufficient time and relevant interest; (iv) diversity in all its aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service, and (v) such other perspectives appropriate to the Company's business. These factors are for reference only, and not meant to be exhaustive and decisive. The nomination committee of the Company (the "Nomination Committee") has the discretion to nominate and recommend any person, as it considers appropriate to the Board for further approval.

The Nomination Committee shall review and recommend to the Board on any revisions to the Nomination Policy to ensure its transparent and fair for the election or re-election process of directors, remains relevant to the Company needs and reflects the good corporate governance practice. The Nomination Committee will discuss any revisions that may be required, and recommend any such revision to the Board for consideration and approval.

During the year ended 31 December 2019, no candidate was nominated for directorship.

BOARD DIVERSITY POLICY

The Company recognises that increasing diversity at the Board level will support the attainment of the Company's strategic objectives and sustainable development. The Board has adopted a board diversity policy (the "Board Diversity Policy") which sets out the approach to achieve and maintain diversity on the Board.

Pursuant to the Board Diversity Policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and other qualities.

The Company also takes into consideration its own business model and specific needs from time to time in determining the optimal composition of the Board. Nomination Committee has considered measurable objectives based on four focus areas: gender, age, professional experience and ethnicity to implement the Board Diversity Policy. Such objectives will be reviewed from time to time to ensure their appropriateness and the progress made towards achieving those objectives will be ascertained.

Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness at least once annually. The Board Diversity Policy is available on the website of the Company for public information.

NOMINATION COMMITTEE

The Company established a Nomination Committee with written terms of reference in compliance with Code Provisions A.5.1 to A.5.6 of Appendix 15 of the GEM Listing Rules.

During the year under review, members of the Nomination Committee are Mr. Hung Hing Man (Committee Chairman). Dr. Chen Shengrong and Mr. Wong Hoi Kuen. All of the Nomination Committee members are independent non-executive Directors.

The Nomination Committee is responsible for reviewing the structure, size and composition of the Board at least annually, making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships, assessing the independence of independent non-executive directors and making recommendations to the Board on the appointment, re-appointment and succession of directors.

During the year of 2019, 3 Nomination Committee meetings were held. The attendance of each member is set out below:

Name of member	Attendance/ Number of meetings held
Mr. Hung Hing Man *(Committee Chairman)*	3/3
Mr. Wong Hoi Kuen	3/3
Dr. Chen Shengrong	3/3

The works performed by the Nomination Committee during the year include the following:

- reviewed the structure, size and composition of the Board according to the board diversity and the development of the Company and the market situation;

- accessed the independence of independent non-executive Directors;

- made 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 officer of the Company;

- made recommendation for the appointment of Mr. Wong King Shiu, Daniel, a current executive Director as the Chairman and Chief Executive Officer of the Company with effect from 25 November 2019, based on the procedures and the process and criteria set out in the Nomination Policy and the business operations and conditions of the Company.

AUDIT COMMITTEE

The Company established an audit committee of the Company (the "Audit Committee") with written terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules.

During the year under review, members of the Audit Committee are Mr. Hung Hing Man (Committee Chairman), Dr. Chen Shengrong and Mr. Wong Hoi Kuen. All of the Audit Committee members are independent non-executive Directors.

The duties of the Audit Committee include supervising the financial reporting procedure and reviewing the consolidated financial statements of the Group, examining and monitoring the internal control and risk management systems adopted by the Group and reviewing the relevant work of the Group's external auditor. The Audit Committee had reviewed this annual report and confirmed that it complies with the applicable standard, the GEM Listing Rules and other applicable legal requirements and the adequate disclosures have been made. There is no disagreement between the members of the Audit Committee regarding the selection and appointment of external auditors.

During the year of 2019, 4 Audit Committee meetings were held. The attendance of each member is set out below:

Name of member	Attendance/ Number of meetings held
Mr. Hung Hing Man *(Committee Chairman)*	4/4
Mr. Wong Hoi Kuen	4/4
Dr. Chen Shengrong	4/4

The works performed by the Audit Committee during the year include the following:

- reviewed the annual report and the annual results announcement of the Company for the year ended 31 December 2018;
- reviewed the first quarterly report and results announcement of the Company for the three months ended 31 March 2019;
- reviewed the interim report and the interim results announcement of the Company for the six months ended 30 June 2019;
- reviewed the third quarterly report and results announcement of the Company for the nine months ended 30 September 2019;
- reviewed the risk management and internal control systems of the Group;
- reviewed the effectiveness of the internal audit of the Company;
- reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting functions;
- considered the re-election of auditors of the Company and discussing with the auditors about the audit plan.

FINANCIAL REPORTING

With the assistance of the accounting department of the Company, the Directors acknowledge their responsibility for preparing the financial statements of the Group for the year ended 31 December 2019 and confirm that the financial statements contained herein give a true and fair view of the results and state of affairs of the Group for the year under review. The Directors consider that the financial statements have been prepared in conformity with the statutory requirements including the Hong Kong Companies Ordinances and the Listing Rules and the applicable accounting standards including the International Financial Reporting Standards, Hong Kong Financial Reporting Standards. These statutory requirements and applicable accounting standards have been consistently used and applied and reasonable judgements and estimates are properly made. The Board aims to present a clear and balanced assessments of the Group's performance in the annual, interim and quarterly reports to the shareholders, and make appropriate disclosure and announcements in a timely manner. During the year of 2019, 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 Directors' responsibilities for the consolidated financial statements and the responsibilities of the external auditors to the shareholders are set out on page 46.

AUDITORS' REMUNERATION

The Audit Committee is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect on the Company. During the year ended 31 December 2019, the remuneration paid or payable to the external auditors of the Company, ZHONGHUI ANDA CPA Limited, in respect of the audit and non-audit services were as follows:

Services rendered	**Fees paid/payable** (HK$'000)
Audit services	680
Non-audit services	190

The non-audit services provided by ZHONGHUI ANDA CPA Limited to the Group during the year is related to the circular and issuance of comfort letter on capital sufficiency for disposal of 100% equity interest in Joyunited Investments Limited.

RISK MANAGEMENT AND INTERNAL CONTROL

The main features of the risk management and internal control systems of the Group are to provide a clear governance structure, policies and procedures, as well as reporting mechanism to facilitate the Group to manage its risks across business operations, to safeguard the shareholders' investment and the Group's assets and to ensure strict compliance with relevant laws, rules and regulations. The Group has established a risk management framework, which consists of the Board, the Audit Committee and the senior management of the Group ("Senior Management"). The Board determines the nature and extent of risks that shall be taken in achieving the Group's strategic objectives. The Audit Committee is responsible for reviewing the effectiveness of the risk management and internal control systems and reporting to the Board. The Board, through the Audit Committee, conducts reviews of the effectiveness of such systems at least annually, covering all material controls including financial, operational and compliance controls.

The Group has formulated and adopted risk management policy in providing directions in identifying, evaluating and managing significant risks. At least on an annual basis, the senior management identifies risks that would adversely affect the achievement of the Group's objectives, and assesses and prioritizes the identified risks according to a set of standard criteria. Risk mitigation plans and risk owners are then established for those risks considered to be significant.

In addition, the Group has engaged an independent professional advisor to assist the Board and the Audit Committee in ongoing monitoring of the risk management and internal control systems of the Group and in performing the internal audit functions for the Group. Deficiencies in the design and implementation of internal controls are identified and recommendations are proposed for improvement. Significant internal control deficiencies are reported to the Audit Committee and the Board on a timely basis to ensure prompt remediation actions are taken.

Risk management report and internal control report are submitted to the Audit Committee and the Board at least once a year. The Board, through the Audit Committee, had performed annual review on the effectiveness of the Group's risk management and internal control systems, including but not limited to the Group's ability to cope with its business transformation and changing external environment; the scope and quality of management's review on risk management and internal control systems; result of internal audit work; the extent and frequency of communication with the Board in relation to result of risk and internal control review; significant failures or weaknesses identified and their related implications; and status of compliance with the Listing Rules. The Board considers the Group's risk management and internal control systems were effective during the year. The risk management and internal control systems of the Group are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

COMPANY SECRETARY

Mr. Tse Chi Wai, former Director acted as the Company Secretary until his resignation with effect from 18 June 2019. Mr. Chang Ki Sum, Clark has been appointed as the Company Secretary with effect from 18 June 2019.

As at 31 December 2019, the Company Secretary of the Company, Mr. Chang Ki Sum, Clark, fulfilled the requirement under Rules 5.14 and 5.15 of the GEM Listing Rules. As an employee of the Company, the Company Secretary supports the Board, ensures good information flow within the Board and Board policy and procedures are followed; advises the Board on governance matters, facilitates induction and monitors the training and continuous professional development of directors. He has attained not less than fifteen hours of relevant professional training during the year. His biography is set out in the "Biographical Information of Directors and Senior Management" section of this annual report.

INSIDE INFORMATION

Guidelines are provided to the Directors, management and relevant staff (likely possessing the unpublished inside information) of the Group to ensure that the inside information of the Group is to be disseminated to the public in equal and timely manner in accordance with the applicable laws and regulations. The procedures include, among others, regularly remind the Directors, management and relevant staff about the compliance with the securities dealing restrictions as set out in Rules 5.48 to 5.67 of the GEM Listing Rules and the notification of the blackout period applicable to the publication of the annual, interim and quarterly results of the Company respectively.

All Directors and those employees who could have access to, and monitor, the information of the Group are responsible for making appropriate precautions to prevent abuse or misuse of such information. Employees of the Group are prohibited from using inside information for their own benefit.

SHAREHOLDERS' RIGHTS

In accordance with the Company's Article 58, any shareholder or shareholders of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionists themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Board shall be reimbursed to the requisitionists by the Company.

Shareholders may put forward their enquiries about the Company to the Board or the Company Secretary at the Company's head office in Hong Kong.

DIVIDEND POLICY

The dividend policy of the Company has been adopted on 31 December 2018 which sets out the factors in determination of dividend payment of the Company (the "Dividend Policy").

Under the Dividend Policy, the declaration and payment of dividends shall be in accordance with the applicable laws and the relevant provisions of articles of association of the Company effective from time to time.

In deciding whether to propose a dividend and in determining an appropriate basis for dividend distribution, the Board will take into account, inter alia, the Group's earnings, reasonable return in investment of the investors and the shareholders in order to provide incentive to them to continue to support the Company in their long-term development, the financial conditions, business plan, future operations and earnings, capital requirement and expenditure plans of the Company, any restrictions on payment of dividends that may be imposed by the Group's lenders, the general market sentiment and circumstances and any other factors the Board deems appropriate.

The Company will continually review the Dividend Policy as appropriate from time to time. There is no guarantee that any particular amount of dividends will be distributed for any specific periods.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Board is committed to maintaining a high degree of corporate transparency, as well as establishing a policy of open communication with shareholders having the aim to ensure shareholders be provided with information about the Company and enable them to engage actively with the Company and to exercise their rights.

The Company communicates with shareholders and investors through various channels including publication of quarterly, interim and annual reports, announcements, circulars and other corporate information available on the websites of the Hong Kong Stock Exchange and/or the Company.

The Company's general meeting provides valuable opportunities for the Board to have face-to-face communication with the shareholders. The Company encourages the participation of the shareholders through annual general meeting and other general meetings where the shareholders exchange views with the Board, and to exercise their rights to vote at meetings.

There was no significant change in the Company's constitutional documents for the year ended 31 December 2019.

ENQUIRES TO THE BOARD

Shareholders may at any time send their enquiries and concerns to the Board in writing through the company secretary of the Company whose contact details are as follows:

Unit 3308, 33/F., Millennium City 6, 392 Kwun Tong Road, Kwun Tong, Hong Kong

Shareholders may also make enquiries with the Board at the general meetings of the Company.

Independent Auditor's Report

To the shareholders of
China Information Technology Development Limited
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of China Information Technology Development Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 47 to 120, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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 (the "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. We have determined the matters described below to be the key audit matters to be communicated in our report.

Investment properties

Refer to note 15 to the consolidated financial statements.

The Group measured its investment properties at fair value with the changes in fair value recognised in the consolidated profit or loss. This fair value measurement is significant to our audit because the balance of investment properties of approximately HK$298,672,000 as at 31 December 2019 and fair value loss of HK$33,196,000 for the year then ended are material to the consolidated financial statements. In addition, the Group's fair value measurement involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

— Assessing the competence, independence and integrity of the external valuer engaged by the Group;

— Obtaining the external valuation report and meeting with the external valuer to discuss and challenge the valuation process, methodologies used and market evidence to support significant judgments and assumptions applied in the valuation model;

— Checking key assumptions and input data in the valuation model to supporting evidence;

— Checking arithmetical accuracy of the valuation model; and

— Assessing the disclosure of the fair value measurement in the consolidated financial statements.

We consider that the Group's fair value measurement of the investment properties is supported by the available evidence.

Loan receivables

Refer to note 23 to the consolidated financial statements.

The Group tested the amount of loan receivables from borrowers for impairment. This impairment test is significant to our audit because the balance of loan receivables of approximately HK$116,577,000 as at 31 December 2019 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on estimates.

Our audit procedures included, among others:

— Assessing the Group's procedures on granting credit periods to the borrowers;

— Evaluating the Group's impairment assessment;

— Obtaining confirmation from the borrowers;

— Assessing aging of the debts; and

— Checking subsequent settlements from the borrowers.

We consider that the Group's impairment test for the loan receivables is supported by the available evidence.

Other information

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

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

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

Responsibilities of Directors for the Consolidated Financial Statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with 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.

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. We report our opinion solely to you, as a body, 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.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at:
http://www.hkicpa.org.hk/en/standards-and-regulations/standards/auditing-assurance/auditre/
This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Fong Tak Ching
Audit Engagement Director
Practising Certificate Number P06353
Hong Kong, 27 March 2020

Consolidated Statement of Profit or Loss

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000 (Restated)
INTEREST REVENUE		**11,177**	14,033
OTHER REVENUE		**52,535**	37,633
TOTAL REVENUE	*6&7*	**63,712**	51,666
Cost of sales and services		**(40,731)**	(31,112)
Gross profit		**22,981**	20,554
Bank interest income		**13**	2
Other income and gains	*8*	**654**	1,169
Selling and distribution expenses		**(4,760)**	(5,314)
Administrative expenses		**(41,757)**	(42,018)
Gain on disposal of subsidiaries		**—**	11,662
Loss on initial recognition of loan receivables	*32*	**(15,249)**	—
Loss on early redemption of promissory notes	*32*	**(421)**	—
Equity-settled share-based payment expenses		**(9,627)**	—
Fair value gain/(loss) on investments at fair value through profit or loss		**5,703**	(19,461)
Change in fair value of investment properties		**(33,196)**	(41,805)
Finance costs	*9*	**(6,557)**	(4,957)
LOSS BEFORE TAX	*10*	**(82,216)**	(80,168)
Income tax credit	*12*	**281**	1,913
LOSS FOR THE YEAR		**(81,935)**	(78,255)
Attributable to:			
Owners of the Company		**(80,850)**	(75,308)
Non-controlling interests		**(1,085)**	(2,947)
		(81,935)	(78,255)
LOSS PER SHARE	*14*		
Basic		**HK(1.41) cents**	HK(1.32) cents
Diluted		**HK(1.41) cents**	HK(1.32) cents

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	2019 **HK$'000**	2018 HK$'000 (Restated)
LOSS FOR THE YEAR	**(81,935)**	(78,255)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Items that may be reclassified to profit or loss:		
Exchange differences reclassified to profit or loss on disposal of subsidiaries	**–**	(2,986)
Exchange differences on translation of foreign operations	**(5,571)**	(12,676)
Items that will not be reclassified to profit or loss:		
Change in fair value of equity investments at fair value through other comprehensive income	**4,852**	(689)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF INCOME TAX	**(719)**	(16,351)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(82,654)**	(94,606)
Attributable to:		
Owners of the Company	**(81,583)**	(91,660)
Non-controlling interests	**(1,071)**	(2,946)
	(82,654)	(94,606)

Consolidated Statement of Financial Position

At 31 December 2019

	Notes	At 31 December 2019 HK$'000	At 31 December 2018 HK$'000 (Restated)	At 1 January 2018 HK$'000 (Restated)
NON-CURRENT ASSETS				
Investment properties	*15*	**298,672**	336,971	395,094
Property, plant and equipment	*16*	**5,601**	4,184	12,384
Goodwill	*17*	**3,865**	3,865	3,865
Right-of-use assets	*18*	**5,670**	3,495	5,191
Other intangible assets	*19*	**5,920**	6,702	7,485
Equity investments at fair value through other comprehensive income	*20*	**9,012**	17,197	15,036
Prepayments, deposits and other receivables	*21*	**1,053**	1,568	2,201
Deferred tax assets	*22*	**3,525**	3,125	2,386
Loan receivable	*23*	**45,849**	10,000	—
Total non-current assets		**379,167**	387,107	443,642
CURRENT ASSETS				
Inventories	*24*	**385**	274	704
Trade receivables	*25*	**9,778**	3,216	3,178
Contract assets	*26*	**186**	14	195
Prepayments, deposits and other receivables	*21*	**37,692**	45,811	41,613
Loan receivables	*23*	**70,728**	117,366	111,750
Investments at fair value through profit or loss	*27*	**45,478**	38,012	61,974
Bank and cash balances	*28*	**4,959**	4,658	34,118
Total current assets		**169,206**	209,351	253,532
CURRENT LIABILITIES				
Trade payables	*29*	**9,169**	2,346	7,563
Contract liabilities	*26*	**4,053**	5,016	3,186
Other payables and accruals	*30*	**38,591**	86,156	75,830
Current tax liabilities		**163**	45	531
Bank and other loans	*31*	**40,106**	52,921	68,921
Promissory note payables	*32*	**63,553**	—	—
Lease liabilities	*33*	**3,045**	3,148	3,719
Total current liabilities		**158,680**	149,632	159,750
NET CURRENT ASSETS		**10,526**	59,719	93,782

Consolidated Statement of Financial Position *(Continued)*

At 31 December 2019

	Notes	**At 31 December 2019 HK$'000**	At 31 December 2018 HK$'000 (Restated)	At 1 January 2018 HK$'000 (Restated)
TOTAL ASSETS LESS CURRENT LIABILITIES		**389,693**	446,826	537,424
NON-CURRENT LIABILITIES				
Deferred tax liabilities		**—**	—	661
Lease liabilities	*33*	**3,085**	251	1,634
Loan from a shareholder	*34*	**3,053**	—	—
Amount due to a director	*35*	**9,006**	—	—
Total non-current liabilities		**15,144**	251	2,295
NET ASSETS		**374,549**	446,575	535,129
CAPITAL AND RESERVES				
Share capital	*36*	**572,216**	571,215	571,215
Reserves	*39*	**(195,919)**	(123,963)	(32,303)
Equity attributable to owners of the Company		**376,297**	447,252	538,912
Non-controlling interests		**(1,748)**	(677)	(3,783)
TOTAL EQUITY		**374,549**	446,575	535,129

Approved by the Board of Directors on 27 March 2020

Wong King Shiu, Daniel
Director

Wong Kui Shing, Danny
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Notes	Share Capital	Share premium account	Share-based payment reserve	Foreign currency translation reserve	PRC reserve funds	Accumulated losses	Investment revaluation reserve	Total	Non-controlling interests	Total equity
		Attributable to owners of the Company									
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
			(note 39(a)(ii))	*(note 39(a)(v))*	*(note 39(a)(iii))*	*(note 39(a)(iv))*					
At 1 January 2018, as previously reported		571,215	107,108	81,842	6,195	831	(231,280)	3,160	539,071	(3,780)	535,291
Effect of changes in accounting policies *(note 2)*		—	—	—	—	—	(159)	—	(159)	(3)	(162)
At 1 January 2018, as restated		571,215	107,108*	81,842*	6,195*	831*	(231,439)	3,160*	538,912	(3,783)	535,129
Loss for the year		—	—	—	—	—	(75,308)	—	(75,308)	(2,947)	(78,255)
Other comprehensive income/(loss) for the year:											
— Exchange differences reclassified to profit or loss on disposal of subsidiaries		—	—	—	(2,986)	—	—	—	(2,986)	—	(2,986)
— Exchange differences on translation of foreign operations		—	—	—	(12,677)	—	—	—	(12,677)	1	(12,676)
— Change in fair value of equity investments at fair value through other comprehensive income		—	—	—	—	—	—	(689)	(689)	—	(689)
Total comprehensive loss for the year		—	—	—	(15,663)	—	(75,308)	(689)	(91,660)	(2,946)	(94,606)
Lapsed of share option	37	—	—	(592)	—	—	592	—	—	—	—
Disposal of subsidiaries		—	—	—	—	(831)	831	—	—	6,052	6,052
At 31 December 2018, as restated		571,215	107,108*	81,250*	(9,468)*	—	(305,324)*	2,471*	447,252	(677)	446,575

Consolidated Statement of Changes in Equity *(Continued)*

For the year ended 31 December 2019

		Attributable to owners of the Company									
		Share Capital	Share premium account	Share-based payment reserve	Foreign currency translation reserve	PRC reserve funds	Accumulated losses	Investment revaluation reserve	Total	Non-controlling interests	Total equity
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	Notes		*(note 39(a)(ii))*	*(note 39(a)(v))*	*(note 39(a)(iii))*	*(note 39(a)(iv))*					
At 1 January 2019, as previously reported		571,215	107,108	81,250	(9,469)	—	(305,388)	2,471	447,187	(708)	446,479
Effect of changes in accounting policies *(note 2)*		—	—	—	1	—	64	—	65	31	96
At 1 January 2019, as restated		571,215	107,108*	81,250*	(9,468)*	—	(305,324)*	2,471*	447,252	(677)	446,575
Loss for the year		—	—	—	—	—	(80,850)	—	(80,850)	(1,085)	(81,935)
Other comprehensive income/(loss) for the year:											
— Exchange differences on translation of foreign operations		—	—	—	(5,585)	—	—	—	(5,585)	14	(5,571)
— Change in fair value of equity investments at fair value through other comprehensive income		—	—	—	—	—	—	4,852	4,852	—	4,852
Total comprehensive income/(loss) for the year		—	—	—	(5,585)	—	(80,850)	4,852	(81,583)	(1,071)	(82,654)
Equity-settled share-based payment	37	—	—	9,627	—	—	—	—	9,627	—	9,627
Exercise of share options		1,001	443	(443)	—	—	—	—	1,001	—	1,001
Disposal of equity investments at fair value through other comprehensive income		—	—	—	—	—	11,010	(11,010)	—	—	—
At 31 December 2019		572,216	107,551*	90,434*	(15,053)*	—	(375,164)*	(3,687)*	376,297	(1,748)	374,549

Note:

* These reserve accounts comprise the consolidated reserve of approximately HK$(195,919,000) (2018: approximately HK$(123,963,000)) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	2019 HK$'000	2018 HK$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	**(82,216)**	(80,168)
Adjustments for:		
Equity-settled share-base payment expenses	**9,627**	—
Finance costs	**6,557**	4,957
Bank interest income	**(13)**	(2)
Interest revenue	**(2,133)**	—
Change in fair value of investment properties	**33,196**	41,805
Gain on disposal of subsidiaries	**—**	(11,662)
Gain on disposal of property, plant and equipment	**(27)**	—
Written off of property, plant and equipment	**145**	—
Fair value (gain)/loss on investments at fair value through profit or loss	**(5,703)**	19,461
Dividends received from investments at fair value through profit or loss	**(243)**	(160)
Depreciation of property, plant and equipment	**1,479**	1,331
Depreciation of right-of-use assets	**4,600**	4,281
Amortisation of other intangible assets	**782**	783
Gain on disposal of equity investments at fair value through other comprehensive income	**—**	(65)
Impairment loss on trade receivables	**—**	62
Loss on initial recognition of loan receivables	**15,249**	—
Loss on early redemption of promissory notes	**421**	—
Operating loss before working capital change	**(18,279)**	(19,377)
Change in inventories	**(111)**	82
Change in trade receivables	**(6,562)**	(2,371)
Change in contract assets	**(172)**	181
Change in loan receivables	**56,638**	(15,616)
Change in prepayments, deposits and other receivables	**(14,116)**	437
Change in investments at fair value through profit or loss	**(1,763)**	4,501
Change in trade payables	**6,823**	(1,831)
Change in other payables and accruals	**(46,184)**	21,387
Change in contract liabilities	**(963)**	1,836
Cash used in operations	**(24,689)**	(10,771)
Loan interest paid	**(3,337)**	(4,730)
Net cash used in operating activities	**(28,026)**	(15,501)

Consolidated Statement of Cash Flows *(Continued)*

For the year ended 31 December 2019

	2019 HK$'000	2018 HK$'000 (Restated)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**(3,175)**	(2,630)
Proceeds from disposal of property, plant and equipment	**34**	—
Payments for construction works of investment properties	**(295)**	(2,550)
Purchase of equity investments at fair value through other comprehensive income	**—**	(12,385)
Proceeds from disposal of subsidiaries	**—**	14,713
Proceeds from disposal of equity investment at fair value through other comprehensive income	**22,372**	4,400
Proceeds from disposal of an associate that was disposed in previous year	**25,750**	—
Bank interest received	**13**	2
Dividends received from investments at fair value through profit or loss	**243**	160
Net cash generated from investing activities	**44,942**	1,710
CASH FLOWS FROM FINANCING ACTIVITIES		
Other loans raised	**—**	910
Repayment of lease liabilities	**(4,043)**	(4,538)
Lease interest paid	**(233)**	(227)
Proceeds from issue of shares	**1,001**	—
Repayment of promissory notes	**(11,186)**	—
Proceeds from loan from a shareholder and amount due to a director	**12,006**	—
Repayment of bank and other loans	**(12,275)**	(10,927)
Net cash used in financing activities	**(14,730)**	(14,782)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**2,186**	(28,573)
Cash and cash equivalents at beginning of year	**4,407**	33,867
Effect of foreign exchange rate changes	**(1,885)**	(887)
CASH AND CASH EQUIVALENTS AT END OF YEAR	**4,708**	4,407
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank and cash balances other than time deposits	**4,708**	4,407
Time deposits	**251**	251
Cash and cash equivalents as stated in the consolidated statement of financial position	**4,959**	4,658
Less: Time deposits with maturity of more than three months when acquired	**(251)**	(251)
Cash and cash equivalents as stated in the consolidated statement of cash flows	**4,708**	4,407

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is Unit 3308, 33/F, Millennium City 6, 392 Kwun Tong Road, Kwun Tong, Hong Kong. The Company's shares are listed on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

During the year, the Company and its subsidiaries (collectively the "Group") were principally engaged in provision of system integration and related support services, provision of IT infrastructure solutions and maintenance services, money lending and securities trading.

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

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 January 2019. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current and prior years except as stated below.

HKFRS 16 "Leases"

On adoption of HKFRS 16, the Group recognised right-of-use assets and lease liabilities in relation to leases which had previously been classified as 'operating leases' under HKAS 17 "Leases."

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HKFRS 16 "Leases" *(Continued)*

HKFRS 16 has been applied retrospectively and resulted in changes in the consolidated amounts reported in the financial statements as follows:

	31 December 2018 HK$'000	1 January 2018 HK$'000
At 31 December 2018:		
Increase in right-of-use assets	**3,495**	5,191
Increase in lease liabilities	**3,399**	5,353
Increase in exchange differences on translation of foreign operation	**1**	—
Increase/(decrease) in retained earnings	**64**	(159)
Increase/(decrease) in non-controlling interests	**31**	(3)
For the year ended 31 December 2018:		
Decrease in administrative expenses	**484**	
Increase in lease interests	**227**	
Decrease in loss for the year	**257**	
Decrease in EPS (cents)	**—**	

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with HKFRSs and the applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments and investment properties which are carried at their fair values.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise their judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these consolidated financial statements are disclosed in note 4 to these consolidated financial statements.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. An investment property (including property that is being constructed or developed for future use as investment property) is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value based on valuation by an external independent valuer. Gains or losses arising from changes in fair value of the investment property are recognised in consolidated profit or loss for the period in which they arise.

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

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Consolidation *(Continued)*

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

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

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the cost of acquisition to calculate the goodwill.

If the changes in the value of the previously held equity interest in the subsidiary were recognised in consolidated other comprehensive income (for example, equity investments at fair value through other comprehensive income), the amount that was recognised in other comprehensive income is recognised on the same basis as would be required if the previously held equity interest were disposed of.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combination and goodwill *(Continued)*

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currency translation *(Continued)*

(c) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

(iii) All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in consolidated profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates or useful live are as follows:

Land and building	50 years
Leasehold improvements	Over the lease terms or 5 years, whichever is shorter
Furniture, fixtures and equipment	18% — 30%
Motor vehicles	10% — 20%

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

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

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

Leases

The Group as lessee

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset's useful life and the lease term on a straight-line basis. The principal annual rates are as follows:

Land and buildings	Over the lease term of 1 year to 3 years

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below US$5,000.

Customer relationships

Customer relationships are stated at cost less any accumulated impairment losses and are amortised on the straight-line basis over their estimated useful life of 10 years. Impairment is reviewed annually or when there is any indication that the customer relationships have suffered an impairment loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Money lending license

Money lending license with indefinite useful life is stated at cost less any impairment losses. Impairment is reviewed annually or when there is any indication that the money leading license has suffered an impairment loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. The cost of finished goods comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in consolidated profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in consolidated profit or loss.

Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Group are classified under the following categories:

— Financial assets at amortised cost;

— Equity investments at fair value through other comprehensive income; and

— Investments at fair value through profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Recognition and derecognition of financial instruments *(Continued)*

Financial assets *(Continued)*

(i) Financial assets at amortised cost

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

— the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

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

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

(ii) Equity investments at fair value through other comprehensive income

On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments that are not held for trading as at fair value through other comprehensive income.

Equity investments at fair value through other comprehensive income are subsequently measured at fair value with gains and losses arising from changes in fair values recognised in other comprehensive income and accumulated in the equity investment revaluation reserve. On derecognition of an investment, the cumulative gains or losses previously accumulated in the investment revaluation reserve are not reclassified to profit or loss.

Dividends on these investments are recognised in profit or loss, unless the dividends clearly represent a recovery of part of the cost of the investment.

(iii) Investments at fair value through profit or loss

Financial assets are classified under this category if they do not meet the conditions to be measured at amortised cost and the conditions of debt investments at fair value through other comprehensive income unless the Group designates an equity investment that is not held for trading as at fair value through other comprehensive income on initial recognition.

Investments at fair value through profit or loss are subsequently measured at fair value with any gains or losses arising from changes in fair values recognised in profit or loss. The fair value gains or losses recognised in profit or loss are net of any interest income and dividend income. Interest income and dividend income are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Loss allowances for expected credit losses

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost and contract assets. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument ("lifetime expected credit losses") for trade receivables and contract assets, or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables and contract assets) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

— the customer simultaneously receives and consumes the benefits provided by the Group's performance;

— the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers *(Continued)*

If a performance obligation is satisfied over time, revenue is recognised 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 product or service.

Other revenue

Interest income is recognised using the effective interest method.

Dividend income is recognised when the shareholders' rights to receive payment are established.

Employee benefits

(a) *Employee leave entitlements*

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

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) *Pension obligations*

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to consolidated profit or loss represents contributions payable by the Group to the funds.

The Group also participates in a defined contribution retirement scheme organized by the government in the PRC. The Group is required to contribute a specific percentage of the payroll of its employees to the retirement scheme. The contributions are charged to consolidated profit or loss as they become payable in accordance with the rules of the retirement scheme. No forfeited contributions may be used by the employers to reduce the existing level of contributions.

(c) *Termination benefits*

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payments

The Group issues equity-settled share-based payments to certain directors, employees and consultants.

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Equity-settled share-based payments to consultants are measured at the fair value of the services rendered or if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as an expense.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

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

Taxation

Income tax represents the sum of the current tax and deferred tax.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, 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.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in consolidated profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

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

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured based on the expected manner as to how the properties will be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of the Group's various lines of business in different geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of productions processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Related parties

A related party is a person or entity that is related to the Group.

(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 the key management personnel of the Company or of a parent of the Company.

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

(i) The entity and the Company 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 employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties *(Continued)*

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

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

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

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

Impairment of assets

Intangible assets that have an indefinite useful life are reviewed annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and other intangible assets except goodwill, deferred tax assets, investment properties, investments, inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in consolidated profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provisions and contingent liabilities

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

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

Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

4. KEY ESTIMATES AND CRITICAL JUDGEMENTS

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, 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) Fair values of investment properties

The Group appointed an independent professional valuer to assess the fair values of the investment properties. In determining the fair values, the valuer has utilised a method of valuation which involves certain estimates. The directors have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions.

(b) Provision for impairment of trade, loan and other receivables

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade, loan and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade, loan and other receivables and doubtful debt expenses in the year in which such estimate has been changed. If the financial conditions of the debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

(c) Fair value of investment

In the absence of quoted market prices in an active market, the directors estimate the fair value of the Group's investment in equity investments at fair value through other comprehensive income (the "equity investments"), details of which are set out in note 20 to the financial statements, by considering information from a variety of sources, including the latest published financial information, the historical data on market volatility as well as the price and industry and sector performance of the equity investments.

4. KEY ESTIMATES AND CRITICAL JUDGEMENTS *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(d) Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing for the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

(e) Income taxes

The Group is subject to income taxes in Hong Kong, the PRC and Japan. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(f) Property, plant and equipment/other intangible assets and depreciation/amortisation

The Group determines the estimated useful lives, residual values and related depreciation/amortisation charges for the Group's property, plant and equipment/other intangible assets. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment/other intangible assets of similar nature and functions. The Group will revise the depreciation/amortisation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(g) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

4. KEY ESTIMATES AND CRITICAL JUDGEMENTS *(Continued)*

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred tax for investment properties

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred tax for investment properties, the directors have rebutted the presumption that investment properties measured using the fair value model are recovered through sale.

5. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, price risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Price risk

The Group's investments at fair value through profit or loss are measured at fair value at the end of each reporting period. Therefore, the Group is exposed to equity security price risk. The directors manage this exposure by maintaining a portfolio of investments with difference risk profiles.

At 31 December 2019, if the share prices of the investments increase/decrease by 10%, loss after tax for the year would have been HK$3,750,000 (2018: HK$3,174,000) lower/higher, arising as a result of the fair value gain/loss of the investments.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Credit risk

The carrying amount of the cash and bank balances, trade, loan and other receivables and investments included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has no significant concentrations of credit risk.

It has policies in place to ensure that sales and loans are made to customers with an appropriate credit history.

The credit risk on cash and bank balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The credit risk on investments is limited because the counterparties are well-established securities broker firms and issuers in Hong Kong.

The Group considers whether there has been a significant increase in credit risk of financial assets on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following information is used:

— internal credit rating;

— actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;

— actual or expected significant changes in the operating results of the borrower;

— significant increases in credit risk on other financial instruments of the same borrower;

— significant changes in the value of the collateral or in the quality of guarantees or credit enhancements; and

— significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Credit risk *(Continued)*

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group normally categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than 360 days past due. Where loans or receivables have been written off, the Group, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

(d) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. The maturity analysis of the Group's financial liabilities is as follows:

	Less than 1 year HK$'000	**Between 1 and 2 years HK$'000**	**Between 2 and 5 years HK$'000**
At 31 December 2019			
Trade payables	**9,169**	**—**	**—**
Other payables and accruals	**38,591**	**—**	**—**
Bank and other loans	**22,472**	**10,361**	**9,836**
Promissory note payables	**69,329**	**—**	**—**
Loan from a shareholder	**—**	**3,143**	**—**
Amount due to a director	**—**	**9,006**	**—**
	139,561	**22,510**	**9,836**
At 31 December 2018			
Trade payables	2,346	—	—
Other payables and accruals	86,156	—	—
Bank and other loans	25,961	11,084	20,555
	114,463	11,084	20,555

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(e) Interest rate risk

At 31 December 2019, the Group's bank deposits of approximately HK$251,000 (2018: approximately HK$251,000), bank and other loans of approximately HK$11,581,000 (2018: approximately HK$14,215,000), loan from a shareholder of approximately HK$3,053,000 (2018: nil) and promissory note payables of HK$63,553,000 (2018: nil) bear interests at fixed interest rates and therefore are subject to fair value interest rate risks.

At 31 December 2019, the Group's exposure to interest-rate risk arises from its bank deposits of approximately HK$4,708,000 (2018: approximately HK$4,407,000) and bank and other loans of approximately HK$28,525,000 (2018: approximately HK$38,706,000). These deposits and bank and other loans bear interests at variable rates varied with the then prevailing market condition.

At 31 December 2019, if interest rates at that date had been 50 basis points lower with all other variables held constant, consolidated loss after tax for the year would have been approximately HK$138,000 (2018: approximately HK$190,000) lower (2018: lower), arising mainly as a result of lower interest expenses on bank loans. If interest rates had been 50 basis points higher, with all other variables held constant, consolidated loss after tax for the year would have been approximately HK$119,000 (2018: approximately HK$171,000) higher (2018: higher), arising mainly as a result of higher interest expenses on bank loans.

(f) Categories of financial instruments

	2019	2018
	HK$'000	HK$'000
Financial assets:		
Equity investments at fair value through other comprehensive income	**9,012**	17,197
Investments at fair value through profit or loss — Mandatorily measured	**45,478**	38,012
Financial assets at amortised cost (including bank and cash balances)	**168,778**	181,247
Financial liabilities:		
Financial liabilities at amortised costs	**163,478**	141,423

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(g) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Disclosures of level in fair value hierarchy

	Fair value measurements using:			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
At 31 December 2019				
Recurring fair value measurements:				
Investments at fair value through profit or loss				
— Listed equity securities in Hong Kong	**39,885**	**—**	**—**	**39,885**
— Investment funds	**—**	**—**	**5,593**	**5,593**
Equity investments at fair value through other comprehensive income				
— Private equity investment	**—**	**—**	**9,012**	**9,012**
Investment properties				
Commercial — PRC	**—**	**—**	**298,672**	**298,672**
Total recurring fair value measurement	**39,885**	**—**	**313,277**	**353,162**

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(g) Fair values *(Continued)*

(a) *Disclosures of level in fair value hierarchy* *(Continued)*

	Fair value measurements using:			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
At 31 December 2018				
Recurring fair value measurements:				
Investments at fair value through profit or loss — Listed equity securities in Hong Kong	38,012	—	—	38,012
Equity investments at fair value through other comprehensive income — Private equity investments	—	—	17,197	17,197
Investment properties				
Commercial — PRC	—	—	336,971	336,971
Total recurring fair value measurement	38,012	—	354,168	392,180

(b) *Reconciliation of assets measured at fair value based on level 3:*

At 31 December 2019

Description	Investments at fair value through profit or loss HK$'000	Equity investments at fair value through other comprehensive income HK$'000	Investment properties HK$'000	Total HK$'000
At beginning of year	–	17,197	336,971	354,168
Total gains/(losses) recognised in				
— consolidated profit or loss (#)	–	–	(33,196)	(33,196)
— other comprehensive income	–	4,852	–	4,852
Additions	5,593	12,647	295	18,535
Disposal	–	(25,372)	–	(25,372)
Exchange realignment	–	(312)	(5,398)	(5,710)
At end of year	5,593	9,012	298,672	313,277
(#) Include losses for assets held at end of reporting period	–	–	(33,196)	(33,196)

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(g) Fair values *(Continued)*

(b) Reconciliation of assets measured at fair value based on level 3: *(Continued)*

At 31 December 2018

Description	Equity investments at fair value through other comprehensive income HK$'000	Investment properties HK$'000	Total HK$'000
At beginning of year	15,036	395,094	410,130
Total gains/(losses) recognised in			
— consolidated profit or loss (#)	—	(41,805)	(41,805)
— other comprehensive income	(689)	—	(689)
Additions	12,385	2,550	14,935
Disposal	(9,535)	—	(9,535)
Exchange realignment	—	(18,868)	(18,868)
At end of year	17,197	336,971	354,168
(#) Include losses for assets held at end of reporting period	—	(41,805)	(41,805)

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements:

The Group's chief financial officer is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The chief financial officer reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the chief financial officer and the Board of Directors at least twice a year.

For level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(g) Fair values *(Continued)*

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements: *(Continued)*

As at 31 December 2019

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value HK$'000
Investment properties	Direct comparison approach	Market price of office	RMB31,000 per square meter	Increase	298,672
		Market price of commercial	RMB32,000 per square meter	Increase	
		Market price of carpark	RMB190,000 per unit	Increase	
		Unexpended construction cost	RMB11,184,000	Decrease	
Private equity investments classified as equity investments at fair value through other comprehensive income	(i) Investment method (for properties)	Capitalization rate	6.50%	Decrease	9,012
		Monthly market rent	RMB28 per square meter	Increase	
	(ii) Direct comparison method (for land)	Market price	RMB1,690 per square meter	Increase	
		Unexpended construction cost	RMB23,000,000	Decrease	
	(iii) Discounted cash flow (for financial assets and liabilities at amortised costs)	Discount rate	14.42%	Decrease	
Investments at fair value through profit or loss	Discounted cash flow	Rate of return	2.31%	Increase	5,593

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(g) Fair values *(Continued)*

(c) ***Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements:*** *(Continued)*

At 31 December 2018

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value HK$'000
Investment properties	Direct comparison approach	Market price of office	RMB32,500 per square meter	Increase	336,971
		Market price of commercial	RMB37,500 per square meter	Increase	
		Market price of carpark	RMB200,000 per unit	Increase	
		Unexpended construction cost	RMB11,567,000	Decrease	
Private equity investments classified as equity investments at fair value through other comprehensive income	Discounted cash flow	Weighted average cost of capital	13%	Decrease	1,614
		Revenue growth rate	15–37%	Increase	
		Marketability discount	21%	Decrease	
Private equity investments classified as equity investments at fair value through other comprehensive income	Discounted cash flow	Weighted average cost of capital	16.6%	Decrease	1,995
		Revenue growth rate	6–10%	Increase	
		Marketability discount	21%	Decrease	
Private equity investments classified as equity investments at fair value through other comprehensive income	Guideline publicly-traded comparable method	Price-to-book ratio	3.18	Increase	13,588
		Price-to-sales ratio	5.29	Increase	
		Price-to-earnings ratio	53.11	Increase	
		Marketability discount	21%	Decrease	

During the two years, there were no changes in the valuation techniques used.

6. OPERATING SEGMENT INFORMATION

The Group has four reportable segments as follows:

— the software development and system integration segment engages in (i) the sale of computer hardware; (ii) the provision of software development services; (iii) the provision of system integration services; and (iv) the provision of technical support and maintenance services;

— provision of IT infrastructure solutions and maintenance services ("IT solutions and maintenance");

— money lending; and

— Securities trading ("Securities investments").

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The accounting policies of the operating segments are the same as those described in note 3 to the consolidated financial statements. Segment profits or losses do not include bank interest income, investment income, finance costs as well as head office and corporate expenses. Segment assets do not include other unallocated head office and corporate assets. Segment liabilities do not include other loans, current tax liabilities and other unallocated head office and corporate liabilities.

6. OPERATING SEGMENT INFORMATION *(Continued)*

	Software development and system integration		IT solutions and maintenance		Money lending		Securities investments		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
				(Restated)						(Restated)
Segment revenue:										
Sales to external customers	**–**	685	**54,668**	36,948	**9,044**	14,033	**–**	—	**63,712**	51,666
Segment (loss)/profit	**–**	(1,746)	**(26,296)**	(8,432)	**458**	13,574	**5,927**	(19,328)	**(19,911)**	(15,932)
Reconciliation:										
Bank interest income									**13**	2
Change in fair value of investment properties									**(33,196)**	(41,805)
Gain on disposal of subsidiaries									**–**	11,662
Unallocated gains									**–**	66
Corporate and other unallocated expenses									**(22,565)**	(29,204)
Finance costs									**(6,557)**	(4,957)
Loss before tax									**(82,216)**	(80,168)

6. OPERATING SEGMENT INFORMATION *(Continued)*

	Software development and system integration		IT solutions and maintenance		Money lending		Securities investments		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
				(Restated)		(Restated)				(Restated)
Segment assets	**–**	—	**89,791**	21,145	**71,352**	128,055	**39,947**	38,387	**201,090**	187,587
Reconciliation:										
Corporate and other unallocated assets									**347,283**	408,871
Total assets									**548,373**	596,458
Segment liabilities	**–**	—	**(80,422)**	(8,812)	**(226)**	(411)	**(11,581)**	(14,215)	**(92,229)**	(23,438)
Reconciliation:										
Corporate and other unallocated liabilities									**(81,595)**	(126,445)
Total liabilities									**(173,824)**	(149,883)
Other segment information:										
Depreciation on:										
Segment assets	**–**	12	**1,444**	1,179	**145**	51	**–**	—	**1,589**	1,242
Corporate and other unallocated assets									**4,490**	4,370
									6,079	5,612
Amortisation of other intangible assets on: Segment assets	**–**	—	**782**	783	**–**	—	**–**	—	**782**	783
Bank interest income#	**–**	1	**–**	—	**–**	1	**–**	—	**13**	2
Impairment loss on trade receivables	**–**	—	**–**	62	**–**	—	**–**	—	**–**	62
Income tax credit									**281**	1,913
Capital expenditure on:										
Segment assets									**2,007**	297
Corporate and other unallocated assets									**1,464**	4,883
									3,471	5,180

The amounts of bank interest income exclude non-operating segment.

6. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

	Revenue		Non-current assets	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000 (Restated)
Hong Kong	**61,131**	50,513	**20,345**	14,964
PRC except Hong Kong	**2,581**	1,153	**300,424**	341,454
Consolidated total	**63,712**	51,666	**320,769**	356,418

In presenting the geographical information, revenue is based on the locations of the customers and information about the non-current assets, except equity investments at fair value through other comprehensive income, deferred tax assets, deposit and loan and other receivables classified in accordance with geographical location of the assets at the end of the reporting period.

Information about major customers

The Group had no transaction with external customers of the IT Solution and maintenance segment during the year ended 31 December 2019 (2018: one) who contributed over 10% of the Group's total revenue for the year. A summary of revenue earned from each of these major external customers is set out below:

	2019	2018
	HK$'000	HK$'000
Customer 1	**3,866***	8,912

* Revenue from customer did not exceed 10% of the total revenue during the year. The amount was shown for comparative purpose.

7. REVENUE

The Group's revenue which represents (1) the aggregate of the invoiced value of goods sold, net of value-added tax and government surcharges, and after allowances for returns and trade discounts; (2) an appropriate proportion of contract revenue from the provision of the technical support and maintenance services, net of business tax and government surcharges; (3) an appropriate proportion of contract revenue from the provision of software development and system integration services, net of value-added tax, business tax and government surcharges; and (4) loan interest income are as follows:

	2019	2018
	HK$'000	HK$'000
Sale of computer hardware and software	**40,780**	24,532
Provision of services	**11,755**	13,101
Revenue from contracts with customers	**52,535**	37,633
Loan interest income	**11,177**	14,033
Total revenue	**63,712**	51,666

Disaggregation of revenue from contracts with customers:

	2019	2018
Geographical markets		
Hong Kong	**52,086**	36,480
PRC except Hong Kong	**449**	1,153
Total	**52,535**	37,633
Major products/services		
Sale of computer hardware and software	**40,780**	24,532
Provision of technical support and maintenance services	**11,755**	13,101
Total	**52,535**	37,633
Timing of revenue recognition		
At a point in time	**40,780**	24,532
Over time	**11,755**	13,101
Total	**52,535**	37,633

7. REVENUE *(Continued)*

Sale of computer hardware and software

The Group sells computer hardware and software to the customers. Sales are recognised when control of the products has transferred, being when the products are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to the products.

Sales to customers are normally made with credit terms of 30 to 90 days. For new customers, deposits or cash on delivery may be required. Deposits received are recognised as a contract liability.

A receivable is recognised when the products are delivered to the customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Provision of services

The Group provides software development, system integration, technical support and maintenance services to the customers. When the progress towards complete satisfaction of the performance obligations of a contract can be measured reasonably, revenue from the contract and the contract costs are recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to the estimated total contract costs for the contract. This method provides the most reliable estimate of the percentage of completion.

When the progress towards complete satisfaction of the performance obligations of a contract cannot be measured reasonably, revenue is recognised only to the extent of contract costs incurred that is expected to be recoverable.

The customers pay the contract prices to the Group according to the payment schedules as stipulated in the contracts. If the service rendered by the Group exceeds the payments, a contract asset is recognised. If the payments exceed the service rendered, a contract liability is recognised.

8. OTHER INCOME AND GAINS

	2019 **HK$'000**	2018 HK$'000
Dividend income	**243**	160
Gain on disposal of equity investments at fair value through other comprehensive income	**—**	65
Foreign exchange differences, net	**—**	588
Gain on disposal of property, plant and equipment	**27**	—
Others	**384**	356
	654	1,169

9. FINANCE COSTS

An analysis of finance costs is as follows:

	2019 **HK$'000**	2018 HK$'000 (Restated)
Interest on other loans	**1,486**	2,189
Interest on bank loans	**1,904**	2,541
Lease interest	**233**	227
Imputed interest on promissory notes	**2,934**	—
	6,557	4,957

10. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	2019 **HK$'000**	2018 HK$'000 (Restated)
Cost of inventories sold	**36,037**	26,204
Cost of services provided	**4,694**	4,908
Depreciation of property, plant and equipment	**1,479**	1,331
Depreciation of right-of-use assets	**4,600**	4,281
Amortisation of other intangible assets	**782**	783
Expenses related to short-term leases	**211**	504
Auditors' remuneration	**680**	620
Employee benefit expense (including directors' remuneration — note 11):		
Salaries, allowances and benefits in kind	**19,372**	23,876
Pension schemes contribution	**1,325**	1,241
Equity-settled share-based payment expenses	**2,664**	—
	23,361	25,117
Equity-settled share-based payment to consultants	**6,963**	—
Impairment loss on trade receivables	**—**	62
Written off of property, plant and equipment	**145**	—
Foreign exchange differences, net	**141**	(588)
Gain on disposal of property, plant and equipment	**(27)**	—

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments of each director were as follows:

(a) Directors' emoluments

	Notes	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension schemes contribution HK$'000	Total HK$'000
Year ended 31 December 2019					
Executive directors:					
Mr. Wong Kui Shing, Danny		**160**	**—**	**18**	**178**
Mr. Tse Chi Wai	*(ii)*	**80**	**423**	**9**	**512**
Mr. Takashi Togo	*(ii)*	**80**	**120**	**—**	**200**
Mr. Wong King Shiu, Daniel		**160**	**840**	**18**	**1,018**
Mr. Chan Kai Leung		**160**	**984**	**18**	**1,162**
		640	**2,367**	**63**	**3,070**
Non-Executive director:					
Mr. Wong Chi Yung	*(ii)*	**80**	**120**	**6**	**206**
Independent non-executive directors:					
Dr. Chen Shengrong		**160**	**—**	**—**	**160**
Mr. Hung Hing Man		**160**	**—**	**—**	**160**
Mr. Wong Hoi Kuen		**160**	**—**	**—**	**160**
		480	**—**	**—**	**480**
Total		**1,200**	**2,487**	**69**	**3,756**

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

	Notes	**Fees HK$'000**	**Salaries, allowances and benefits in kind HK$'000**	**Pension schemes contribution HK$'000**	**Total HK$'000**
Year ended 31 December 2018					
Executive directors:					
Mr. Wong Kui Shing, Danny		120	1,806	18	1,944
Mr. Tse Chi Wai	*(ii)*	360	845	18	1,223
Ms. Wu Jingjing	*(i)*	2	—	—	2
Mr. Takashi Togo	*(ii)*	120	240	—	360
Mr. Wong King Shiu, Daniel		120	840	18	978
Mr. Chan Kai Leung		120	984	18	1,122
		842	4,715	72	5,629
Non-Executive director:					
Mr. Wong Chi Yung	*(ii)*	120	240	12	372
Independent non-executive directors:					
Dr. Chen Shengrong		120	—	—	120
Mr. Hung Hing Man		120	—	—	120
Mr. May Tai Keung, Nicholas	*(i)*	2	—	—	2
Mr. Wong Hoi Kuen		120	—	—	120
		362	—	—	362
Total		1,324	4,955	84	6,363

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

Notes:

(i) Resigned on 5 January 2018.

(ii) Retired on 28 June 2019.

During the year, no emoluments were paid by the Group to any of the directors of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

(b) Employees' emoluments

The five highest paid individuals in the Group during the year included two (2018: four) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining three (2018: one) individuals are set out below:

	2019 **HK$'000**	2018 HK$'000
Salaries, allowances and benefits in kind	**2,954**	924
Pension schemes contribution	**54**	18
	3,008	942

Their emoluments were within the following band:

	Number of individuals **2019**	 2018
HK$Nil — HK$1,000,000	**2**	1
HK$1,000,001 — HK$1,500,000	**1**	—

During the year, no emoluments were paid by the Group to the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

12. INCOME TAX CREDIT

	2019 **HK$'000**	2018 HK$'000
Current tax — Hong Kong	**19**	45
Current tax — PRC	**100**	—
Overprovision in prior years	**—**	(531)
Deferred tax credit *(note 22)*	**(400)**	(1,427)
	(281)	(1,913)

Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profit for the year ended 31 December 2019 (2018: 16.5%).

For the year ended 31 December 2019, PRC corporate income tax is provided at 25% based on the assessable profit for the year less allowable losses brought forward. No provision for PRC corporate income tax was required since the Group had no assessable profit for the year ended 31 December 2018.

The reconciliation between the income tax credit and the product of loss before tax multiplied by tax rates applicable to profit or loss in the respective countries is as follows:

	2019 **HK$'000**	2018 HK$'000 (Restated)
Loss before tax	**(82,216)**	(80,168)
Tax calculated at domestic tax rates applicable to profit or loss in the respective countries	**(19,244)**	(18,182)
Tax effect of income that is not taxable	**—**	(1,999)
Tax effect of expenses that are not deductible	**10,544**	2,982
Tax effect of temporary differences not recognised	**8,395**	9,648
Tax effect of tax losses not recognised	**966**	6,532
Tax effect of utilisation of tax losses not previously recognised	**(883)**	(318)
Income tax on concessionary rate *(note)*	**(39)**	(45)
One-off tax reduction	**(20)**	—
Overprovision in prior years	**—**	(531)
Tax credit for the year	**(281)**	(1,913)

Note: For the year of assessment 2019/20 and 2018/19, a two-tiered profits tax rate was introduced of which one subsidiary of the Group can elect 8.25% tax rate for its first assessable profits of HK$2,000,000.

13. DIVIDEND

The directors of the Company did not recommend the payment of any dividend for the years ended 31 December 2019 and 2018.

14. LOSS PER SHARE

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

	2019 HK$'000	2018 HK$'000 (Restated)
Loss for the year attributable to owners of the Company	**(80,850)**	(75,308)

	2019	2018
Weighted average number of ordinary shares for basic and diluted loss per share	**5,716,895,426**	5,712,151,908

The diluted loss per share is the same as the basic loss per share as the computation of diluted loss per share does not assume the exercise of the Company's share options since their exercise would result in an anti-dilutive effect on loss per share for the years ended 31 December 2019 and 2018.

15. INVESTMENT PROPERTIES

	2019 HK$'000	2018 HK$'000
At 1 January	**336,971**	395,094
Additions	**295**	2,550
Fair value loss	**(33,196)**	(41,805)
Exchange differences	**(5,398)**	(18,868)
At 31 December	**298,672**	336,971

Investment properties were revalued at 31 December 2019 and 2018 on the open market value basis by reference to market evidence of recent transactions for similar properties by Roma Appraisals Limited, an independent firm of chartered surveyors.

At 31 December 2019, the carrying amount of investment properties of approximately HK$298,672,000 (2018: approximately HK$336,971,000) pledged as security for the Group's bank loans amounted to approximately HK$28,525,000 (2018: approximately HK$38,706,000).

16. PROPERTY, PLANT AND EQUIPMENT

	Land and building HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST:					
At 1 January 2018	9,156	2,183	5,274	1,744	18,357
Exchange realignment	—	27	128	(24)	131
Additions	—	—	342	2,288	2,630
Disposal of subsidiaries	(9,156)	(1,449)	(3,801)	—	(14,406)
At 31 December 2018 and 1 January 2019	**—**	**761**	**1,943**	**4,008**	**6,712**
Exchange realignment	**—**	**—**	**(6)**	**(7)**	**(13)**
Additions	**—**	**2,135**	**1,040**	**—**	**3,175**
Written off	**—**	**(532)**	**(193)**	**—**	**(725)**
Disposal	**—**	**—**	**—**	**(543)**	**(543)**
At 31 December 2019	**—**	**2,364**	**2,784**	**3,458**	**8,606**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSS:					
At 1 January 2018	381	1,116	3,789	687	5,973
Exchange realignment	—	27	136	(12)	151
Provided during the year	16	317	390	608	1,331
Disposal of subsidiaries	(397)	(877)	(3,653)	—	(4,927)
At 31 December 2018 and 1 January 2019	**—**	**583**	**662**	**1,283**	**2,528**
Exchange realignment	**—**	**—**	**(1)**	**(5)**	**(6)**
Provided during the year	**—**	**294**	**417**	**768**	**1,479**
Written off	**—**	**(460)**	**(120)**	**—**	**(580)**
Eliminated on disposals	**—**	**—**	**—**	**(416)**	**(416)**
At 31 December 2019	**—**	**417**	**958**	**1,630**	**3,005**
CARRYING AMOUNTS:					
At 31 December 2019	**—**	**1,947**	**1,826**	**1,828**	**5,601**
At 31 December 2018	—	178	1,281	2,725	4,184

Note: The land and building are situated in Hong Kong.

17. GOODWILL

	2019	2018
	HK$'000	HK$'000
Cost		
At 1 January and 31 December	**3,865**	3,865
Carrying amount:		
At 31 December	**3,865**	3,865

	2019	2018
The carrying amount of goodwill had been allocated as follows:	**HK$'000**	HK$'000
IT solutions and maintenance	**3,865**	3,865

The recoverable amount of this CGU is determined by reference to the value-in-use approach, which is based on discounted cash flow based on the financial budgets approved by the management covering a 5-year period, and the discount rate of approximately 18.7% (2018: approximately 16.22%) that reflects current market assessment of the time value of money and the risks specific to the CGU. Cash flows beyond 5-year period have been extrapolated using a steady 3% (2018: 3%) annual growth rate.

18. RIGHT-OF-USE ASSETS

Disclosures of lease-related items:

	2019 HK$'000	2018 HK$'000 (Restated)
At 31 December:		
Right-of-use assets		
— Land and buildings	**5,670**	3,495

The maturity analysis, based on undiscounted cash flows, of the Group's lease liabilities is as follows:

— Less than 1 year	**3,127**	3,210
— Between 1 and 2 years	**2,403**	257
— Between 2 and 5 years	**977**	12
	6,507	3,479
For the year ended 31 December:		
Depreciation charge of right-of-use assets		
— Land and buildings	**4,600**	4,281
Lease interests	**233**	227
Expenses related to short-term leases	**211**	504
Total cash outflow for leases	**4,487**	5,269
Additions to right-of-use assets	**6,780**	2,582
Lease commitments of short-term leases	**30**	18

The Group leases various land and buildings. Lease agreements are typically made for fixed periods of 1 to 3 years (2018: 1 to 3 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and the leased assets may not be used as security for borrowing purposes.

19. OTHER INTANGIBLE ASSETS

	Customer relationships HK$'000 *(note (a))*	Money lending licence HK$'000 *(note (b))*	Total HK$'000
COST:			
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	7,828	440	8,268
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSS:			
At 1 January 2018	783	—	783
Provided during the year	783	—	783
At 31 December 2018 and 1 January 2019	1,566	—	1,566
Provided during the year	782	—	782
At 31 December 2019	2,348	—	2,348
CARRYING AMOUNTS:			
At 31 December 2019	**5,480**	**440**	**5,920**
At 31 December 2018	6,262	440	6,702

Notes:

(a) The customer relationship arose from the acquisition of 84% equity interest in Macro China Holding Limited. The average remaining amortization period of the customer relationship is 7 years (2018: 8 years).

(b) The Group's money lending license of HK$440,000 (2018: HK$440,000) at 31 December 2019 is assessed as having indefinite useful life because the Group can renew the money lending license without substantial costs.

20. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019 **HK$'000**	2018 HK$'000
Unlisted equity investments, at fair value	**9,012**	17,197

The unlisted equity investments are intended to be held for the medium to long-term. Designation of these investments as equity investments at fair value through other comprehensive income can avoid the volatility of the fair value changes of these investments to the profit or loss.

(a) As at 31 December 2018, the Group had 19% equity interest in Quality Partner Enterprises Limited ("Quality Partner"), which wholly-owned a licensed company specializing in corporate finance advisory services and a secretarial services company. As at 31 December 2018, Quality Partner was measured at fair value of approximately HK$1,995,000.

In December 2019, the 19% equity interest in Quality Partner was disposed at a consideration of HK$2,000,000 for raising working capital for the Group.

The cumulative gain of the disposal of these investments amounted to HK$1,000,000 was transferred from the equity investment revaluation reserve to retained earnings.

(b) As at 31 December 2018, the Group owns 16.67% equity interests of FULLPAY K.K. (FULLPAY 株式會社) ("Fullpay"). As at 31 December 2018, it was measured at fair value of approximately HK$1,614,000. Fullpay is principally engaged in sourcing and provision of electronic fund transfer at point of sale (EFT-POS) terminals and peripheral devices which support WeChat Pay, as well as the provision of relevant EFT-POS installation and system support services, to vendors in Japan.

On 16 December 2019, 16.67% equity interest of Fullpay was disposed at a consideration of HK$1,000,000 for raising working capital for the Group.

The cumulative loss of the disposal of these investments amounted to HK$341,000 was transferred from the equity investment revaluation reserve to retained earnings.

(c) On 8 February 2018, the Group acquired 10% equity interest of Guangzhou Desheng Cloud Computing Technology Co., Ltd. (廣州德昇雲計算科技有限公司) ("Desheng Cloud"), which is incorporated in the PRC, at a consideration of RMB10,000,000 (equivalent to approximately HK$12,385,000). The principal activities of it are provision of data racks services. As at 31 December 2018, it was measured at fair value of approximately HK$13,588,000.

As at 31 December 2018, the carrying amount of approximately HK$13,588,000 of equity investments in Desheng Cloud was pledged as security to obtain the bank facilities of Desheng Cloud amounted to approximately RMB171,430,000.

In August 2019, the 10% equity interest of Desheng Cloud was disposed at a consideration of RMB20,000,000 (equivalent to approximately HK$22,372,000) for raising working capital for the Group.

The cumulative gain of the disposal of these investments amounted to HK$10,351,000 was transferred from the equity investment revaluation reserve to retained earnings.

20. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME *(Continued)*

(d) On 28 August 2019, the Group acquired 19% equity interest of Guangzhou Dehuang Investment Company Limited (廣州市德煌投資有限公司) ("Dehuang"), which is incorporated in the PRC and loan receivables with principal amount of RMB51,199,000 (note 23), at a consideration of RMB66,341,000 which is satisfied by issuance of promissory notes to the vendor (note 32). The principal activities of it is provision of business services. The principal assets of Dehuang are the two parcels of land and one building with a data centre owned by Dehuang and located in South of Shinan Highway, Nansha District, Guangzhou (廣州市南沙區市南公路南側). As at 31 December 2019, it was measured at fair value of approximately HK$9,012,000.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	**2019** **HK$'000**	2018 HK$'000
Prepayments		**1,281**	1,372
Deposits and other receivables	*(a)(b)*	**37,464**	46,007
		38,745	47,379
Analysed as:			
Non-current portion			
Prepayments		**1,041**	1,201
Deposits and other receivables		**12**	367
		1,053	1,568
Current portion			
Prepayments		**240**	171
Deposits and other receivables	*(a)(b)*	**37,452**	45,640
		37,692	45,811
		38,745	47,379

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

Notes:

(a) As at 31 December 2019, included in the other receivables of approximately HK$18,500,000 (2018: HK$44,250,000) is receivables from the purchasers of Faithful Asia. Up to the approval date of the consolidated financial statements approximately HK$8,569,000 were settled.

(b) As at 31 December 2019, included in other receivables of approximately HK$14,700,000 is a refundable deposit. During 2019, the Group paid refundable deposit of HK$14,700,000 for further acquisition of Fullpay. However, the Group decided not to proceed with the acquisition of Fullpay and demanded refund of the deposit.

(c) The movements in the provision for impairment of prepayments, deposits and other receivables during the year are as follows:

	2019 **HK$'000**	2018 HK$'000
At 1 January	—	1,273
Disposal of subsidiaries	—	(1,326)
Exchange realignment	—	53
At 31 December	—	—

The above provision for impairment of prepayments, deposits and other receivables is the provision for individually impaired prepayments, deposits and other receivables. The Group and the Company do not hold any collateral or other credit enhancements over these balances.

22. DEFERRED TAX

The following are the major deferred tax assets/(liabilities) recognised by the Group:

	Change in fair value of investment properties HK$'000	**Other intangible assets HK$'000**	**Tax losses HK$'000**	**Total HK$'000**
At 1 January 2018	(661)	(1,163)	3,549	1,725
Credited to consolidated profit or loss	688	129	610	1,427
Exchange difference	(27)	—	—	(27)
At 31 December 2018 and 1 January 2019	**—**	**(1,034)**	**4,159**	**3,125**
Credited to consolidated profit or loss	**—**	**129**	**271**	**400**
At 31 December 2019	**—**	**(905)**	**4,430**	**3,525**

22. DEFERRED TAX *(Continued)*

The following is the analysis of the deferred tax balances (after offset) for consolidated statement of financial position purposes:

	2019 **HK$'000**	2018 HK$'000
Deferred tax assets	**3,525**	3,125

The Group has tax losses arising in Hong Kong of approximately HK$124,236,000 (2018: approximately HK$116,724,000) that are available indefinitely and in Mainland China of approximately HK$8,754,000 (2018: approximately HK$15,303,000) that are available for a maximum of five years, for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of tax losses of approximately HK$106,145,000 as they have arisen in certain subsidiaries that have been loss-making for some time and it is considered not probable that taxable profits will be available against which tax losses can be utilised.

At the end of the reporting period, there is no temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised (2018: HK$nil).

23. LOAN RECEIVABLES

	2019 **HK$'000**	2018 HK$'000
Loan receivables	**116,577**	127,366
Analysed as:		
Non-current assets	**45,849**	10,000
Current assets	**70,728**	117,366
	116,577	127,366

Notes:

(a) As at 31 December 2019, loan receivables of approximately HK$20,000,000 (2018: approximately HK$20,000,000) are guaranteed by an independent third party.

(b) As at 31 December 2019, loan receivables of approximately HK$70,728,000 carried at fixed effective interest at 12% per annum and with the terms ranging from 9 months to 3 years. As at 31 December 2018, loan receivables of approximately HK$86,000 and HK$127,280,000 carried at fixed effective interest at 9% and 12% per annum respectively and with the terms ranging from 2 months to 2 years.

23. LOAN RECEIVABLES *(Continued)*

Notes: (Continued)

(c) As at 31 December 2019, included in loan receivables are receivable from Dehuang of approximately HK$45,849,000 (note 32) which is unsecured, non-interest bearing, repayable on 2 September 2021 and measured at amortised cost using effective interest rate of 14.42%.

(d) The directors of the Company monitored the collectability of the loan receivables closely with reference to their respective current creditworthiness and repayment records. The management believes that no impairment allowance is necessary in respect of these receivables as they are considered fully recoverable. Upon its original maturity and up to the approval date of the consolidated financial statements, approximately HK$6,400,000 were fully settled.

The Group applies the simplified approach under HKFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all loan receivables. To measure the expected credit losses, loan receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

24. INVENTORIES

	2019 **HK$'000**	2018 HK$'000
Finished goods and merchandises	**385**	274

25. TRADE RECEIVABLES

	2019 **HK$'000**	2018 HK$'000
Trade receivables	**9,778**	3,278
Impairment	**—**	(62)
	9,778	3,216

Notes:

(a) The Group has granted credit terms to its customers within 30 to 90 days (2018: ranging from 30 to 90 days). The Group seeks to maintain strict control over its outstanding balances by imposing 2% (2018: 2%) monthly interest charge upon them and requesting payment in advances from certain customers. Overdue balances are reviewed by the directors. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

25. TRADE RECEIVABLES *(Continued)*

Notes: (Continued)

(b) The aging analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	2019 **HK$'000**	2018 HK$'000
Within 1 month	**8,400**	3,041
1 to 2 months	**1,081**	124
2 to 3 months	**286**	8
Over 3 months	**11**	43
	9,778	3,216

(c) The movements in the provision for impairment of trade receivables during the year are as follows:

	2019 **HK$'000**	2018 HK$'000
At 1 January	**62**	5,303
Impairment during the year recognised in consolidated profit or loss	**—**	62
Amount written off as uncollectible	**(62)**	—
Disposal of subsidiaries	**—**	(5,524)
Exchange realignment	**—**	221
At 31 December	**—**	62

The above provision for impairment of trade receivables is the provision for individually impaired trade receivables. The individually impaired trade receivables relate to customers that were in financial difficulties and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

The Group applies the simplified approach under HKFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

25. TRADE RECEIVABLES *(Continued)*

	Neither past due nor impaired	Less than 1 month past due	1 to 3 months past due	Over 3 months to 1 year past due	Over 1 year past due	Total
At 31 December 2019						
Weighted average expected loss rate	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**
Receivable amount (HK$'000)	**8,400**	**1,081**	**297**	**—**	**—**	**9,778**
Loss allowance (HK$'000)	**—**	**—**	**—**	**—**	**—**	**—**
At 31 December 2018						
Weighted average expected loss rate	0%	0%	0%	0%	100%	2%
Receivable amount (HK$'000)	3,036	128	23	29	62	3,278
Loss allowance (HK$'000)	—	—	—	—	62	62

26. CONTRACT ASSETS AND LIABILITIES

Disclosures of revenue-related items:

	As at 31 December 2019 HK$'000	As at 31 December 2018 HK$'000	As at 1 January 2018 HK$'000
Contract assets — provision of technical support and maintenance services	**186**	14	195
Contract liabilities — sale of computer hardware and software	**1,809**	1,061	93
Contract liabilities — provision of technical support and maintenance services	**2,244**	3,955	3,093
Total contract liabilities	**4,053**	5,016	3,186
Contract receivables (included in trade receivables)	**9,778**	3,216	3,178

26. CONTRACT ASSETS AND LIABILITIES *(Continued)*

Disclosures of revenue-related items: *(Continued)*

	2019 **HK$'000**	2018 HK$'000
Transaction prices allocated to performance obligations unsatisfied at end of year and expected to be recognised as revenue in:		
— 2019	**—**	5,956
— 2020	**4,288**	32
— 2021	**3**	—
	4,291	5,988

Year ended 31 December	**2019** **HK$'000**	2018 HK$'000
Revenue recognised in the year that was included in contract liabilities at beginning of year	**4,961**	3,167

Significant changes in contract assets and contract liabilities during the year:

	2019 Contract assets HK$'000	**2019 Contract liabilities HK$'000**	2018 Contract assets HK$'000	2018 Contract liabilities HK$'000
Increase due to operations in the year	**193**	**51,587**	35	39,463
Transfer of contract assets to receivables	**(21)**	**—**	(216)	—
Transfer of contract liabilities to revenue	**—**	**(52,550)**	—	(37,633)

A contract asset represents the Group's right to consideration in exchange for products or services that the Group has transferred to a customer.

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

27. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Note	**2019** **HK$'000**	2018 HK$'000
Equity securities listed in Hong Kong, at fair value	*(a)*	**39,885**	38,012
Unlisted investment funds, at fair value		**5,593**	—
		45,478	38,012

Note:

(a) The investments included above as at 31 December 2019 and 2018 represent investments in listed equity securities that offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate.

The fair values of the listed equity securities are determined based on the quoted market prices.

28. BANK AND CASH BALANCES

	2019 **HK$'000**	2018 HK$'000
Cash and bank balances other than time deposits	**4,708**	4,407
Time deposits	**251**	251
	4,959	4,658

Notes:

(a) As at 31 December 2019, the bank and cash balances of the Group denominated in RMB amounted to approximately HK$1,346,000 (2018: approximately HK$784,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

(b) Time deposits are made for varying periods of between three months and one year depending on the immediate cash requirements of the Group, and earn interest at the respective time deposit rates. The bank balances and deposits are deposited with creditworthy banks with no recent history of default.

29. TRADE PAYABLES

An aging analysis of the Group's trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2019 HK$'000	2018 HK$'000
Within 1 month	**4,783**	773
1 to 2 months	**4,362**	397
2 to 3 months	**23**	1,176
Over 3 months	**1**	—
	9,169	2,346

30. OTHER PAYABLES AND ACCRUALS

	2019 HK$'000	2018 HK$'000
Accruals	**4,621**	4,486
Other payables	**33,970**	81,670
	38,591	86,156

At 31 December 2019, other payables of HK$Nil (2018: HK$1,000,000) is due to a director, Mr. Wong King Shiu, Daniel.

31. BANK AND OTHER LOANS

	Notes	2019 HK$'000	2018 HK$'000
Bank loans:			
Mortgage loan	*(i)*	**28,525**	38,706
Other loans:			
Margin loans	*(ii)*	**11,581**	14,215
		40,106	52,921

Notes:

(i) The mortgage loan has terms of 10 years until 2022 with a repayable on demand clause exercisable by a bank. The average interest rate was 5.39% (2018: 5.39%).

The mortgage loan is secured by a charge over the Group's investment properties with fair value of approximately HK$298,672,000 (2018: approximately HK$336,971,000), and personal guarantee by former shareholders of a subsidiary.

(ii) As at 31 December 2019, the margin loans are secured by the Group's equity securities listed in Hong Kong with fair value of approximately HK$16,726,000 (2018: approximately HK$25,450,000) and repayable on demand. As at 31 December 2019, included in the loans of approximately HK$11,581,000 (2018: approximately HK$14,215,000) is charged at a fixed interest rate of 8.375% (2018: 8.375%) per annum.

32. PROMISSORY NOTE PAYABLES

	HK'000
At 1 January 2019	**—**
Issuance of a promissory note	**72,435**
Imputed interest	**2,934**
Repayment of promissory note	**(11,186)**
Loss on early redemption	**421**
Exchange realignment	**(1,051)**
At 31 December 2019	**63,553**

32. PROMISSORY NOTE PAYABLES *(Continued)*

On 3 September 2019, the Group issued a promissory note (the "PN") with fair value of approximately HK$72,435,000 (principal amount of RMB66,341,000) as a consideration for the acquisition of 19% equity interest of Dehuang and a loan receivable with principal amount of RMB51,199,000 (the "Loan Receivable"). On the date of issuance of the PN, (i) the fair value of 19% equity interest in Dehuang and the Loan Receivable; and (ii) the fair value of the PN of approximately HK$72,435,000 allocated to 19% equity interest of Dehuang and the Loan Receivable are as follows:

	Fair value at the date of issuance of the PN	**Fair value of the PN allocated**
	HK$'000	HK$'000
19% equity interest in Dehuang *(note 20(d))*	9,544	12,825
The Loan Receivable *(note 23(c))*	44,361	59,610
	53,905	72,435

Loss on initial recognition of the Loan Receivable of HK$15,249,000 is recognized on the date of issuance of the PN.

The promissory note is unsecured, interest bearing at 10% per annum and repayable on 2 September 2020. The fair value of the promissory note approximates its carry amount. As at 31 December 2019, the PN is measured at amortised cost using effective interest rate of 14.28%.

33. LEASE LIABILITIES

	Lease payments		Present value of lease payments	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(Restated)		(Restated)
Within one year	**3,127**	3,210	**3,045**	3,148
In the second to fifth years, inclusive	**3,380**	269	**3,085**	251
	6,507	3,479		
Less: Future finance charges	**(377)**	(80)		
Present value of lease liabilities	**6,130**	3,399	**6,130**	3,399
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(3,045)**	(3,148)
Amount due for settlement after 12 months			**3,085**	251

At 31 December 2019, the average effective borrowing rate was 4.75% to 5.25% (2018: 4.75% to 5.25%). Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk.

34. LOAN FROM A SHAREHOLDER

As at 31 December 2019, loan from a shareholder is advanced from Mr. Zhang Rong and is unsecured, interest bearing at 3% and due for repayment on 1 January 2021.

35. AMOUNT DUE TO A DIRECTOR

As at 31 December 2019, the amount is unsecured, interest-free and due for repayment on 1 January 2021.

36. SHARE CAPITAL

	Number of shares		Share capital	
	2019	2018	**2019**	2018
			HK$'000	HK$'000
Authorised:				
Ordinary shares of HK$0.10 (2018: HK$0.10) each				
At the beginning and at the end of the year	**12,000,000,000**	12,000,000,000	**1,200,000**	1,200,000

	Number of shares		Share capital	
	2019	2018	**2019**	2018
			HK$'000	HK$'000
Issued and fully paid:				
Ordinary shares of HK$0.10 (2018: HK$0.10) each				
At the beginning of the year	**5,712,151,908**	5,712,151,908	**571,215**	571,215
Exercise of share options	**10,008,000**	—	**1,001**	—
At the end of the year	**5,722,159,908**	5,712,151,908	**572,216**	571,215

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. 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 payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total debts less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. share capital, share premium, non-controlling interests, retained profits and other reserves) and includes some forms of subordinated debts.

37. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's executive and non-executive directors, full-time employees of the Group, advisers and consultants of the Group. The Scheme became effective on 3 August 2012 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares which may be issued upon exercise of all options granted and yet to be granted under the Scheme is currently limited to 30% of the shares of the Company in issue at any time. The total number of shares issued and to be issued upon exercise of the options granted and to be granted to each eligible participant in the Scheme in any 12-month period up to the date of the grant is limited to 1% of the aggregate number of issued shares of the Company at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

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

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors at their discretion, and commences on the date upon which the options are deemed to be granted and accepted.

The exercise price of share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

Details of the specific categories of options are as follows:

Date of grant	**Vesting period**	**Exercise period**	**Exercise price** HK$
11 April 2017	11 April 2017	11 April 2017–10 April 2027	0.153
27 September 2017	27 September 2017	27 September 2017– 26 September 2027	0.130
21 June 2019	21 June 2019	21 June 2019-20 June 2029	0.100

37. SHARE OPTION SCHEME *(Continued)*

For options granted on 11 April 2017, 27 September 2017 and 21 June 2019, if the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2019		2018	
	Number of share options	**Weighted average exercise price HK$**	Number of share options	Weighted average exercise price HK$
Outstanding at the beginning of the year	**1,134,408,000**	**0.1414**	1,140,912,000	0.1415
Granted during the year	**217,056,000**	**0.1000**	—	—
Exercised during the year	**(10,008,000)**	**0.1000**	—	—
Forfeited during the year	**—**	**—**	(6,504,000)	0.1477
Outstanding at the end of the year	**1,341,456,000**	**0.1351**	1,134,408,000	0.1414

The estimated fair values of the options granted on 21 June 2019 are approximately HK$9,627,000.

These fair values were calculated using Binominal pricing model. The inputs into the model are as follows:

	21 June 2019
Share price at the date of grant	**HK$0.090**
Exercise price	**HK$0.100**
Expected volatility	**61.94%**
Expected life	**10 years**
Risk free rate	**1.47%**
Expected dividend yield	**0%**
Expected Early Exercise Multiple	**2.2**

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 10 years.

Share options granted to consultants were incentives for helping the Group expand its business network, acquire and explore new business projects and opportunities. The fair value of such benefit could not be estimated reliably and as a result, the fair value is measured by reference to the fair value of share options granted.

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	At 31 December 2019 HK$'000	At 31 December 2018 HK$'000 (Restated)	At 1 January 2018 HK$'000 (Restated)
NON-CURRENT ASSETS			
Investments in subsidiaries	**—**	—	1,498
Right-of-use assets	**4,848**	—	—
Equity investments at fair value through other comprehensive income	**—**	1,614	1,341
Total non-current assets	**4,848**	1,614	2,839
CURRENT ASSETS			
Due from subsidiaries	**248,767**	270,214	285,696
Loan receivables	**—**	86	13,285
Prepayments, deposits and other receivables	**16,750**	360	283
Cash and bank balances	**321**	1,203	20,161
Total current assets	**265,838**	271,863	319,425
CURRENT LIABILITIES			
Other payables and accruals	**5,225**	5,846	1,823
Lease liabilities	**2,275**	—	—
Current tax liabilities	**—**	—	531
Total current liabilities	**7,500**	5,846	2,354
NET CURRENT ASSETS	**258,338**	266,017	317,071
Total assets less current liabilities	**263,186**	267,631	319,910
NON-CURRENT LIABILITIES			
Lease liabilities	**3,026**	—	—
Due to a director	**8,656**	—	—
Total non-current liabilities	**11,682**	—	—
NET ASSETS	**251,504**	267,631	319,910
CAPITAL AND RESERVES			
Share capital	**572,216**	571,215	571,215
Reserves	**(320,712)**	(303,584)	(251,305)
TOTAL EQUITY	**251,504**	267,631	319,910

39. RESERVES

(a) Group

(i) The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(ii) Share premium account

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(iii) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as the effective portion of any foreign exchange differences arising from hedges of the net investment in these foreign operations.

(iv) The PRC reserve funds

The PRC reserve funds are reserves set aside in accordance with the PRC Companies Law or the Law of the PRC on Joint Ventures Using Chinese and Foreign Investment as applicable to the Group's subsidiaries. None of the Group's PRC reserve funds as at 31 December 2019 and 2018 were distributable in the form of cash dividends.

(v) Share-based payment reserve

The share-based payment reserve represents the fair value of the actual or estimated number of unexercised share options granted to directors, employees and consultants of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 3 to the consolidated financial statements.

39. RESERVES *(Continued)*

(b) Company

	Share premium account HK$'000	Share-based payment reserve HK$'000	Accumulated losses HK$'000	Investment revaluation reserve HK$'000	Total HK$'000
At 1 January 2018 as restated	107,108	81,842	(440,255)	—	(251,305)
Loss for the year and total comprehensive loss for the year	—	—	(52,552)	273	(52,279)
Lapsed of share option	—	(592)	592	—	—
At 31 December 2018 and 1 January 2019 as restated	**107,108**	**81,250**	**(492,215)**	**273**	**(303,584)**
Loss for the year and total comprehensive loss for the year	**–**	**–**	**(26,141)**	**(614)**	**(26,755)**
Disposal of equity investments at fair value through other comprehensive income	**–**	**–**	**(341)**	**341**	**–**
Equity-settled share-based payment	**–**	**9,627**	**–**	**–**	**9,627**
Exercise of share options	**443**	**(443)**	**–**	**–**	**–**
At 31 December 2019	**107,551**	**90,434**	**(518,697)**	**–**	**(320,712)**

40. INVESTMENTS IN SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 December 2019 are as follows:

Company name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up capital/ registered capital	Percentage of ownership interest	Principal activities
China Information Technology Development (Hong Kong) Limited	Hong Kong	HK$100	100%	Office management
Macro Systems Limited	Hong Kong	HK$1,050,000	84%	Provision of system integration and maintenance services in Hong Kong
Macro Systems (Guangzhou) Co., Ltd.**	PRC	HK$1,300,000	84%	Provision of system integration and maintenance services in the PRC
DataCube Research Centre Limited	Hong Kong	HK$1	100%	Big data application
Guangzhou Xinfeng Investment Consultancy Company Limited**	PRC	HK$101,400,000	100%	Assets acquisition, management and consultancy services
Global Shine Investment Limited	Hong Kong	HK$1	100%	Securities trading
Value Creation Finance Limited	Hong Kong	HK$10,000	100%	Money lending
Guangzhou Deyong Technology Investment Co., Ltd.**	PRC	*	100%	Investment holding

The above list contains the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

* The amount of registered capital is RMB10 million and it is not yet injected.

** Wholly-foreign-owned enterprises.

41. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

The following table shows the Group's changes in liabilities arising from financing activities during the year:

	Promissory note payables HK$'000	Lease liabilities HK$'000	Bank and other loans HK$'000	Loan from a shareholder HK$'000	Amount due to a director HK$'000	Total liabilities from financing activities HK$'000
At 1 January 2018, as restated	—	5,353	68,921	—	—	74,274
Changes in cash flows	—	(4,765)	(10,017)	—	—	(14,782)
Non-cash changes						
— interest charged (restated)	—	227	—	—	—	227
— additions of lease liabilities	—	2,582	—	—	—	2,582
— disposal of subsidiaries	—	—	(3,456)	—	—	(3,456)
— exchange differences	—	2	(2,527)	—	—	(2,525)
At 31 December 2018 and 1 January 2019, as restated	**–**	**3,399**	**52,921**	**–**	**–**	**56,320**
Changes in cash flows	**(11,186)**	**(4,276)**	**(12,275)**	**3,000**	**9,006**	**(15,731)**
Non-cash changes						
– interest charged	**–**	**233**	**–**	**53**	**–**	**286**
– additions of lease liabilities	**–**	**6,780**	**–**	**–**	**–**	**6,780**
– issuance of a promissory note	**72,435**	**–**	**–**	**–**	**–**	**72,435**
– imputed interest	**2,934**	**–**	**–**	**–**	**–**	**2,934**
– loss on early redemption	**421**	**–**	**–**	**–**	**–**	**421**
– exchange differences	**(1,051)**	**(6)**	**(540)**	**–**	**–**	**(1,597)**
At 31 December 2019	**63,553**	**6,130**	**40,106**	**3,053**	**9,006**	**121,848**

42. APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised for issue by the Board of Directors on 27 March 2020.

Five Year Financial Summary

31 December 2019

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

	Year ended 31 December				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000 (Restated)	HK$'000	HK$'000	HK$'000
RESULTS					
REVENUE	**63,712**	51,666	48,817	14,221	27,793
Loss before tax	**(82,216)**	(80,168)	(117,283)	(49,354)	(105,155)
Income tax credit/(expenses)	**281**	1,913	504	(661)	(531)
LOSS FOR THE YEAR	**(81,935)**	(78,255)	(116,779)	(50,015)	(105,686)
Attributable to:					
Owners of the Company	**(80,850)**	(75,308)	(112,456)	(48,143)	(105,462)
Non-controlling interests	**(1,085)**	(2,947)	(4,323)	(1,872)	(224)
	(81,935)	(78,255)	(116,779)	(50,015)	(105,686)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	Year ended 31 December				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000 (Restated)	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**548,373**	596,458	691,983	685,940	379,124
TOTAL LIABILITIES	**(173,824)**	(149,883)	(156,692)	(139,603)	(20,409)
NET ASSETS	**374,549**	446,575	535,291	546,337	358,715
Equity attributable to:					
Owners of the Company	**376,297**	447,252	539,071	547,216	360,021
Non-controlling interests	**(1,748)**	(677)	(3,780)	(879)	(1,306)
	374,549	446,575	535,291	546,337	358,715

Particulars of Property Interests

Particulars of property interests held by the Group as at 31 December 2019 are as follows:

Location	Tenure	Attributable interest of the Group
Investment properties		
A composite building situated in No. 123 Lu Jing Road, Tianhe District, Guangzhou City, Guangdong Province, the PRC	Medium	100%