STOCK CODE: 8088

AID LIFE SCIENCE

AID Life Science Holdings Limited

滙友生命科學控股有限公司*

Annual Report 2019

* For identification purpose only

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Expressed in Hong Kong dollars ("HK$")

The Chinese version of this annual report is provided for reference only. In the event of any inconsistency between the Chinese and English versions, the English version shall prevail.

This annual report is printed on environmentally friendly paper

About
AID LIFE SCIENCE HOLDINGS LIMITED

AID Life Science Holdings Limited
("AID Life" or the "Company" and, together with its subsidiaries, the "Group") is a strategic investment group listed on GEM (stock code: 8088).

The Group is engaged in the business of strategic investment.

Management Discussion and Analysis

OVERVIEW

During the year under review, the Group continued to operate its strategic investment business with the following investments and disposals, with an objective to enhance the value of the Group, and hence maximise the return of the shareholders:

BUSINESS REVIEW

(a) Disposal of Investments

Disposal of GeneSort International Inc. and its subsidiaries ("GeneSort Group")

On 27 and 31 May 2019, the Group had entered into two separate transactions that resulted in the Group's partial disposal of its shareholding in GeneSort Group. On 27 May 2019, the Group disposed approximately 6% shareholding in GeneSort Group for a consideration of US$740,000 (equivalent to approximately HK$5,802,000). On 31 May 2019, GeneSort Group allotted and issued shares to a subscriber which is an independent third party to the Group, and by an agreement with the subscriber, the Group further disposed approximately 17.6% (diluted basis) shareholding in GeneSort Group to the subscriber for a consideration of HK$2,486,000.

Management Discussion and Analysis

(b) Selective Existing Investment Portfolio

The Group has financial assets at fair value through profit or loss in aggregate amount of approximately HK$404.6 million and HK$442.0 million as at 31 December 2019 and 2018 respectively, representing approximately 80% and 68% of the total assets of the Group as at the respective reporting date. The following table sets out the Group's major investments as at 31 December 2019 and 2018:

Name of investments	**As at 31 December 2019** Fair value at reporting date HK$'000	Approximate percentage of the total assets of the Group	As at 31 December 2018 Fair value at reporting date HK$'000	Approximate percentage of the total assets of the Group
Zoox Inc. ("Zoox") (Note (iii))				
— unlisted shares	**309,333**	**61%**	309,286	48%
China Creative Digital Entertainment Limited ("China Creative") (Note (iv))				
— listed shares	**2,502**	**1%**	28,739	4%
— convertible bond with interest rate of 5% per annum and maturity date on 25 April 2021	**41,775**	**8%**	36,573	6%
Other investments	**51,015**	**10%**	67,440	10%
	404,625	**80%**	442,038	68%

Except for investments in Zoox and China Creative, as at 31 December 2019 and 2018, none of the Group's individual investment amounted to 10% or more of the total assets of the Group.

(i) Complete Star Limited ("CSL")

CSL is principally engaged in the development and operation of mobile games. During 2019, it continued and maintained its mobile game portfolio including the Star Girl franchise. Star Girl is a fashion role-playing game ("RPG") targeting female users in which players create a virtual female celebrity and determine her career, appearance and social life while interacting with the game world and other players. Since its release, the Star Girl franchise has accumulated a strong user base with over 100 million downloads globally. However, growth in mobile games sector has slowed down as smartphone penetration in major economies are reported at their near-saturation levels, leaving mobile apps and games developers to face stiffer competition within the market. CSL is making continual improvements to its portfolio of games including updates and new features.

Management Discussion and Analysis

(ii) Honestway Global Group Limited ("HGGL")

HGGL and its subsidiaries (the "HGGL Group") are principally engaged in mobile games and online media content distribution in the People's Republic of China (the "PRC"). Since early 2018, the Mainland Chinese authorities has introduced a new regulatory regime for digital games, aimed at mitigating addiction and inappropriate contents. However, approval of titles had been slow and the game publishing industry fails to return to its pre-2018 levels. As a result, HGGL group looked for ways to reinforce its existing business and expand into new sectors within the digital domain. During the year, HGGL Group has expanded its new multichannel network business to diversify its distribution channels as well as in close collaboration with content creators. It has also maintained its online Key Opinion Leaders ("KOLs") management and content creation business, the KOLs and talents are selected to join the group to create musical, dance, comedy, acting, lip-sync and other types of talent show videos in the PRC and these contents would be distributed on online media platforms such as YouKu after post-production processing. Moreover, HGGL Group also entered sharing economy business during the year by installing facilities for shared use at university campuses. These new businesses had contributed revenue stream to HGGL Group in 2019.

(iii) Zoox

Zoox is principally engaged in robotics and pioneering autonomous mobility-as-a-service. The company is developing a breakthrough, fully automated, electric vehicle fleet and the supporting ecosystem required to bring the service to market at scale. During the year, Zoox received a permit to test autonomous vehicles on public roads in Nevada in additional to the similar permit it already has for California. Zoox is actively conducting road tests for its autonomous vehicles in San Francisco and Las Vegas. The permits allowed Zoox to carry passengers in its self-driving test vehicles, but cannot charge for rides and that a human safety driver will be in the vehicle at all times. Before commercial deployment, Zoox is required to pass Federal Motor Vehicle Safety Standards ("FMVSS") crash testing with its production vehicle. It does not foresee any issues in obtaining such necessary certifications and permits for deploying commercial service.

Fair value gains of HK$47,000 and HK$75,286,000 were recognised for the year ended 31 December 2019 and 2018, respectively, in relation to the investment in Zoox. The Group's shareholdings were approximately 1.8% and 2.6% of issued share capital of Zoox as at 31 December 2019 and 31 December 2018 respectively.

Management Discussion and Analysis

(iv) China Creative (stock code: 8078)

China Creative is principally engaged in the entertainment business, with a focus in production of television programmes, movie and music production, distribution, distribution licensing in both Hong Kong and the PRC and artist management. China Creative intends to continue developing and streamlining its entertainment, movie production and distribution business to generate a synergistic effect with its existing lines of business. During the year, the entertainment market in Mainland China has been severely affected by such factors from US-China trade tension to artists' taxation issues, and more recently, the coronavirus outbreak in Asia. The box office revenue remained weak in 2019 and is likely to take time to recover. On the other hand, it invested in online contents such as "Hong Kong West Side Stories," that was distributed through online subscription-based streaming service. During the year, China Creative had ceased its HMV retail business and disposed its operation in cinemas due to unfavourable market conditions; it would continue to create quality media contents and distribute on various media platforms.

Fair value losses of HK$17,905,000 and HK$641,165,000 were recognised for the year ended 31 December 2019 and 2018, respectively, in relation to the investment in listed shares of China Creative. The Group's shareholdings were approximately 11.1% and 17.6% of issued share capital of China Creative as at 31 December 2019 and 31 December 2018 respectively.

(v) Shenzhen Hooenergy Technology Company Limited* (深圳滙能新能源科技有限公司, "Hooenergy")

Hooenergy is engaged in the development and operation of electric vehicle ("EV") charging piles in the PRC. Hooenergy has established strategic collaboration with more than 30 of the top 50 property developers or management companies including AVIC Property, Poly Property, Changcheng Property, China Merchants Group, Kingkey Group and Rongchao Real Estate, 30% of which are exclusive. Hooenergy has over 12,500 chargers across China, including Shenzhen and other major cities. Its growth in number of operating charging piles is driven by new energy vehicle initiatives in China that advocates electric vehicles adoption and discourages traditional vehicles with internal combustion engines over the long term. During 2019, its number of subscribers has nearly doubled and reached 110,000 in January 2020. Hooenergy has been awarded High-New Technology Enterprise ("HNTE") designation in 2019, which would enable the company to enjoy a number of incentives in tax, R&D as well as for recruitment of talents. During the year, Hooenergy also in-house developed two new equipment being: (1) a linked-automatic parking space barrier that can be optionally installed by carpark operators or owners to block non-EV from occupying parking spaces that are for use by EVs; and (2) a new generation of direct current charging pile that supports fast charging at ratings up to 150kW. Moving forward, Hooenergy will continue to collaborate with more carpark operators, property management companies, as well as different strategic partners to expand its geographic market and reach.

Management Discussion and Analysis

(vi) GeneSort

GeneSort is a company incorporated in Israel principally engaged in advanced personalised molecular diagnostic services for cancer evaluation and cure. GeneSort aims to harness cutting edge technologies to elucidate the genetic DNA profile of patients, with particular focus on cancer and hereditary diseases. Besides providing comprehensive genomic profiling tests for solid tumours, hematological cancer and hereditary cancers, GeneSort is also one of the few diagnostic companies in the world that aims to offer liquid biopsy for cancer diagnostics and prognosis monitoring utilising Next Generation Sequencing ("NGS") technology. GeneSort is conducting research and development in advanced lung and colorectal focused gene panels for more efficient detection of tumors, in addition, it is also developing "minimal DNA" sample technology which requires less sample mass for analysis as opposed to prevalent technology. While continuing its R&D activities, GeneSort is also incorporating the latest developments in molecular diagnostics and DNA technologies to its workflow to ensure it is maintaining the technology front.

The Group will continue to engage in the business of strategic investment. As at the date of this report, as part of the strategic investment business of the Company, the Group continued to monitor and strive to maximise the value of its various strategic investments globally. The Group also leveraged on its investment in GeneSort to develop and expand its foothold in the health-technology sector. The Group will continue to (i) seize good opportunities from the potential fast growing specialised industry of health-technology; (ii) monitor and maximise the value of its investments; and (iii) seek for potential strategic investment and divestment opportunities with the objective to enhance the return to its shareholders.

FINANCIAL REVIEW

Financial Results

As a result of the change of strategies coupled with the less favourable operating environment in the mobile game business of the Group, revenue for the year under review decreased to HK$11.7 million from HK$19.3 million for last year, while total operating expenses (being selling and distribution expenses and administrative and operating expenses) for the year under review decreased to HK$61.3 million from HK$118.0 million for last year.

Fair value losses on financial assets at fair value through profit or loss of HK$27.1 million (31 December 2018: HK$576.9 million) was recognised for the year under review. The decrease in losses was mainly attributable to significant decrease in losses in listed shares of China Creative during the year under review.

A loss on the disposal of subsidiaries of approximately HK$5.2 million (31 December 2018: gain of HK$4.1 million) was recognised in profit or loss for the year ended 31 December 2019.

Other income for the year under review decreased to HK$7.8 million from HK$9.3 million for last year.

Finance costs for the year under review increased to HK$16.3 million from HK$14.4 million for last year, mainly represent the effective interest expense of convertible bonds of the Company with a principal amount of HK$140 million.

Management Discussion and Analysis

As a result, the Group reported a loss attributable to owners of the Company for the year under review of HK$141.5 million as compared to a loss of HK$765.3 million for last year.

Segment Results

The Group has disposed AID Partners Asset Management Limited ("AIDPAML"), a former wholly-owned subsidiary of the Group, on 5 September 2018. Following the disposal of AIDPAML, the chief operating decision makers, which are collectively the Executive Directors of the Company, identify the Group has only one operating segment, which is strategic investment.

No separate analysis of segment information is presented by the Group for the year ended 31 December 2019 as all of the Group's revenue, results, assets and liabilities are related to the strategic investment business.

Financial Position and Resources

Significant Capital Assets and Investments

Other than the significant investments disclosed in the section of "Management Discussion and Analysis — Business Review", the Group acquired property, plant and equipment totalling HK$0.2 million during the year under review.

Liquidity

As at 31 December 2019, the Group had cash and bank balances of HK$30.9 million and net current assets of HK$196.9 million, decreased from HK$40.5 million and increased from HK$90.5 million as at 31 December 2018, respectively. As at 31 December 2019, current assets and current liabilities of the Group were HK$405.1 million (31 December 2018: HK$111.8 million) and HK$208.2 million (31 December 2018: HK$21.3 million) respectively. Accordingly, the Group's current ratio was 1.9 (31 December 2018: 5.2). Further details of the Group's risk management objectives and policies and exposure to liquidity risk, and current assets and current liabilities are set out in Notes 3 and 19 to 25 to the financial statements.

Gearing

2015 HK$140 million Convertible Bonds

In July 2015, the Company entered into a subscription agreement with Hong Kong HNA Holding Group Co. Limited ("HNA") pursuant to which HNA agreed to subscribe the convertible bond in principal amount of HK$140,000,000, bearing a compound interest rate of 8% per annum (the "2015 HK$140 million Convertible Bonds"). On 20 July 2015, with the fulfilment of all the conditions required for the 2015 HK$140 million Convertible Bonds, the Company issued the 2015 HK$140 million Convertible Bonds for the investment capital of the strategic investment business of the Company as well as for the expansion of its asset management business and related financial platform and general working capital of the Group. The terms and conditions of the 2015 HK$140 million Convertible Bonds are detailed in Note 25 to the financial statements. In accordance with the terms and conditions thereof, the adjusted conversion price is HK$6.5 per share after share consolidation became effective on 14 December 2018.

The Group's gearing ratio summary at 31 December 2019 and 2018 refer to Note 3.2.

Management Discussion and Analysis

Details of the Group's financial risk management objectives and policies and exposure to capital risk are set out in Note 3 to the financial statements.

Charges

There were no significant charges on the Group's investments and assets as at 31 December 2019.

Commitments and Contingent Liabilities

The Group had no material capital commitments and contingent liabilities as at 31 December 2019.

Equity Structure

An analysis of the movements in equity during the year under review is set out in the consolidated statement of changes in equity on page 66 of the financial statements.

As at 31 December 2019, the total issued share capital of the Company was 545,107,005 ordinary shares, increased from 540,232,005 ordinary shares as at 31 December 2018 due to the issuance of remuneration shares as compensation for consultancy service during the year under review. Details of the movements in share capital are set out in Note 27 to the financial statements.

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

As at 31 December 2019, the Company had 678,625 share options outstanding under the Company's 2002 Share Option Scheme of which were all exercisable.

As at 31 December 2019, the Company had 33,508,000 share options outstanding under the Company's 2014 Share Option Scheme of which were all exercisable. The Company can grant a further 54,023,200 options pursuant to the existing shareholder mandate limit.

EMPLOYEE INFORMATION

As at 31 December 2019, the Group had 40 full-time employees (2018: 81) across the entire Group. Employee remuneration (including directors' remuneration) totaled HK$21.9 million (2018: HK$27.4 million). The remuneration packages of the Group's Directors and employees are kept at a competitive level to attract, retain and motivate Directors and employees of the quality required to run the Group successfully. In general, remuneration consists of a combination of a fixed salary paid in cash and a performance linked bonus paid in cash and options. A portion of the bonus may be deferred subject to the achievement of certain pre-determined targets and conditions. The Group's remuneration policies and practices are reviewed annually and benchmarked against sectors of financial and banking institutions.

RETIREMENT BENEFIT SCHEMES

Details of the Group's retirement benefit schemes are set out in Note 2.23(ii) to the financial statements.

Management Discussion and Analysis

FOREIGN CURRENCY EXPOSURE

Details of the Group's financial risk management objectives and policies and exposure to foreign currency risk are set out in Note 3 to the financial statements.

MATERIAL ACQUISITIONS AND DISPOSALS

During the year under review, other than the significant disposals as detailed in Note 34 to the financial statements, the Group made no other significant acquisition or disposal of subsidiaries or affiliated companies.

CONTRACTUAL ARRANGEMENTS

The Group, through its wholly-owned subsidiary HGGL, indirectly owned a wholly-foreign-owned-enterprise, 深圳八零八八科技有限公司 ("WFOE"), which has entered into the corresponding contractual arrangements to control and operate a foreign restricted business, namely 上海威搜游科技有限公司 ("VSOYOU") under the relevant PRC laws and regulations (the "Contractual Arrangements").

PARTICULARS OF VSOYOU AND ITS REGISTERED OWNERS, AND A SUMMARY OF THE MAJOR TERMS OF THE CONTRACTUAL AGREEMENTS

VSOYOU is a company with limited liability established in the PRC, its registered owners are 張永鋒先生 (Mr. Zhang Yong Feng*) and 陳曉萍女士 (Ms. Chen Xiao Ping*). A summary of the major terms of the Contractual Arrangements has been published on the website of the Company.

DESCRIPTION OF VSOYOU'S BUSINESS ACTIVITIES AND THEIR SIGNIFICANCE TO THE GROUP

VSOYOU and its subsidiaries are primarily engaged in the development and operation of mobile-online games business in the PRC. The net asset value of VSOYOU was approximately HK$26,361,000 and HK$37,962,000 as at 31 December 2019 and 2018, respectively, which represents approximately 9.1% and 8.7% of the Group's net assets as at 31 December 2019 and 2018, respectively. The revenue of VSOYOU was approximately HK$8,893,000 and HK$13,039,000 for the year ended 31 December 2019 and 2018, respectively, which represents approximately 76% and 68% of the Group's revenue for the year ended 31 December 2019 and 2018, respectively. The net loss of VSOYOU was approximately HK$3,467,000 and HK$16,705,000 for the year ended 31 December 2019 and 2018, respectively.

REASON FOR USING THE CONTRACTUAL ARRANGEMENTS

As advised by the PRC legal adviser, VSOYOU is primarily engaged in the development and operation of mobile-online games business and is considered to be engaged in the provision of value-added telecommunication services and internet cultural business. Pursuant to the applicable PRC laws and regulations, the said business of VSOYOU is subject to prohibition on foreign investment. Shareholders of VSOYOU are required to be PRC domestic natural persons, enterprise legal persons or other social organisations and foreign investors are not allowed to directly invest in VSOYOU. As such, the Group cannot acquire the equity interest in VSOYOU at that time. Having regard to such foreign investment restrictions, the Contractual Arrangements were designed to provide WFOE and, thus the Group with effective control over the financial and operational policies of VSOYOU and (to the extent permitted by PRC laws and regulations) the right to acquire the equity interest in VSOYOU.

Management Discussion and Analysis

RISKS ASSOCIATED WITH THE CONTRACTUAL ARRANGEMENTS AND ACTIONS TAKEN BY THE COMPANY TO MITIGATE THE RISKS

WFOE does not have any direct equity ownership in VSOYOU and will have to rely on the Contractual Arrangements to control, operate, and be entitled to the economic benefits and risks arising from the value-added telecommunication services and internet cultural business in the PRC conducted through VSOYOU. However, there are risks involved with the operations of WFOE's business under the Contractual Arrangements, as the case may be.

(i) There is no assurance that the Contractual Arrangements could comply with future changes in the regulatory requirements in the PRC and the PRC government may determine that the Contractual Arrangements do not comply with applicable regulations.

(ii) The Contractual Arrangements may not be as effective in providing control over and entitlement to the economic interests in VSOYOU as direct ownership.

(iii) Potential conflicts of interest among WFOE, VSOYOU and existing shareholder(s) of VSOYOU may exist.

(iv) The Contractual Arrangements may be subject to scrutiny of the PRC tax authorities and additional tax may be imposed.

(v) WFOE's ability to acquire the entire equity interests in or assets of VSOYOU may be subject to various limitations and substantial costs.

(vi) Certain terms of the Contractual Arrangements may not be enforceable under the PRC laws.

In light of the above risks associated with the Contractual Arrangements, the Group has adopted a set of procedures, systems and internal control measures to ensure the sound and effective operation of the Group and the implementation of the Contractual Arrangements. Such procedures, systems and internal control measures include (i) regular discussions of matters relating to compliance and regulatory enquiries from governmental authorities, if any, by the board of directors of the Company at board meetings; and (ii) retaining legal adviser and/or other professional to assist the Group to deal with specific issues arising from the Contractual Arrangements, if so required.

MATERIAL CHANGE OR UNWINDING OF THE CONTRACTUAL ARRANGEMENTS

There was no material change or unwinding of the Contractual Arrangements since the date of the Contractual Arrangements were entered into up to the date of this report.

* For identification purpose only

Profiles of Directors

Mr. Wu King Shiu, Kelvin

Mr. Wu, aged 50, joined the Board in May 2014, and was appointed as the Chief Executive Officer and Executive Director. Mr. Wu was appointed as the Chairman of the Company and was re-designated from Chief Executive Officer to Chief Investment Officer on 16 March 2016. Mr. Wu was appointed as the Chief Executive Officer on 1 June 2018. Mr. Wu has resigned as the Chief Executive Officer and Chief Investment Officer and has been re-designed from Executive Director to Non-Executive Director of the Company since 4 February 2019. Mr. Wu remains as the Chairman of the Company and the chairman of Nomination Committee and a member of the Remuneration Committee of the Board. He also acts as director of certain subsidiaries of the Group. He has over 24 years of experience in the finance and investment industries. He is the co-founder and the principal partner of AID Partners Capital Limited. He is co-chairman of the board of i-Future Teens International Foundation Limited, a registered charitable organisation in Hong Kong. He was a director of ACT Co., Ltd., a company listed on KOSDAQ of the Korea Exchange (Stock code: 138360). He was a non-executive director of China Creative Digital Entertainment Limited (Stock code: 8078), a company listed on the Stock Exchange and was formerly the director of board of Shunwei Capital Partners and the chief executive officer of Orange Sky Golden Harvest Entertainment (Holdings) Limited (stock code: 1132), a company listed on the Stock Exchange, one of the leading film entertainment companies in Asia, from 2009 to 2011 and the chief executive officer of Legendary East Ltd.. Prior to founding AID Partners Capital Limited, Mr. Wu was the president of Investec Asia Limited from 2005 to 2007, where he managed its direct investment business involving energy, consumer and finance related industries. Mr. Wu also worked for other investment banks, including as managing director of China Everbright Capital Ltd., head of corporate finance for Grand Cathay Securities (Hong Kong) Limited, director of corporate finance department of Core Pacific-Yamaichi Capital Limited and held senior position in BNP Prime Peregrine Capital Limited. Besides, Mr. Wu also served as chief operating officer of Sega.com Asia Networks Limited in year 2000.

Mr. Wu received his bachelor degree majored in business administration from The Chinese University of Hong Kong. He also has a post graduate diploma from Osaka University of Foreign Studies (Renamed Osaka University), Japan.

Ms. Chan Suet Ngan

Ms. Chan, aged 49, joined the Board in January 2018, and was appointed as an Executive Director. Ms. Chan was appointed as the Company Secretary of the Company in November 2013. Ms. Chan is currently the Authorised Representative, the Head of Finance and Company Secretariat of the Company and is responsible for overseeing the finance and accounting operations as well as compliance of policies, rules and procedures in relation to accounting matters of the Group. She also acts as director of certain subsidiaries of the Group. Ms. Chan possesses over 18 years experience in the fields of accounting, finance and company secretariat. Before joining the Company, she held senior position in the accounts and finance department in a listed company in Hong Kong.

Ms. Chan is a member of CPA Australia and is also a member of the Hong Kong Institute of Certified Public Accountants. She obtained her Bachelor of Commerce degree from the University of Auckland, New Zealand.

Mr. Hu Kenneth

Mr. Hu Kenneth, aged 33, joined the Board in January 2018, and was appointed as an Executive Director. He has served various key roles across several functions in the Group since joining the Group in 2015. Mr. Hu Kenneth has accumulated extensive experience and deep understanding in corporate strategy management, innovation management, financial and investment through these managerial roles within the Group.

Mr. Hu Kenneth obtained a Bachelor of Commerce degree from the University of Queensland, Australia. He is the spouse of Ms. Qian Alexandra Gaochuan.

Profiles of Directors

Ms. Qian Alexandra Gaochuan

Ms. Qian, aged 33, joined the Board in January 2018, and was appointed as an Executive Director, the Compliance Officer and the Authorised Representative. She joined the Group in 2015. She is currently the Head of Operations of the Company. She also acts as director of certain subsidiaries of the Group. She is the member of the board of director of i-Future Teens International Foundation Limited, a registered charitable organisation in Hong Kong.

Ms. Qian is a member of CPA Australia. She obtained a Bachelor of Business degree from RMIT University and a Master of Commerce degree from the University of Queensland, Australia. She is the spouse of Mr. Hu Kenneth.

Mr. Yuen Kwok On

Mr. Yuen, aged 54, joined the Board in July 2013, and was appointed as an Independent Non-Executive Director. Mr. Yuen is also the chairman of the Audit Committee, the chairman of the Remuneration Committee and a member of the Nomination Committee of the Board. He has extensive experience in financial analysis, risk control and mergers and acquisitions. Prior to joining the Company, Mr. Yuen was the chief financial officer and company secretary of Orange Sky Golden Harvest Entertainment (Holdings) Limited ("OSGH"). He joined OSGH in October 1996 and has in-depth knowledge of operations of film distribution and exhibition business. OSGH's shares are listed on the Main Board of the Stock Exchange (Stock code: 1132). From October 2015 to July 2017, he was an independent non-executive director of Mason Group Holdings Limited (Stock code: 273), which is listed on the Stock Exchange.

Mr. Yuen is a member of the CPA Australia and the Hong Kong Institute of Certified Public Accountants. He obtained a master's degree of business administration from Hong Kong Baptist University.

Mr. Matsumoto Hitoshi

Mr. Matsumoto, aged 65, joined the Board in August 2017, and was appointed as an Independent Non-Executive Director. Mr. Matsumoto is a member of the Nomination Committee, the Remuneration Committee and the Audit Committee of the Board. He has over 30 years of experience in the computer science field. He is the Executive Advisor of Fujitsu Laboratories of America, Inc. ("FLA"). He was formerly the Executive Fellow of FLA from 2011 to 2014, President & Chief Executive Officer of FLA from 2006 to 2011, Vice President of Internet Services Research and Business Development/Alliance of FLA from 2002 to 2006. He moved to Silicon Valley to conduct Multimedia & Internet services projects at Fujitsu Personal Systems, Inc in 1997. He joined Fujitsu Limited in Japan in April 1979.

Mr. Matsumoto received his bachelor degree in Applied Physics and master degree in Information Engineering from Nagoya University, Nagoya, Japan.

Profiles of Directors

Mr. Yau Chung Hang

Mr. Yau, aged 47, joined the Board in July 2019, and was appointed as an Independent Non-Executive Director. Mr. Yau is a member of the Audit Committee of the Board. He has over 20 years of experience in finance and accounting. Mr. Yau is currently an independent non-executive director of Shuang Yun Holdings Limited (stock code: 1706) from October 2017, a company listed on the Main Board of the Stock Exchange, which engages in roadworks services and construction machinery rental services in Singapore. Mr. Yau had been appointed as an independent non-executive director of Wang Yang Holdings Limited (now known as Central Holding Group Co., Ltd.) (stock code: 1735) from March 2018 to October 2019, a company listed on the Main Board of the Stock Exchange, which engages in construction works. Mr. Yau had been appointed as an executive director of Tokyo Chuo Auction Holdings Limited (stock code: 1939) from September 2018 to September 2019, a company listed on Main Board of the Stock Exchange, which engages in artwork auction business in both Japan and Hong Kong. Mr. Yau had been appointed as an independent non-executive director of ABC Communications (Holdings) Limited (now known as Ban Loong Holdings Limited) (stock code: 30) from May 2013 to October 2014, a company listed on the Main Board of the Stock Exchange.

Mr. Yau obtained a Higher Diploma in Accountancy from the City University of Hong Kong in November 1995. He holds a degree of Bachelor of Arts in Accountancy from the University of Bolton, the United Kingdom in August 2005. He has been a fellow member of The Association of Chartered Certified Accountants since December 2006 and a member of Hong Kong Institute of Certified Public Accountants since April 2002.

Directors' Report

The Directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is to act as the holding company of the Group. The Group is principally engaged in the business of strategic investment. The principal activities of the Company's principal subsidiaries as at 31 December 2019 are set out in Note 35 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2019 and the state of affairs of the Group and the Company at that date are set out in the consolidated financial statements on pages 61 to 172.

The Directors do not recommend the payment of a dividend for the year.

DIVIDEND POLICY

The Board considers stable dividend payment to the shareholders of the Company to be one of the main objectives of the Company. The declaration and payment of dividends of the Company shall be determined at the discretion of the Board and subject to all applicable laws and regulations in the Cayman Islands and Hong Kong and the Memorandum and Articles of Association of the Company.

The dividend policy adopted by the Company aims to set out the principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of its net profits as dividends to the shareholders of the Company.

When considering the declaration and payment of dividends, the Board shall take into account the following factors of the Group:

- financial results;
- cash flow situation;
- business conditions and strategies;
- future operations and earnings;
- capital requirements and expenditure plans;
- interests of shareholders;
- any restrictions on payment of dividends; and
- any other factors that the Board may consider relevant.

The Company may declare and pay dividends by way of cash or scrip or by other means that the Board considers appropriate. Any final dividend for a financial year will be subject to shareholders' approval.

The Board will review the dividend policy and make any necessary amendments as appropriate from time to time.

Directors' Report

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in Note 27 to the financial statements.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in Note 28 to the financial statements.

DISTRIBUTABLE RESERVE

Details of the movements in distributable reserve of the Group and the Company are set out in Note 28(k) to the financial statements.

CONVERTIBLE BONDS

Details of the movements in convertible bonds of the Company during the year are set out in Note 25 to the 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 15 to the financial statements.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 173.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company has not redeemed any of its shares during the years ended 31 December 2019 and 31 December 2018. Neither the Company, nor any of its subsidiaries, has purchased or sold any of the Company's listed securities during the years ended 31 December 2019 and 31 December 2018.

SHARE OPTION SCHEMES

Details of the Share Option Schemes are set out in Note 29 to the financial statements.

The Company's share option scheme which was adopted on 27 March 2002 (the "2002 Share Option Scheme") was expired and a new share option scheme (the "2014 Share Option Scheme") was adopted by an ordinary resolution passed by the shareholders at the extraordinary general meeting of the Company on 15 April 2014 (the "Adoption Date"). The 2014 Share Option Scheme constitutes a share option scheme governed by Chapter 23 of the GEM Listing Rules and will remain in force for 10 years from the Adoption Date.

Upon the expiry of the 2002 Share Option Scheme, no further option can be offered thereunder but any options granted prior to such expiry but not yet exercised shall continue to be valid and exercisable.

Directors' Report

The Company operates both the 2002 Share Option Scheme and the 2014 Share Option Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operation. Pursuant to the 2014 Share Option Scheme, the directors of the Company may grant options to eligible participants persons (as defined in the 2014 Share Option Scheme) to subscribe for shares in the Company subject to the terms and conditions stipulated therein.

Summary of the 2014 Share Option Scheme disclosed in accordance with the GEM Listing Rules is as follows:

Purpose of the scheme	To encourage the participants to perform their best in achieving the goals of the Group and at the same time allow the participants to enjoy the results of the Group attained through their efforts and contributions and to provide the participants with incentives and help the Group in retaining and recruiting talents.
Participants of the scheme	Eligible participant may be a person or an entity belonging to any of the following classes: (a) any eligible employee (i.e. any employee of or any person who has accepted an offer of employment from (whether full time or part time employee, including any executive director but not any non-executive director) the Company, its subsidiaries and any entity in which the Group holds any equity interest (the "Invested Entity")) (the "Eligible Employee"); (b) any non-executive director (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity; (c) any supplier of goods or services to any member of the Group or any Invested Entity; (d) any customer of the Group or any Invested Entity; (e) any person or entity acting in their capacities as advisers or consultants to the Group or any Invested Entity; and (f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity from time to time determined by the Directors having contributed or may contribute to the development and growth of the Group or any Invested Entity.

Directors' Report

Total number of shares available for issue under the 2014 Share Option Scheme and percentage of issued share capital as at the date of this report	The Company has refreshed the scheme limit on 10 May 2019. As at the date of this report, the total number of shares available for allotment and issue under 2014 Share Option Scheme and previous share option scheme is 88,209,825 Shares, representing approximately 16.18% of the Company's total number of issued shares as at the date of this report.
Maximum entitlement of each participant under the scheme	The total number of shares issued and which may fall to be issued upon exercise of the options granted under the 2014 Share Option Scheme (including both exercised and outstanding options) to each grantee in any 12–month period shall not exceed 1% of the issued share capital of the Company for the time being unless it is approved by shareholders at general meeting of the Company with such grantee and his associates abstaining from voting. Where any grant of share options to a substantial shareholder or an independent non-executive director or any of their respective associates, would result in the shares issued and to be allotted and issued upon exercise of all options already granted and to be granted (including options exercised, cancelled or outstanding) to such person in the 12–month period up to and including the date of such grant: (a) representing in aggregate over 0.1% of the shares in issue; and (b) having an aggregate value, based on the closing price of shares at the date of each grant, in excess of HK$5 million; such further grant of options must be approved by shareholders at general meeting of the Company.
The period within which the shares must be taken up under an option	A period to be specified by the Directors and not to exceed 10 years from the date of grant of options.
The minimum period for which an option must be held before it can be exercised	Any period as determined by the Directors.

Directors' Report

The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid	HK$10.00 is payable within 28 days from the date of offer in relation to the grant of the options.
The basis of determining the exercise price	The exercise price is determined by the Directors which must be at least the higher of (i) the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant, which must be a trading day; and (ii) the average closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Share.
The remaining life of the scheme	The 2014 Share Option Scheme shall be valid and effective for a period of 10 years from the date of adoption, i.e. 15 April 2014.

Directors' Report

DONATIONS

During the year, HK$5,000 donation has been made (2018: HK$5,000).

DIRECTORS

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

Chairman and Non-Executive Director:

Wu King Shiu, Kelvin (Chairman) (re-designated from Executive Director on 4 February 2019)

Executive Directors:

Wu King Shiu, Kelvin (Chairman) (re-designated as Non-Executive Director on 4 February 2019)
Chan Suet Ngan
Hu Kenneth
Qian Alexandra Gaochuan

Non-Executive Director:

Xu Haohao (resigned on 26 September 2019)

Independent Non-Executive Directors:

Fong Janie (resigned on 30 April 2019)
Yuen Kwok On
Matsumoto Hitoshi
Yau Chung Hang (appointed on 29 July 2019)

In accordance with article 86(3) of the Company's Articles of Association, Mr. Yau Chung Hang will hold office until the forthcoming annual general meeting (the "Annual General Meeting") and will be eligible for re-election.

Besides, Ms. Chan Suet Ngan and Ms. Qian Alexandra Gaochuan retire by rotation and, being eligible, offer themselves for re-election at the Annual General Meeting in accordance with article 87 of the Company's Articles of Association.

The Company has received, from each of the Independent Non-Executive Directors, an annual confirmation of his independence pursuant to Rule 5.09 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange of Hong Kong Limited ("the GEM Listing Rules"). The Company considers all of the Independent Non-Executive Directors are independent.

Directors' Report

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association of the Company, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto.

The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group throughout the year.

DIRECTORS' SERVICE CONTRACTS

None of the Directors offering themselves for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

Details of the Company's Directors' remuneration are set out in Note 10(a) to the financial statements.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in this report, there were no other transactions, arrangements or contracts of significance in relation to the Group's business to which the Company's or any of its subsidiaries was a party, and in which a Director or its connected entities had a material interest (whether directly or indirectly) subsisting at the end of the year or at any time during the year.

Directors' Report

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2019, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 to Rule 5.67 of the GEM Listing Rules relating to securities transactions by Directors, were as follows:

(i) Interests in the ordinary shares of the Company (the "Share(s)")

Name of Directors	Personal interest	Corporate interest	Family interest	Aggregate long position in Shares	Approximate percentage of the issued share capital of the Company %
Mr. Wu King Shiu, Kelvin ("Mr. Wu") (Notes 1 and 2)	1,424,400	104,939,882	8,280,000	114,644,282	21.03
Ms. Chan Suet Ngan	19,850	–	–	19,850	0.003
Mr. Hu Kenneth (Note 3)	–	–	630,000	630,000	0.11
Ms. Qian Alexandra Gaochuan ("Ms. Qian") (Note 3)	630,000	–	–	630,000	0.11
Mr. Yuen Kwok On ("Mr. Yuen")	99,000	–	–	99,000	0.01

Notes:

1. Mr. Wu owns 1,424,400 Shares. Hero Sign Limited, Abundant Star Ventures Limited and Vantage Edge Limited own 25,394,400 Shares, 45,454,545 Shares and 34,090,937 Shares, respectively. Mr. Wu is deemed to have interests in 25,394,400 Shares, 45,454,545 Shares and 34,090,937 Shares of which Hero Sign Limited, Abundant Star Ventures Limited and Vantage Edge Limited were deemed to be interested by virtue of the Securities and Future Ordinance (the "SFO") since Mr. Wu indirectly own 77% through Billion Power Management Limited, of the issued share capital of AID Partners GP2, Ltd.. AID Partners GP2, Ltd. is the general partner of AID Partners Capital II, L.P. ("AID Cap II"). AID Cap II is interested in the entire issued share capital of Leader Fortune International Limited, which is interested in the entire issued share capital of Hero Sign Limited, Abundant Star Ventures Limited and Vantage Edge Limited.

2. Billion Express Consultants Limited ("Billion Express") owns 8,280,000 Shares. The entire issued share capital of Billion Express is wholly owned by Ms. Li Mau, the spouse of Mr. Wu. Accordingly, Mr. Wu is deemed to be interested in the shares of the Company held by Billion Express.

3. Ms. Qian, the spouse of Mr. Hu Kenneth holds 630,000 Shares. Accordingly, Mr. Hu Kenneth is deemed to be interested in 630,000 Shares.

Directors' Report

(ii) Interests in the underlying Shares

Outstanding share options

Name of Directors	Date of grant (dd/mm/yyyy)	Exercise price HK$	Exercise period (Notes)	Balance as at 1 January 2019	Grant during the year	Exercised during the year	Cancelled/ lapsed during the year	Balance as at 31 December 2019
Mr. Wu	20/06/2014	3.20	(1)	1,344,200	–	–	–	1,344,200
	01/04/2016	4.94	(2)	3,500,000	–	–	–	3,500,000
	19/05/2017	1.56	(3)	450,000	–	–	–	450,000
				5,294,200	–	–	–	5,294,200
Ms. Chan Suet Ngan	01/04/2016	4.94	(2)	200,000	–	–	–	200,000
	19/05/2017	1.56	(3)	600,000	–	–	–	600,000
				800,000	–	–	–	800,000
Mr. Hu Kenneth	01/04/2016	4.94	(2)	200,000	–	–	–	200,000
	19/05/2017	1.56	(3)	1,400,000	–	–	–	1,400,000
				1,600,000	–	–	–	1,600,000
Ms. Qian	01/04/2016	4.94	(2)	200,000	–	–	–	200,000
	19/05/2017	1.56	(3)	1,400,000	–	–	–	1,400,000
				1,600,000	–	–	–	1,600,000
Mr. Yuen	01/04/2016	4.94	(2)	150,000	–	–	–	150,000
	19/05/2017	1.56	(3)	100,000	–	–	–	100,000
				250,000	–	–	–	250,000

Directors' Report

Notes:

(1) Exercisable from 20 June 2014 to 19 June 2024.

(2) Divided into two tranches exercisable from 1 October 2016 and 1 April 2017, respectively to 31 March 2026.

(3) Exercisable from 19 May 2017 to 18 May 2027.

(iii) Short positions

None of the Directors held short positions in the shares and underlying shares of the Company or any Associated Corporation.

Save as disclosed above, as at 31 December 2019, none of the Directors or chief executives of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO), or which were recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 to Rule 5.67 of the GEM Listing Rules relating to securities transactions by Directors.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 31 December 2019, the following persons, other than the Directors or chief executive of the Company, had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is expected, directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

Directors' Report

(i) Interests in the Shares and underlying Shares

Name	Aggregate long position in Shares	Aggregate long position in underlying shares	Approximate percentage of the issued share capital of the Company %
Substantial Shareholders			
Mr. Wu (Notes 1 and 4)	114,644,282	5,294,200	22.00
Ms. Li Mau (Notes 1 and 4)	114,644,282	5,294,200	22.00
Mr. Ho Gilbert Chi Hang ("Mr. Ho") (Notes 2 and 4)	104,953,082	5,317,100	20.22
AID Cap II (Note 4)	104,939,882	–	19.25
AID Partners GP2, Ltd. (Note 4)	104,939,882	–	19.25
Hong Kong HNA Holding Group Co. Limited (Note 3)	66,141,232	21,538,461	16.08
Mr. David Tin	45,454,400	–	8.33
Billion Power Management Limited (Note 4)	104,939,882	–	19.25
Elite Honour Investments Limited (Note 4)	104,939,882	–	19.25
Leader Fortune International Limited (Note 4)	104,939,882	–	19.25
Abundant Star Ventures Limited (Note 4)	45,454,545	–	8.33
Vantage Edge Limited (Note 4)	34,090,937	–	6.25
Mr. Wong Kwok Ho ("Mr. Wong") (Notes 5 and 6)	32,558,200	14,250,000	8.58
Ms. Chau Mui (Notes 5 and 6)	32,558,200	14,250,000	8.58

Notes:

1. Mr. Wu, the Chairman and Non-Executive Director of the Company, owns 1,424,400 Shares and Billion Express owns 8,280,000 Shares. The entire issued share capital of Billion Express is wholly-owned by Ms. Li Mau, the spouse of Mr. Wu. Accordingly, Mr. Wu is deemed to be interested in the shares of the Company held by Billion Express. Mr. Wu is interested in 1,344,200 share options, 3,500,000 share options and 450,000 share options at an exercise price of HK$3.20 per Share, HK$4.94 per Share and HK$1.56 per Share, respectively, to subscribe for Shares. Mr. Wu is deemed to have interest in 25,394,400 Shares, 45,454,545 Shares and 34,090,937 Shares as mentioned in note 4 below, respectively. Ms. Li Mau, as the spouse of Mr. Wu, is deemed to be interested in these Shares and underlying Shares for the purpose of the SFO.

2. Mr. Ho owns 13,200 Shares and is interested in 1,367,100 share options, 3,500,000 share options and 450,000 share options at an exercise price of HK$3.20 per Share, HK$4.94 per Share and HK$1.56 per Share, respectively, to subscribe for Shares. Mr. Ho is also deemed to have interest in 25,394,400 Shares, 45,454,545 Shares and 34,090,937 Shares as mentioned in note 4 below, respectively.

Directors' Report

3. Hong Kong HNA Holding Group Co. Limited is wholly-owned by HNA Financial Holdings International Co., Ltd. ("HNA Financial"). HNA Financial is wholly-owned by Beijing HNA Financial Holdings Co., Ltd. ("Beijing HNA"). Beijing HNA is owned as to 61.32% by HNA Investment Holding Co. Ltd. ("HNA Investment") and owned as to 37.74% by Hainan HNA Holding Co., Ltd.. HNA Investment is owned as to 73.06% by HNA Holding Group Co., Ltd.. Hainan HNA Holding Co., Ltd. is owned as to 51.38% by HNA Holding Group Co., Ltd. and 21.61% by HNA Group Co., Ltd.. HNA Holding Group Co., Ltd. is wholly-owned by HNA Group Co., Ltd.. HNA Group Co., Ltd. is owned as to approximately 70% by Hainan Traffic Administration Holding Co., Ltd. ("Hainan Traffic"). Hainan Traffic is owned as to approximately 50% by Sheng Tang Development (Yangpu) Co., Limited ("Sheng Tang"). Sheng Tang is owned as to 35% by Tang Dynasty Development Co., Limited ("Tang Dynasty") and 65% by Hainan Province Cihang Foundation. Tang Dynasty is owned as to approximately 98% by Pan-American Aviation Holding Company, which is in turn 100% beneficially owned by Cihang Sino-Western Cultural and Educational Exchange Foundation Limited.

4. Hero Sign Limited, Abundant Star Ventures Limited and Vantage Edge Limited own 25,394,400 Shares, 45,454,545 Shares and 34,090,937 Shares. Mr. Wu and Mr. Ho are deemed to have interest in 25,394,400 Shares, 45,454,545 Shares and 34,090,937 Shares of which Hero Sign Limited, Abundant Star Ventures Limited and Vantage Edge Limited are deemed to have interests by virtue of the SFO since they indirectly own 77% through Billion Power Management Limited and 23% through Elite Honour Investments Limited, respectively, of the issued share capital of AID Partners GP2, Ltd.. AID Partners GP2, Ltd. is the general partner of AID Cap II. AID Cap II interested in the entire issued share capital of Leader Fortune International Limited, which is interested in the entire issued share capital of Hero Sign Limited, Abundant Star Ventures Limited and Vantage Edge Limited.

5. Mr. Wong owns 16,839,200 Shares and is interested in 4,500,000 share options at an exercises price of HK$1.56 per Share to subscribe for Shares. Mr. Wong is deemed to be interested in 14,625,000 Shares and 9,750,000 underlying shares as mentioned in Note 6 below. Ms. Chau Mui, as the spouse of Mr. Wong, owns 1,094,000 Shares and is deemed to be interested in all Shares and underlying shares held by Mr. Wong.

6. Sky March Limited ("Sky March") entered into a consulting service agreement with the Company dated 5 May 2017 ("Consulting Service Agreement"), pursuant to which the Company has issued 97,500,000 Shares (4,875,000 Shares adjusted upon the Share Consolidation), 97,500,000 Shares (4,875,000 Shares adjusted upon the Share Consolidation) and 4,875,000 Shares to Sky March on 25 May 2017, 28 May 2018 and 28 May 2019, respectively, and 9,750,000 Shares will be issued to Sky March in accordance with the terms and conditions of the Consulting Service Agreement. Mr. Wong is interest in these shares and underlying shares through his 100% interest in Sky March.

(ii) Short positions

No person held short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

Save as disclosed above, as at 31 December 2019, the Directors of the Company were not aware of any other person who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Save as disclosed above, as at 31 December 2019, no other person had interests which were recorded in the register required to be kept under section 336 of the SFO.

Directors' Report

COMPETING INTERESTS

So far as the Directors were aware, none of the other Directors or their respective associates were interested in any business which competes or is likely to compete, whether directly or indirectly, with the business of the Group.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to the long-term sustainability of its businesses and the communities with which it engages. We pursue this business approach by managing our business prudently and executing management decisions with due care and attention. We will continue to update the requirements of the relevant environmental laws and regulations applicable to it to ensure compliance. During the year under review, the Group has complied with the relevant environmental laws and regulations applicable to it in all material respects.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group continues to update the requirement of the relevant laws and regulations in various countries, particularly in Hong Kong and the PRC, applicable to the Group to ensure compliance. Substantially a majority of the Group's assets and revenue are located in and derived from Hong Kong and the PRC. During the year under review, the Group complied with the relevant laws and regulations in various countries applicable to it in all material respects.

MAJOR CLIENTS AND SUPPLIERS

During the year, approximately 38% and 79% of the Group's revenue were attributable to the Group's largest customer and five largest customers, respectively.

During the year, approximately 23% and 72% of the Group's cost of sales were attributable to the Group's largest supplier and five largest suppliers, respectively.

So far as the Directors were aware, none of the Directors, their close associates, or any shareholders (which to the knowledge of the Directors own more than 5% of the number of issued shares of the Company) were interested in any customers and suppliers disclosed above.

CONNECTED TRANSACTIONS

Except otherwise disclosed in the financial statements, the Group had no transactions incurred during the year which need to be disclosed as connected transactions in accordance with the requirements of the GEM Listing Rules.

Details of related party transactions are set out in Note 30 to the financial statements.

FINANCIAL ASSISTANCE AND GUARANTEES TO AFFILIATED COMPANIES

As at 31 December 2019, the Group had no advances outstanding which were non-trading in nature and exceeded 8% of the total assets of the Group as at 31 December 2019 which was required to be disclosed under Rule 17.18 of the GEM Listing Rules.

Directors' Report

FULL NAME AND QUALIFICATIONS OF COMPANY SECRETARY AND THE COMPLIANCE OFFICER

The Company Secretary of the Company is Chan Suet Ngan. She holds a bachelor's degree in commerce, major in accounting and finance. She is a member of CPA Australia and is also a member of the Hong Kong Institute of Certified Public Accountants.

The Compliance Officer of the Company is Qian Alexandra Gaochuan. She holds a Bachelor of Business degree from RMIT University and a Master of Commerce degree from the University of Queensland, Australia. She is a member of CPA Australia.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of these financial statements.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained sufficient public float throughout the year ended 31 December 2019.

AUDITOR

On 23 December 2019, BDO Limited, the preceding auditor of the Group, resigned and on 17 January 2020, the shareholders of the Company passed an ordinary resolution on the extraordinary general meeting to appoint Linksfield CPA Limited ("Linksfield") as the new auditor of the Company and authorised the Board to fix its remuneration.

The financial statements for the year ended 31 December 2019 were audited by Linksfield who will retire from office and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

Save as disclosed above, there have been no other changes of independent auditors for the preceding three years.

For and on behalf of the Board
Wu King Shiu, Kelvin
Chairman
4 May 2020

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

During the year ended 31 December 2019, the Company has complied with the code provisions ("Code Provisions") as set out in the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules, except for the following deviations:

Code Provision A.2.1

Code Provision A.2.1 provides that the roles of the Chairman and Chief Executive Officer ("CEO") should be separate and should not be performed by the same individual.

On 4 February 2019, Mr. Wu has resigned as the CEO and the Chief Investment Officer and has been re-designed from Executive Director to Non-Executive Director. Mr. Wu remains as the Chairman of the Company and the chairman of Nomination Committee and a member of the Remuneration Committee of the Board. Up to the date of this report, the Company has not appointed CEO, and the role and function of the CEO have been performed by the three Executive Directors of the Company collectively.

Code Provision E.1.2

Code Provision E.1.2 provides that the Chairman of the Board should attend the annual general meeting to answer questions at the annual general meeting. The Chairman of the Company, Mr. Wu was unable to attend the annual general meeting held on 10 May 2019 due to business reasons. However, Mr. Wu had, by prior arrangement, deputized Ms. Chan Suet Ngan to chair the annual general meeting and answer any questions from shareholders.

RULE 5.05(1), 5.05(A) AND 5.28 OF THE GEM LISTING RULES

Following the resignation of Ms. Fong Janie with effective from 30 April 2019, (i) the Company has only two independent non-executive Directors which deviated from the requirement under the Rule 5.05(1) of the GEM Listing Rules; (ii) the number of independent non-executive Directors fell below one-third of the Board members and therefore, the Company no longer fulfilled the requirement under Rule 5.05A of the GEM Listing Rules; and (iii) the Company has only two members in the Audit Committee which deviated from the requirement under the Rule 5.28 of the GEM Listing Rules.

Following the appointment of Mr. Yau Chung Hang as an independent non-executive Director and a member of Audit Committee with effective from 29 July 2019, the Company has fulfilled the requirements under Rules 5.05(1), 5.05(A) and 5.28 of the GEM Listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules.

Having made specific enquiries of all Directors of the Company, the Company is satisfied that the Directors of the Company have complied with the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules, and with the Company's code of conduct regarding Directors' securities transactions.

Corporate Governance Report

BOARD OF DIRECTORS

Composition

As at the date of this report, the Board comprises seven Directors, of which three are Independent Non-Executive Directors, as follows:

Chairman and Non-Executive Director:
Wu King Shiu, Kelvin *(Chairman)*

Executive Directors:
Chan Suet Ngan
Hu Kenneth
Qian Alexandra Gaochuan

Independent Non-Executive Directors:
Yuen Kwok On
Matsumoto Hitoshi
Yau Chung Hang

The biographies of the Directors are set out under the "Profiles of Directors" on pages 12 to 14, and are posted on the Company's website (www.8088inc.com).

The principal role of the Board is to provide strategic leadership to the Group within a framework of prudent and effective controls, which enables risk to be assessed and managed. The Board sets the Group's strategic aims, oversees the allocation of financial and human resources and reviews management performance. The Board sets the Group's values and standards and ensures that its obligations to shareholders and others are met and understood. The Board meets at least quarterly to review and discuss the Group's performance, strategy and business opportunities available. The Board also reviews and approves the Quarterly, Interim and Annual Reports of the Company. The Board has delegated the day-to-day running of the Group to the Executive Directors/Chief Executive Officer and the Group's management team. However, the Board retains responsibility for:

- Approving annual operating and capital expenditure budgets and any material changes to them;
- Approving the remuneration of the Directors (based on the recommendations of the Remuneration Committee);
- Approving the appointment of Directors (based on recommendations of the Nomination Committee);
- Approving the Quarterly, Interim and Annual Reports (based on recommendations of the Audit Committee);
- Approving any decision to cease to operate all or any material part of the business;

Corporate Governance Report

- Approving any changes relating to the Group's capital structure, including the reduction of capital, share issues and share buy backs; and

- Approval of dividend policy and declaration of interim and final dividends.

The Company has complied with Rules 5.05(1) and (2) of the GEM Listing Rules relating to the appointment of sufficient number of Independent Non-Executive Directors. An Independent Non-Executive Director has appropriate professional qualifications, or accounting or related financial management expertise.

The Company considers that each of its Independent Non-Executive Directors are independent in accordance with the guidelines for assessing independence set out in Rule 5.09 of the GEM Listing Rules.

The Company has received, from each of the Independent Non-Executive Directors, an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers all of the Independent Non-Executive Directors are independent.

Save as disclosed herein, the Company considers that there is no relationship (including financial, business, family or other material/relevant relationship) among the members of the Board.

Term of Appointment and Re-election

The Non-Executive Directors were appointed for fixed terms of one year and thereafter are terminable on three month's written notice from either party. Every Director is subject to retirement by rotation at least once every three years. All Directors appointed to fill a casual vacancy are subject to election by shareholders at the first general meeting after their appointment.

Training and Support for Directors

All the Directors, including Non-Executive Directors and Independent Non-Executive Directors, are briefed on regular basis to have a proper understanding of their collective responsibilities as Directors and of the operations and business of the Group. The Group assists in arranging professional development training to all the Directors to develop and refresh the Directors' knowledge and skills, and continuously updates all the Directors on latest developments regarding the GEM Listing Rules and other applicable regulatory requirements to ensure compliance and to enhance their awareness of good corporate governance practices.

Corporate Governance Report

Board Meetings

There have been 7 meetings of the Board during the year.

Attendance of individual Directors at meetings of the Board held during the year was as follows:

	No. of board meetings attended
Wu King Shiu, Kelvin	7/7
Chan Suet Ngan	7/7
Hu Kenneth	7/7
Qian Alexandra Gaochuan	7/7
Xu Haohao (resigned on 26 September 2019)	4/6
Fong Janie (resigned on 30 April 2019)	0/2
Yuen Kwok On	6/7
Matsumoto Hitoshi	6/7
Yau Chung Hang (appointed on 29 July 2019)	2/2

BOARD DIVERSITY POLICY

According to the board diversity policy (the "Board Diversity Policy") adopted by the Company, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service etc. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service etc. The final decision will be based on merit and contribution that the selected candidates will bring to the Board. The Nomination Committee will monitor the implementation of the Board Diversity Policy and will from time to time review the Board Diversity Policy as appropriate to ensure its effectiveness. The Nomination Committee will discuss any proposed revisions to the Board Diversity Policy and make recommendation on such revisions to the Board for consideration and approval as it sees fit.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Up to the date of this report, Mr. Wu King Shiu, Kelvin is the Chairman and Non-Executive Director of the Company. Following the step down of Mr. Wu from the office of Chief Executive Officer of the Company on 4 February 2019, the Board has not appointed an individual to take up the vacancy of Chief Executive Officer of the Company, and the role and function of the Chief Executive Officer have been performed by the three Executive Directors of the Company collectively.

Corporate Governance Report

REMUNERATION COMMITTEE AND REMUNERATION OF DIRECTORS

The Company established a Remuneration Committee on 11 August 2005. The Committee meets at least once a year. The terms of reference of the Remuneration Committee are posted on the Company's website (www.8088inc.com). The principal functions of the Remuneration Committee include: recommending to the Board the policy and structure for the remuneration of the Chairman, Executive Directors and senior management (as determined by the Board), determining the specific remuneration packages of the Chairman, Executive Directors and senior management, reviewing and approving performance-based remuneration and compensation for loss or termination of office payable to Chairman, Executive Directors and senior management, ensuring no Director is involved in deciding his or her own remuneration, and approving the service contracts of Directors. The Remuneration Committee also fulfils the role of an Options Committee for the Share Option Scheme and its main duty in this context is to approve the grant of options to relevant eligible participants.

The Remuneration Committee comprised a majority of Independent Non-Executive Directors, is chaired by Mr. Yuen Kwok On, and its membership includes Mr. Wu King Shiu, Kelvin and Mr. Matsumoto Hitoshi.

There was 2 Remuneration Committee meeting during the year.

Attendance of individual members at meetings of the Remuneration Committee held during the year was as follows:

	No. of remuneration committee meetings attended
Yuen Kwok On	1/2
Wu King Shiu, Kelvin	2/2
Matsumoto Hitoshi	2/2

The Remuneration Committee determined the specific remuneration packages of all the Executive Directors and senior management.

Corporate Governance Report

NOMINATION COMMITTEE AND NOMINATION OF DIRECTORS

The Company established a Nomination Committee on 11 August 2005. The terms of reference of the Nomination Committee are posted on the Company's website (www.8088inc.com). The principal function of the Nomination Committee is the consideration and nomination of candidates to fill casual vacancies to the Board.

The Company acknowledges that the diversification of the members of the Board has positive effects on enhancing the Group's performance. The Company sees the diversification of the members of the Board as an important supporting factor for the Group to achieve its strategic goal and maintain sustainable growth. In deciding the composition of the Board, the Company will consider the Board diversity from various perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All of our Directors are appointed according to the principle of meritocracy while all candidates are being selected objectively, and the benefit of Board diversity will also be taken into full consideration.

The Nomination Committee comprised a majority of Independent Non-Executive Directors, is chaired by Mr. Wu King Shiu, Kelvin and its membership includes Mr. Yuen Kwok On and Mr. Matsumoto Hitoshi.

There was 1 Nomination Committee meeting during the year.

Attendance of individual members at meetings of the Nomination Committee held during the year was as follows:

	No. of nomination committee meetings attended
Wu King Shiu, Kelvin	1/1
Yuen Kwok On	0/1
Matsumoto Hitoshi	1/1

NOMINATION POLICY

The key objectives of the nomination policy (the "Nomination Policy") of the Company include the following:

- set out the criteria and process in the nomination and appointment of directors of the Company;
- ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company; and
- ensure the Board continuity and appropriate leadership at Board level.

Corporate Governance Report

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee but the ultimate responsibility for selection and appointment of Directors of the Company rests with the entire Board.

In evaluating and selecting any candidate for directorship, the following criteria will be considered:

- Character and integrity.
- Qualifications including professional qualifications, skills, knowledge and experience and diversity aspects under the board diversity policy that are relevant to the Company's business and corporate strategy.
- Any measurable objectives adopted for achieving diversity on the Board.
- Requirement for the Board to have independent directors in accordance with the Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules.
- Any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity.
- Willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company.
- Such other perspectives that are appropriate to the Company's business and succession plan and where applicable, may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of directors and succession planning.

The Nomination Committee and/or the Board will evaluate the candidates based on the criteria as set out above to determine whether such candidates are qualified for directorship. The Nomination Committee will also consider recommendations for candidates made by shareholders of the Company.

The Nomination Committee will conduct regular review on the structure, size and composition of the Board and this Policy and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and business needs.

— to guide the Board in relation to the appointment, re-appointment and removal of Directors;

— to devise criteria for performance evaluation of the Independent Non-Executive Directors (the "INED") and the Board as a whole; and

— to devise a policy on the size and composition of the Board taking into account the available and needed diversity and balance in terms of experience, knowledge, skills and judgment of the Directors.

Corporate Governance Report

The Nomination Committee will evaluate the integrity, qualification, expertise and experience of the candidates who are being considered for appointment or re-appointment as Director and ensure compliance with all applicable laws and regulations and the Listing Rules including any amendments thereto from time to time. The Nomination Committee shall also consider recommendations for candidates to the Board from shareholders of the Company.

Before making a recommendation to the Board, in assessing the suitability of a proposed candidate for appointment or re-appointment, the Nomination Committee will consider a number of factors, including but not limited to:

— reputation for character and integrity;

— accomplishment and professional knowledge and industry experience which may be relevant to the Company;

— commitment in respect of available time;

— merit and potential contributions that such candidate could bring to the Board with reference to the Board Diversity Policy (as defined above), including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, independence, skills, knowledge and length of service;

— in case of an INED candidate, to assess the independence of such candidate with reference to, among other things, the independence criteria as set out in Rule 3.13 of the Listing Rules; and

— current size and composition of the Board, the needs of the Board and the respective Board committees.

The Company has devised a policy on Board diversity to ensure adequate diversity on its Board as the Board considers that diversity is an essential element for a successful and effective Board. Details of the policy on Board diversity are set out in the paragraph headed "Board Diversity Policy" above.

After the Nomination Committee makes its recommendation to the Board, the final decision on the appointment, re-appointment and removal on Directors rests with the Board. The Nomination Committee will monitor and review the Nomination Policy, as appropriate, to ensure its effectiveness from time to time. Any proposed changes to the Nomination Policy will be recommend to the Board for consideration and approval.

Corporate Governance Report

AUDIT COMMITTEE

The Company established an Audit Committee on 31 March 2000 with the written terms of reference. The terms of reference are available on the Company's website (www.8088inc.com). The Audit Committee comprises three Independent Non-Executive Directors, Mr. Yuen Kwok On (Chairman), Mr. Matsumoto Hitoshi and Mr. Yau Chung Hang. The duties of the Audit Committee include: managing the relationship with the Group's external auditor, reviewing the financial information of the Company, and overseeing the Company's financial reporting process, risk management and internal control systems. The Audit Committee reports its work, findings and recommendations to the Board after each meeting.

The Audit Committee met 4 times during the year ended 31 December 2019.

Attendance of individual members at meetings of the Audit Committee during the year was as follows:

	No. of audit committee meetings attended
Yuen Kwok On	4/4
Fong Janie (resigned on 30 April 2019)	0/1
Matsumoto Hitoshi	4/4
Yau Chung Hang (appointed on 29 July 2019)	2/2

The Audit Committee has met with the Auditor and the Financial Controller during the year to review the 2018 Annual Report and the Quarterly Report for the quarters ended 31 March 2019 and 30 September 2019, and the Interim Report for the six months ended 30 June 2019. The Audit Committee has also met to review these annual figures and was satisfied with the outcome of its review.

The composition of the Audit Committee meets the requirements of Rule 5.28 of the GEM Listing Rules.

AUDITOR'S REMUNERATION

Auditor's remuneration in respect of audit and non-audit services provided by external auditor for the year ended 31 December 2019 amounted to HK$850,000 (2018: HK$1,288,000) and HK$216,000 (2018: HK$245,000) respectively. The non-audit services included the review of the Quarterly and Interim Reports of the Company during the year.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Board recognises its responsibility to ensure the Company maintains a sound and effective risk management and internal control system. The Group's internal control system is designed and established to ensure that assets are safeguarded against improper use or disposal, relevant rules and regulations are adhered to and complied with, reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements, and key risks that may impact on the Group's performance are appropriately identified and managed. Review of the Group's internal controls covering major financial, operational and compliance controls, as well as risk management functions. The internal control system can only provide reasonable and not absolute assurance against material misstatement or loss, as they are designed to manage, rather than eliminate the risk of failure to achieve business objectives.

Corporate Governance Report

The Group's risk management framework includes risk identification, risk assessment, risk treatment and monitoring and reviewing of the effectiveness of the measures. This risk management framework is guided by the three-tier risk management approach. At the first line of defense, business divisions are responsible for identifying, assessing and monitoring risks associated with each business or deal. The management, as the second line of defense, defines rule sets and models, provides technical support, develops new systems and oversees portfolio management. It ensures that risks are within the acceptable range and that the first line of defense is effective. As the final line of defense, the audit committee of the Company, with the professional advices and opinions from the external professional consultant by whom internal audit work of the Group was conducted on annual basis, ensures that the first and second lines of defense are effective through constant inspection and monitoring.

In addition to the review of risk management and internal controls undertaken by the external professional consultants, the external auditor also assessed the adequacy and effectiveness of certain key risk management and internal controls as part of their statutory audits. Where appropriate, the external auditor's recommendations are adopted and enhancements to the risk management and internal controls will be made.

RISK MANAGEMENT AND INTERNAL CONTROL

It is the responsibility of the Board to ensure that the Company maintains sound and effective internal controls to safeguard the shareholders' investments and the Group's assets at all times. The Company has adopted a series of internal control policies and procedures designed to provide reasonable assurance for achieving objectives including effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations.

During the year, the Group has not set up internal audit department, however, it engaged an external professional consultant to review and assess its risk management and internal control systems and reported to the audit committee. The review covered several parts of the systems including risk management, and operational, financial and compliance controls.

The Board, through the audit committee, has conducted a review of the effectiveness of the Group's risk management and internal control systems for the year ended 31 December 2019 covering all material financial, operational and compliance functions, is of the view that the effectiveness of the risk management and internal control systems of the Group are considered as effective and adequate.

SHARE INTERESTS OF SENIOR MANAGEMENT

The number of shares held by senior management are set out in the Directors' Report on pages 15 to 28.

DIRECTORS' AND OFFICERS' INSURANCE

The Company arranges appropriate insurance cover in respect of potential legal actions against its Directors and Officers.

Corporate Governance Report

SHAREHOLDERS

The Board recognises its responsibility to represent the interest of all shareholders and to maximise shareholder value and this section of the Corporate Governance Report details the Group's policies and actions in this respect.

Pursuant to Article 58 of the Articles of Association of the Company, any one or more shareholders holding not less than one-tenth of the paid up share 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 ("EGM") to be convened, stating the objects of the meeting, and deposited with our Company Secretary at 22/F., New World Tower II, 18 Queen's Road Central, Central, Hong Kong. The meeting shall be held within two months after the deposit of such requisition.

The procedures for shareholders to put forward proposals at an Annual General Meeting ("AGM") or EGM require that a written notice of those proposals be submitted by the shareholders to the Company Secretary at 22/F., New World Tower II, 18 Queen's Road Central, Central, Hong Kong. The detailed procedures vary according to whether the proposal constitutes an ordinary resolution or a special resolution.

Enquiries to be put to the Board should be made in writing and directed to the Company Secretary at 22/F., New World Tower II, 18 Queen's Road Central, Central, Hong Kong.

CONSTITUTIONAL DOCUMENTS

During the year under review, there is no change in the Company's constitutional documents.

The most recent shareholders meeting was as follows:

An extraordinary general meeting held at 22/F, New World Tower II, 18 Queen's Road Central, Central, Hong Kong on Friday, 17 January 2020 at 11:30 a.m. for approve the appointment of Linksfield CPA Limited as the auditor of the Company to fill the vacancy arising from the resignation of BDO Limited.

All the above resolutions received sufficient votes to be duly carried.

As at 31 December 2019, the public float capitalisation was approximately HK$25,450,000 and the number of issued shares on the public float, represents 66.70% of the outstanding issued share capital of the Company.

Environmental, Social and Governance Report

1. ABOUT THE REPORT

AID Life Science Holdings Limited and its subsidiaries (the "Group" or "we") are pleased to present its annual Environmental, Social and Governance Report (the "ESG Report") of the Group for Year 2019 in accordance with the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited ("HKEX") ("GEM Listing Rules") Rule 17.103 and the "Environmental, Social, and Governance Reporting Guide" (the "ESG Reporting Guide") as set out in the Appendix 20 to the GEM Listing Rules.

The scope of the ESG Report covers the environmental and social performances within the operational boundaries of the Group which is the strategic investment business in Hong Kong, spanning over the period from 1 January 2019 to 31 December 2019 (the "Reporting Period" or "FY2019").

As one of the renowned firms in the investment industry in Hong Kong, the Group attaches importance to integrating sustainable practices into the business operation. The purpose is to take the responsibility for its impact on society and the environment. The Group believes that this is the most effective way to create long-term value for shareholders and other stakeholders.

With reference to the ESG Reporting Guide and the Group's business operation, the presentation of our ESG Report divides the relevant aspects and key performance indicators ("KPI"), which are considered to be relevant and material to the Group, into four subject areas: Environmental Protection, Employment and Labour Practices, Operating Practices and Community Investments.

The Group is determined to be a responsible enterprise and is committed to perfecting its business and improving the local community. In order to determine what issues are relevant and material to our business with respect to sustainability, the Group is aware that the key is to understand what issues that our stakeholders concerned most.

We define our stakeholders as people who affect our business or who are affected by our business. In our daily business, we actively exchange information with our stakeholders through our transparent platform while we are devoted to continuous improvement of our communication system. In addition, we are committed to maintaining a long-term partnership with our stakeholders and are actively engaged in addressing their concerns with timely follow-up actions.

We welcome and value each of your feedback. If you have any questions or suggestions regarding this ESG Report, please feel free to contact us at:

Address	22/F, New World Tower II, 18 Queen's Road Central, Central, Hong Kong
E-mail	info@8088inc.com

2. ENVIRONMENTAL PROTECTION

2.1. Corporate Environmental Policy and Compliance

The Earth, our precious planet, is the most valuable asset for us. The Group endeavors to protect this planet and to build a sustainable future for our generations and their generations. The Group is committed to upholding high environmental standards to fulfil relevant requirements throughout our operation, and will continue to devote operating and financial resources on environmental compliance as required under applicable laws or ordinances.

As a company that is principally engaged in strategic investment, the Group does not have any air or water emissive facilities. Any emissions are only limited to those in an ordinary office environment (e.g. normal office electricity consumption and pantry water supply) and regular modes of transportation (e.g. ground transport and airline travel). Nevertheless, the Group is committed to actively minimizing the impact on our environment and implementing different measures to optimize the workplace, continuing to address the environmental issues in relation to global warming, pollution, and biodiversity of the environment.

With the goal to reduce energy consumption and carbon emissions, the Group has formulated relevant rules and regulations for a sound and effective management of energy consumption, greenhouse gas ("GHG") emission, as well as discharge of domestic waste and sewage and other pollutants. We strictly comply with the environmental protection laws and regulation promulgated by the local government.

During the Reporting Period, the Group complied with relevant laws and regulations relating to air and GHG emissions, discharge into water and land, and generation of hazardous and non-hazardous waste. The Group did not violate any environmental protection laws or regulations of the region where we operate, nor was it subject to significant fines, non-monetary penalties and litigation relating to environmental protection.

Environmental, Social and Governance Report

2.2. Emission

2.2.1. Exhaust Gas and GHG Emissions

Due to our business nature, the Group does not generate significant amount of exhaust gas directly during its operation.

In daily operation and office administration, the Group generates GHG emissions indirectly through energy consumption. To properly manage our GHG emissions, the Group actively adopts electricity conservation and energy saving measures as well as other measures, including:

- Providing on-off and zoning control of lighting and ventilation system in the workplace according to the operation schedule;
- Installing LED lighting system in our workplace;
- Encouraging employees to switch off IT devices, such as computers and monitors when not in use;
- Maintaining indoor temperature at an optimal level for comfort;
- Checking and cleaning electrical appliances, such as refrigerator, air conditioning, ventilation and paper shredder regularly to ensure they are maintained at an efficient operating state; and
- Placing "Green Message" reminders on office equipment to further enhance employees' environmental awareness.

	Unit	FY2019
GHG Emissions	CO_2e (kg)	56,530
Energy indirect emission		17,551
Other indirect emission (business travel)		38,979

Environmental, Social and Governance Report

2.2.2. Waste Management

The Group adheres to the principles of waste management and is committed to a sound and proper management of all waste generated during our operation. The Group does not have any water emissive facilities. The wastes were limited to those ordinary solid refuse.

Hazardous Waste

The Group's business, by nature, does not directly produce hazardous waste throughout any part of activities.

Non-hazardous Waste

In our operation, the non-hazardous wastes generated are mainly domestic waste, among which, recyclable wastes, such as paper, will be recycled for reuse. Our waste management practice is compliant with laws and regulations relating to environmental protection. The Group has also implemented policies to reduce waste generation through environmental education, and re-usable utensils at the office, aiming at waste management from the source.

With respect to the wastewater management, the Group ensures all domestic sewage is discharged into the urban sewage pipe network for the proper sewage treatment.

The Group strives to maintain a high standard of requirement of waste reduction, actively encouraging its employee to appreciate the significance of sustainable development through continuous development in skills and knowledge.

The Group is committed to promote a paperless office environment, constantly encouraging all employee to "think before print" and to reduce paper usage through duplex printing, paper recycle and frequent use of electronic information systems for material sharing or internal administrative documents.

Reusable paper products, such as envelopes, are properly recycled whereas the use of disposable paper products, such as paper cups and paper towels, are discouraged wherever possible and appropriate and to encourage use of re-usable alternatives during our operation.

Environmental, Social and Governance Report

2.3. Use of Resources

The Group considers the conservation of natural resources as an indispensable component of our sustainable business. Through actively promoting various environmentally friendly measures, we encourage an efficient use of resources, including energy, paper, water and other raw materials. As such, the Group has initiated policies to raise the awareness of electricity conservation and taken energy saving measures throughout our daily operation as elaborated in the Section 2.2. Emissions.

Water Consumption

With respect to water conservation, we encourage all employees and customers to develop the habit of conserving water consciously. Pantry and washrooms are posted with environmental messages to remind employee the importance and urgency of water conservation.

Apart from education, the utility facilities are maintained regularly for service, to ensure that water seepage or leaking pipelines are replaced or repaired on a timely basis.

Water supply was part of the building service and was not separately billed for usage; therefore no consumption statistics can be collected. Sourcing water, water efficiency initiatives are defined to be irrelevant to the Group's operation considering to the major business operation of the Group.

Packaging Material

Due to our business nature, the Group does not have manufacturing facilities and does not consume a significant amount of packaging materials.

Environmental Performance

In accordance with the ESG Reporting Guide set out by HKEX, our environmental performance of "Energy Use and Emissions" and "Resources Use" during the Reporting Period are tabulated below.

Table 1 — Energy and Resources Use

	Unit	FY2019
Electricity	kWh	20,701
Paper	Kg	249

The Group is committed to instilling the consciousness of resources conservation and environmental protection into the work and life of every employee. We seek business partners who also share with our philosophy and commitment to environment conservation and compliance with the applicable environmental laws and regulations. We believe that these initiatives are capable to reflect our commitment to offering the best quality of services while maintaining the least adverse environmental impact on our planet.

Environmental, Social and Governance Report

2.4. The Environment and Natural Resources

The Group is highly aware of on our adverse impact on the environment and natural resources, taking steps to minimize the negative footprint from our operations.

In addition to compliance with relevant environmental laws and regulations to properly preserve the natural environment, the Group has integrated the concept of environmental protection into its internal management and daily operation with an objective of achieving environmental sustainability.

In the future, we will continue our commitment in environmental protection and strive to build a greener and healthier environment to fulfil our responsibilities as a member of the community we all live in.

3. EMPLOYMENT AND LABOUR PRACTICES

3.1. Recruitment and Promotion

The Group fully understands that our business development is largely driven by the continued quality services delivered by our experienced and competent workforce. As such, it is therefore of paramount importance to proactively manage our talent pipeline and career development for employees. The Group is determined to set itself in a good position to maintain a robust business performance and growth together with our employees.

With an objective to uphold an open, fair, just and reasonable human resource policy, the Group has formulated the recruitment policy with respect to equal opportunities, diversity and anti-discrimination.

We encourage differences and individuality in employees, with the philosophy that diversity can bring new ideas, dynamics and challenges to our operations. We discourage all forms of discrimination on gender, age, family status, sexual orientation, disability, race and religion. Our employment policy encourages hiring of talented people with physical or mental disabilities. We are committed to supporting our employees to maintain a family-friendly work environment because we respect their roles and responsibilities in their families. We strive to make sure employees and business partners comply with laws and regulations, follow ethical business practices and respect equal opportunity in employment. We bring in new recruits and equip them with necessary skill sets to develop a long-term rewarding career with us.

During the Reporting Period, we continue to strictly observe the applicable laws and regulations and follow our employment policies relating to recruitment and promotion, compensation and dismissal, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare, by providing competitive remuneration package, including internal promotion opportunities and performance-based bonus, so as to recruit and retain experienced employees.

Environmental, Social and Governance Report

3.2. Employment and Labour

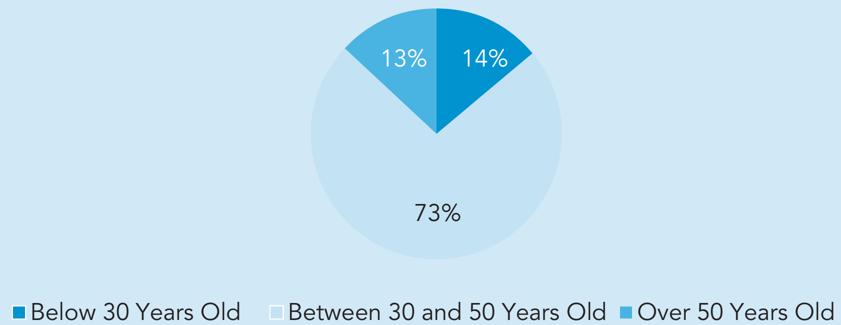
In Hong Kong, the Group complies with the Labour Law of Hong Kong and relevant employment laws and regulations during FY2019, including the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) by participating in the Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") for our eligible employees, Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong), Employment Ordinance (Chapter 57 of the Laws of Hong Kong) (the "EO") and Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) (the "ECO") by offering competitive wages, medical insurance, disability and invalidity coverage, maternity leave and other compensation to our employees.

In accordance with the ESG Reporting Guide set out by HKEX, details of the Group's workforce during the reporting period are tabulated as well as presented in charts below.

Table 2 — Our Workforce

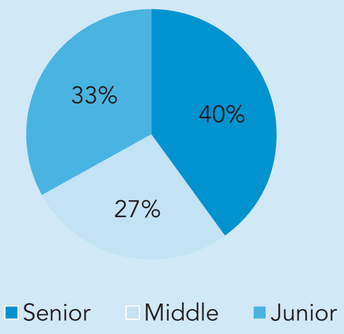
	FY2019
Total number of full-time employees	15
Turnover Rate by Gender	
Male	29%
Female	75%
Turnover Rate by Age	
Under 30 years old	50%
30–50 years old	24%
Over 50 years old	33%

Total Workforce by Age Group as of 31 December 2019

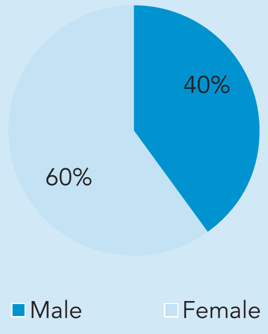


Environmental, Social and Governance Report

Total Workforce by Employment Level as of 31 December 2019



Total Workforce by Gender as of 31 December 2019



During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations in respect of human resources.

Environmental, Social and Governance Report

3.3. Health and Safety

The Group has been attaching great importance to a comfortable and safe working environment for our employees which protect them from potential occupational hazards and health and safety risks, in order to achieve zero tolerance of accidents and injuries.

As employees' health and safety is of paramount importance to the operation of the Group, the Group has accordingly formulated a series of relevant personnel management policy to provide employees with a healthy, positive and motivative working atmosphere.

The Group maintains the risk management system including identification, prevention and management of risks and hazards throughout the workplaces as well as follow-up actions for accidents or personal injuries. We have taken the following measures:

- Maintaining air ventilation system in the office regularly;
- Regular carpet disinfection;
- Regularly participate in occupational health and safety related seminars;
- Prohibiting smoking and abuse of alcohol and drugs in the workplace;
- Providing clean and tidy rest area such as corridors and pantry;
- Providing adjustable chairs and monitors for eye protection;
- Setting up posters or warning labels for near areas of potential hazards in the office;
- Conducting fire drills and emergency evacuation simulations to raise the employees' awareness of fire prevention and to equip employees with appropriate knowledge and skills in the event of emergency; and
- Providing first aid kits and fire extinguishers in workplace in response to emergencies.

Additionally, the Group provides induction programs and safety training programs to new employees such that they can be familiar with our corporate policies in relation to health and safety matters as quickly as they can.

Environmental, Social and Governance Report

The summary of work-related fatalities and injuries are summarized in the table below.

Table 3 — Health and Safety

	FY2019
Number of work-related fatalities	Nil
Work-related fatality rate	Nil
Number of injuries at work	Nil
Lost days due to injury at work	Nil

3.4. Development and Training

The Group envisions that empowering its people through development and training is the cornerstone of our success in the long run. The Group listens and responds to our people. We encourage our staff members to take part in the recommended training and development courses or programmes, which were provided by third-party institutions. Those training programmes were carefully considered and recommended not only based on relevancy of the knowledge and skillset to the current needs of the Group's operation, but also the career development of our staff members.

Considering that each of the position is of unique professional and technical needs, the Group ensures that every new joiner receives proper orientation training and mentoring in order to help them adapt to the new working environment affirmatively and quickly. The Group is committed to continuous training. We offer subsidies or reimbursement of the training cost of selected relevant courses, programmes and professional exams so as to ensure that our staff members possess the appropriate professional qualities and skill sets. Implementation of safety training and comprehensive risk assessments are also one of the most important tasks in the Group.

Employees at all levels can satisfy their needs of training through various training and development programmes, including courses, conferences, seminars and/or further education programs such as one offered by reputable tertiary education institutions. The goal is to broaden the cross-section of knowledge and skillset among the staff members, which is expected to improve the Group's competitiveness. These training programs not only facilitate the career prospect of individual employee, but also boost the sustainable development of the Group.

The Group believes that such a corporate culture and harmonic working environment will naturally achieve a synergistic result to facilitate employee retention and to improve productivity.

Environmental, Social and Governance Report

3.5. Labour Standards

Being fully aware that exploitation of child and forced labour violates human rights and international labour conventions, the Group strictly prohibits the employment of any child labour and forced labour. New employees are required to provide true and accurate personal data when they are onboard. Recruiters should strictly review the entry documents including medical examination certificates, academic certificates and identity cards. The Group consciously selects suppliers and contractors in order to avoid the employment of any child labour or forced labour in the supply chain.

The Group strictly complies with the relevant laws and regulations, including the Employment Ordinance of Hong Kong (Chapter 57 of the Laws of Hong Kong).

During the Reporting Period, no material non-compliance with the laws and regulations related to the prevention of child labour or forced labour have been found by the Group.

4. OPERATING PRACTICES

The Group is determined to disseminate the pursuit of sustainability into our core business which is regarded as part of the responsibility of an accountable corporate citizen. A series of management systems and procedures has been developed in alignment with the Corporate Governance required by the HKEX. Furthermore, the Group encourages all business partners to incorporate those sustainability practices and policies into their operation thoroughly in order to work together in our pursuit of sustainable development.

4.1. Supply Chain Management

The Group understands that supply chain management has always been one of the key aspects of the Group's operation. Our suppliers are mainly service provider. Our supply chain management team not only considers economic and commercial benefits during the tendering processes, but also evaluates the suppliers' and contractors' track record relating to legal and regulatory compliance which include safeguarding workers' health and safety, and mitigating environmental impacts.

In addition to purchasing products and services according to the specified standards, we have developed a vendor and supplier selection mechanism in which we require our potential suppliers to comply with all the applicable laws and regulations. The Group insists on choosing socially responsible supplier with specific local licenses; for instance, financial service providers must hold business licenses/certificates of the Hong Kong Securities and Futures Commission or other relevant institutions such as the Hong Kong Monetary Authority. To maintain a good corporate control and governance, the Group has developed a series of management system as and procedures in alignment with the Corporate Governance required by the HKEX. We are obliged to terminate the cooperation contract with suppliers that may cause or have caused serious legal violation.

We believe that, through the above review process, we can minimize the potential social risks associated with the supply chain management.

Environmental, Social and Governance Report

4.2. Product Responsibility

As there is no product or service offered by the Group, this section is not applicable to the Group's core operation.

4.3. Privacy Protection

The Group is committed to compliance with the privacy laws and regulations. The Group undertakes to strictly comply with the requirements of the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong), the Corporate Finance Consultant Code of Conduct and local laws, to ensure that all data are securely kept in our internal system with access control. The Group has separated the customer data from other ordinary information to protect customers' privacy. Meanwhile, the Group regulates that only authorized personnel can access the personal data collected from the Group's customers. Through the internal training and confidential agreements with employees, the Group emphasizes confidentiality obligations and the legal consequences of the breaches of relevant rules.

4.4. Anti-corruption

Insisting on the honesty, integrity and fairness in all aspects of our business, and upholding a high standard of business ethics and prohibition of any forms of bribery and corrupt practices, the Group has developed a series of policies of anti-fraud and anti-bribery as part of the exercise of Corporate Governance.

The Group observed with related laws and regulations that have a significant impact on the Group relating to bribery, extortion, fraud and money laundering, such as the "Prevention of Bribery Ordinance of Hong Kong" (Chapter 201 of the laws of Hong Kong), the Criminal Law of the PRC (《中華人民共和國刑法》), and the Regulations of the PRC for Suppression of Corruption (《中華人民共和國懲治貪污條例》). During the Reporting Period, the Group complied with the relevant laws and regulations relating to bribery, extortion, fraud and money laundering mentioned above, as well as the corporate policy of anti-corruption, and no cases of anti-corruption have been concluded.

Under the Group's whistleblower policy, our employees may anonymously report any suspected or actual event of bribery and corruption to their supervisor or management of higher level, including to an appropriate Board committee or members, without the threat of dismissal or retaliation. The supervisors, managers and/or Board members who receive the reports will promptly act to investigate the issue. The whistleblower shall receive a report within five business days of the initial report, regarding the investigation of the issue.

If our employees have any concern in relation to accounting controls and audit matters, they may report to the Audit Committee as well. The Audit Committee will review each complaint and decide how the investigation should be conducted. During the Reporting Period, the Audit Committee identified no complaint from employees.

Environmental, Social and Governance Report

5. COMMUNITY INVESTMENTS

The Group actively strives to making a better society through our active involvement in the community, putting the best effort in helping the local communities through voluntary activities and donation programs.

During the Reporting Period, the Group has organized the following activities:

"Lai See Reuse and Recycle Program"

In February 2019, the Group joined the program organized by the management office of its office premises. By encouraging the "reuse" and "recycle" of red packets, we aim to increase awareness of resources consumption and its environment impact in celebrating festive traditions, therefore encouraging re-thinking of an eco-friendly way of life and reuse of resources.

"Trial Scheme on Municipal Solid Waste Charging"

From 1 April 2019 to 30 September 2019, the Group participated in the trial scheme organized by Environment and Conservation Fund and Green Council. Designated garbage bags were distributed to the Group for disposal of domestic garbage generated by its office and enable the management office to produce usage report for evaluation of waste generation. The trail scheme is aimed to foster a mentality of minimizing waste to save money before the scheme comes into effective later.

"2019/2020 New Territories Walk for Millions — Heung Yuen Wai Highway"

In order to promote a caring spirit for the society, the Group planned to participate in the Walk for Millions on 17 November 2019 and raise funds to support The Community Chest of Hong Kong's "Family and Child Welfare Services", which is aimed for maintaining and strengthening family bonding, encouraging mutual support relationship among family members, helping them prevent and cope with individual or family problems, as well as providing services for their unmet needs. Despite the Walk for Millions was eventually cancelled, but donation of HK$5,000 was made to support The Community Chest of Hong Kong.

In the coming future, the Group will continue to attach great importance to community services, and will encourage our staff members to be actively engaged in voluntary services and join hands together to disseminate the spirit of services in the community where we all depend on.

Independent Auditor's Report

To the Shareholders of AID Life Science Holdings Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of AID Life Science Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 53 to 60, which comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

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 International Financial Reporting Standards ("IFRSs") 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 International Standards on Auditing ("ISAs"). 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Independent Auditor's Report

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw your attention to Note 2.1(a) to the consolidated financial statements, which states that the Group reported a loss for the year of approximately HK$150 million during the year ended 31 December 2019. The Group also had a net operating cash outflow of HK$39 million for the year ended 31 December 2019. These matters, along with other matters as described in Note 2.1(a) to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

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

Key audit matters identified in our audit are summarised as follows.

- Impairment assessment of goodwill
- Impairment assessment of loans to an associate
- Fair value measurement of financial assets at fair value through profit or loss

Independent Auditor's Report

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill	
Refer to Note 4(i)(a) (critical accounting estimates and judgments), and Note 17 (Intangible assets) to the consolidated financial statements for related disclosures. The Group recognised goodwill from the acquisitions of Honestway Global Group Limited ("HGGL") which is engaged in mobile games and online media businesses and GeneSort International Inc. ("GeneSort Group") which is engaged in Health-technology businesses in 2015 and 2017, respectively. Goodwill are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Management assessed the impairment of goodwill by determining the recoverable amount of each CGU which was assessed based on value-in use calculations using cash flow forecasts based on the financial budgets approved by management. During the year ended 31 December 2019, provision of impairment for goodwill of approximately HK$8 million arisen from HGGL was recognised as detailed in Note 17(a)(i). In addition, the goodwill of approximately HK$52 million arisen from GeneSort was derecognised upon the disposal in May 2019 as detailed in Note 34(d). We focused on this area because the impairment assessment requires the use of significant judgements and estimates to determine the recoverable amounts. These estimations are also subject to uncertainties.	We evaluated and challenged the composition of the Group's future cash flow forecasts in each CGU, and the process by which they were drawn up, including testing the underlying value in use calculations and comparing them to the latest Board approved budgets. We noted that management had followed their process for drawing up future cash flow forecasts, which was subject to timely review by the Directors and which was consistent with the Board approved budgets. We challenged the key assumptions including sales growth rate and gross profit margin by comparing the current year actual results with the 2019 figures included in the prior year forecast, by reference to future plans and by performing independent market analysis. We noted the assumptions are consistent with our expectations. We utilised our internal valuation specialists' work when considering the appropriateness of the discount rate. Based on the procedures described above, we considered the methodology used and key assumptions and estimates applied in the impairment assessment of goodwill are supportable.

Independent Auditor's Report

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of loans to an associate	
Refer to Note 3.1 (financial risk factor), Note 4(i)(d) (critical accounting estimates and judgments) and Note 18 (Interest in and loans to an associate) to the consolidated financial statements for related disclosures. As at 31 December 2019, the Group had outstanding loans to an associate with a net carrying amount of approximately HK$27 million. Impairment losses recognised in the consolidated statement of profit or loss for the year in respect of the Group's loans to an associate amounted to approximately HK$31 million. Management applied judgement in assessing the expected credit losses. The Group estimated the expected credit losses by grouping the ageing profile of the loans based on shared credit risk characteristics and collectively assessed for likelihood of recovery, taking into account its ageing category, and applying expected credit loss rates to the respective gross carrying amounts of the loans. We focused on this area due to the carrying amount of loans to an associate is significant to the consolidated financial statements and the impairment assessment requires the use of significant judgement and estimates to determine the expected credit losses allowance of the loans to an associate.	We understood and validated the credit control procedures performed by management, including its procedures on periodic review of aged loans receivables and assessment on expected credit losses allowance of loans to an associate. We obtained the associate's development plan and inquired of management about the status of such plans. We tested the accuracy of ageing profile of loans by checking to the underlying agreements. We obtained management's assessment on the expected credit losses allowance of loans receivables. We corroborated and validated management's assessment by utilising our internal valuation specialists' work when considering the appropriateness of the expected credit losses allowance of loans receivables used in management's assessment. Based upon the above, we found that the estimations and judgements made by management in respect of the expected credit losses allowance and the collectability of loans to an associate were supportable by the available evidence.

Independent Auditor's Report

Key Audit Matter	How our audit addressed the Key Audit Matter
Fair value measurement of financial assets at fair value through profit or loss	
Refer to Note 3.3 (Fair value estimation), Note 4(i)(c) (critical accounting estimates and judgments) and Note 20 (Financial assets at fair value through profit or loss) to the consolidated financial statements for related disclosures. As at 31 December 2019, the Group's had financial assets at FVTPL of approximately HK$309 million and HK$32 million, representing an unlisted equity investment in Zoox, Inc. ("Zoox") and a private investment ("Investment A") (collectively referred to as the "Investments"), respectively. Independent external valuation reports were obtained to support the fair values of the Investments as at 31 December 2019. We focused on this area due to the carrying amounts of the Investments is significant to the consolidated financial and the valuation methodologies of the Investments require the use of significant judgements and estimates. These estimations are also subject to uncertainties.	We considered the competency, capability and objectivity of the independent external valuer by considering its qualification, relevant experience and relationship with the Group. We involved our internal valuation specialist in our discussion with the external valuer and management to understand the rationale and assess the appropriateness and consistency of the methodology used and the assumptions and estimates applied. Based on the procedures described above, we considered the methodology used and key assumptions and estimates applied in the valuation of the Group's Investments are supportable.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than 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.

Independent Auditor's Report

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The audit committee are responsible for overseeing the Group's financial reporting process.

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 ISAs 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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

Independent Auditor's Report

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also: (continued)

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

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

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

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

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

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Independent Auditor's Report

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

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

The engagement partner on the audit resulting in this independent auditor's report is Kwok Chi Kan.

Linksfield CPA Limited
Certified Public Accountants

Hong Kong, 4 May 2020

Consolidated Statement of Profit or Loss

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Continuing operations			
Revenue	6	**11,739**	19,261
Cost of sales	9	**(9,383)**	(13,239)
Gross profit		**2,356**	6,022
Selling and distribution expenses	9	**(454)**	(637)
Administrative and operating expenses	9	**(60,890)**	(117,402)
Impairment losses on goodwill	17	**(7,580)**	(27,999)
Impairment losses on other intangible assets	17	**–**	(3,674)
Impairment losses on contract assets	6	**–**	(11,947)
Impairment losses on trade receivables	19(a)	**(1,278)**	–
Impairment losses on other receivables	19(b)	**(7,896)**	–
Impairment losses on loans to independent third parties	19(c)	**–**	(35,129)
Impairment losses on loans to an associate	18(c)	**(30,504)**	–
Other income	7	**7,814**	9,292
Other losses — net	8	**(30,968)**	(574,684)
Operating loss		**(129,400)**	(756,158)
Finance costs	11	**(16,344)**	(14,379)
Share of results of an associate accounted for using the equity method	18	**(6,287)**	–
Loss before income tax		**(152,031)**	(770,537)
Income tax credit	12	**2,372**	1,418
Loss from continuing operations		**(149,659)**	(769,119)
Profit from discontinued operation	13	**–**	4,800
Loss for the year		**(149,659)**	(764,319)

Consolidated Statement of Profit or Loss

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
(Loss)/profit is attributable to:			
Owners of the Company		**(141,458)**	(765,260)
Non-controlling interests		**(8,201)**	941
		(149,659)	(764,319)
Loss per share for loss from continuing operations attributable to owners of the Company:			
Basic loss per share (HK Cents)	14(a)	**(26.04)**	(143.06)
Diluted loss per share (HK Cents)	14(b)	**(26.04)**	(143.06)
Loss per share for loss from continuing and discontinued operations attributable to owners of the Company:			
Basic loss per share (HK Cents)	14(a)	**(26.04)**	(142.17)
Diluted loss per share (HK Cents)	14(b)	**(26.04)**	(142.17)

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

Consolidated Statement of Other Comprehensive Income

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Loss for the year		**(149,659)**	(764,319)
Other comprehensive loss:			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**(964)**	(1,640)
Share of other comprehensive loss of an associate	18	**(675)**	–
Other comprehensive loss for the year, net of tax		**(1,639)**	(1,640)
Total comprehensive loss for the year		**(151,298)**	(765,959)
Total comprehensive loss for the year Attributable to:			
Owners of the Company		**(143,757)**	(767,469)
Non-controlling interests		**(7,541)**	1,510
		(151,298)	(765,959)
Total comprehensive loss for the year Attributable to owners of the Company arises from:			
Continuing operations		**(143,757)**	(772,269)
Discontinued operation		**–**	4,800
		(143,757)	(767,469)

The above consolidated statement of other comprehensive income should be read in conjunction with the accompanying note.

Consolidated Statement of Financial Position

As at 31 December 2019

	Notes	As at 31 December 2019 HK$'000	As at 31 December 2018 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	**12,089**	19,715
Right-of-use assets	16(a)	**8,311**	–
Intangible assets	17	**5,196**	106,478
Interest in an associate	18	**1,458**	–
Loans to an associate	18	**27,431**	–
Loan to an independent third party	19	**6,354**	5,883
Financial assets at fair value through profit or loss	20	**42,660**	405,400
		103,499	537,476
Current assets			
Contract assets	21(a)	**1,319**	4,525
Trade and other receivables	19	**10,516**	29,768
Financial assets at fair value through profit or loss	20	**361,965**	36,638
Tax recoverable		**431**	288
Cash and cash equivalents	22	**30,917**	40,538
		405,148	111,757
Non-current liabilities			
Lease liabilities	16(b)	**7,252**	–
Convertible bonds	25	**–**	181,825
Deferred tax liabilities	26	**332**	10,546
		7,584	192,371
Current liabilities			
Contract liabilities	21(b)	**–**	2,132
Trade and other payables	23	**8,115**	17,802
Borrowings	24	**–**	1,037
Lease liabilities	16(b)	**2,991**	–
Convertible bonds	25	**197,095**	–
Tax payable		**–**	301
		208,201	21,272

Consolidated Statement of Financial Position

As at 31 December 2019

	Notes	As at 31 December 2019 HK$'000	As at 31 December 2018 HK$'000
Net current assets		**196,947**	90,485
Total assets less current liabilities		**300,446**	627,961
Net assets		**292,862**	435,590
EQUITY			
Share capital	27	**8,504**	8,428
Reserves	28	**228,917**	369,039
Equity attributable to owners of the Company		**237,421**	377,467
Non-controlling interests		**55,441**	58,123
		292,862	435,590

The consolidated financial statements on pages 61 to 172 were approved and authorised for issue by the board of directors and were signed on its behalf by :

Wu King Shiu, Kelvin
Director

Chan Suet Ngan
Director

The above consolidated statement of financial position should be read in conjunction with the accompanying note.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Total equity attributable to owners of the Company													Non-controlling interests	Total equity
	Share capital	Share premium	Capital reduction reserve	Convertible bonds equity reserve	Capital reserve	Capital redemption reserve	Share-based compensation reserve	Remuneration share reserve	Foreign exchange reserve	Other reserve	Statutory surplus reserve	Accumulated losses	Total		
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 1 January 2018	8,352	756,387	702,955	1,921	2,112	601	62,165	7,820	(839)	(21,619)	5,163	(389,429)	1,135,589	51,834	1,187,423
Loss for the year	–	–	–	–	–	–	–	–	–	–	–	(765,260)	(765,260)	941	(764,319)
Other comprehensive loss: Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	(2,209)	–	–	–	(2,209)	569	(1,640)
Total comprehensive loss for the year	–	–	–	–	–	–	–	–	(2,209)	–	–	(765,260)	(767,469)	1,510	(765,959)
Remuneration shares issued for consultancy service (Note 27(a))	76	5,870	–	–	–	–	–	2,580	–	–	–	–	8,526	–	8,526
Lapse of share options	–	–	–	–	–	–	(5,006)	–	–	–	–	5,006	–	–	–
Disposal of interests in subsidiaries without loss of control (Note 33)	–	–	–	–	–	–	–	–	–	821	–	–	821	4,779	5,600
As at 31 December 2018	8,428	762,257	702,955	1,921	2,112	601	57,159	10,400	(3,048)	(20,798)	5,163	(1,149,683)	377,467	58,123	435,590

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Total equity attributable to owners of the Company													Non-controlling interests	Total equity
	Share capital HK$'000	Share premium HK$'000	Capital reduction reserve HK$'000	Convertible bonds equity reserve HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Share-based compensation reserve HK$'000	Remuneration share reserve HK$'000	Foreign exchange reserve HK$'000	Other reserve HK$'000	Statutory surplus reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	HK$'000	HK$'000
At 1 January 2019 as originally presented	8,428	762,257	702,955	1,921	2,112	601	57,159	10,400	(3,048)	(20,798)	5,163	(1,149,683)	377,467	58,123	435,590
Impact on application IFRS 16 (Note 2.2)	-	-	-	-	-	-	-	-	-	-	-	(865)	(865)	-	(865)
At 1 January 2019 (restated)	8,428	762,257	702,955	1,921	2,112	601	57,159	10,400	(3,048)	(20,798)	5,163	(1,150,548)	376,602	58,123	434,725
Loss for the year	-	-	-	-	-	-	-	-	-	-	-	(141,458)	(141,458)	(8,201)	(149,659)
Other comprehensive loss:															
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	(1,624)	-	-	-	(1,624)	660	(964)
Share of other comprehensive loss of an associate	-	-	-	-	-	-	-	-	(675)	-	-	-	(675)	-	(675)
Total comprehensive loss for the year	-	-	-	-	-	-	-	-	(2,299)	-	-	(141,458)	(143,757)	(7,541)	(151,298)
Remuneration shares issued for consultancy service (Note 27(a))	76	5,872	-	-	-	-	-	(1,372)	-	-	-	-	4,576	-	4,576
Disposals of subsidiaries as a result of loss of control, reclassified to profit or loss (Note 34(d))	-	-	-	-	-	-	-	-	-	(821)	-	821	-	4,859	4,859
At 31 December 2019	8,504	768,129	702,955	1,921	2,112	601	57,159	9,028	(5,347)	(21,619)	5,163	(1,291,185)	237,421	55,441	292,862

The above consolidated statement of changes in equity should be read in conjunction with the accompanying note.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Cash flows from operating activities			
Cash used in operations	31(a)	**(38,140)**	(64,764)
Income tax (paid)/refunded		**(519)**	144
Net cash used in operating activities		**(38,659)**	(64,620)
Cash flows from investing activities			
Interest income received		**933**	1,068
Investments in financial assets at fair value through profit or loss		**–**	(19,438)
Purchase of property, plant and equipment		**(233)**	(2,434)
Proceeds from disposals of property, plant and equipment		**10**	3
Loan repayment from a subsidiary of an investee company		**–**	27,391
Loans repayment from independent third parties		**15,366**	32,370
Disposal of subsidiaries, net of cash	34	**4,449**	8,620
Proceeds from disposal of financial assets at fair value through profit or loss		**12,613**	26,463
Net cash generated from investing activities		**33,138**	74,043
Cash flows from financing activities			
Proceeds from borrowings	31(b)	**–**	1,037
Interests paid on borrowings		**(418)**	(355)
Principal elements of lease payment		**(3,123)**	–
Interest elements of lease payment		**(989)**	–
Net cash (used in)/generated from financing activities		**(4,530)**	682
Net (decrease)/increase in cash and cash equivalents		**(10,051)**	10,105
Cash and cash equivalents as at 1 January		**40,538**	35,358
Effect of exchange rate changes on cash and cash equivalents		**430**	(4,925)
Cash and cash equivalents as at 31 December	22	**30,917**	40,538

The above consolidated statement of cash flows should be read in conjunction with the accompanying note.

Notes to the Financial Statements

For the year ended 31 December 2019

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 21 February 2000 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and, its principal place of business is 22/F., New World Tower II, 18 Queen's Road Central, Central, Hong Kong. The Company's shares have been listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 17 April 2000. The Company and its subsidiaries are together referred to as the Group hereinafter.

The Company acts as the holding company of the Group. The Group is principally engaged in the business of strategic investment.

These financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated.

Notes to the Financial Statements

For the year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"). In addition, the consolidated financial statements include applicable disclosures requirements of the Hong Kong Companies Ordinance Cap. 622 and the Rules Governing the Listing of Securities on GEM of the Stock Exchange ("GEM Listing Rules").

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities (including derivative instruments), which are measured at fair value.

(a) Going concern

During the year ended 31 December 2019, the Group reported a loss for the year of approximately HK$150 million. The Group also had a net operating cash outflow of HK$39 million for the year ended 31 December 2019. As at 31 December 2019, the Group had convertible bonds ("Convertible Bonds") which is repayable within the coming twelve months from 31 December 2019, with a carrying amount of approximately HK$197 million and additional interest payable of approximately HK$9 million for the period from 1 January 2020 to the settlement date. However, as at 31 December 2019, the Group's cash and cash equivalents amounted to approximately HK$31 million only.

The above matters indicated that the Group required to carry out various measurements and arrangements to obtain substantial amount of additional funding to fulfil its financial obligations, in particular the Convertible Bonds. These matters indicated the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

The directors of the Company have reviewed the Group's cash flow projections, which cover a period of twelve months from 31 December 2019. The directors are of the opinion that, taking into account the following plans and measures, the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the next twelve months from 31 December 2019:

1. The Group is negotiating with the Convertible Bonds holder to explore the settlement options;

Notes to the Financial Statements

For the year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(a) Going concern (continued)

2. In 2020, the Group is contemplating to dispose of the investment in Zoox, Inc. ("Zoox"), an investment with a fair value approximately HK$309 million as at 31 December 2019. In this regard, the Group will explore all means including but not limited to engaging intermediaries to facilitate the identification of and negotiate with potential buyers to achieve this disposal. Based on the past experience of the Group, the directors expected that the disposal can be completed within the specific timeframe.

3. The Group is pursuing the opportunities to obtain long-term borrowings or fund raisings from other financiers to finance the settlement of the Convertible Bonds.

In the opinion of the directors, in light of the above plans and measures, the Group will have sufficient working capital to fulfil its financial obligations as and when they fall due in the coming twelve months from 31 December 2019. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainty exists as to whether management of the Group can achieve the plans and measures described in 1 to 3 above. Whether the Group will be able to continue as a going concern would depend upon the negotiation result for the settlement options of the Convertible Bonds repayment, the Group's ability to divest the investment in Zoox in the expected timeframe, and if the Group could secure any source of long-term financing as and when required.

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

Notes to the Financial Statements

For the year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(b) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

- IFRS 16 Leases
- Prepayment Features with Negative Compensation — Amendments to IFRS 9
- Long-term Interests in Associates and Joint Ventures — Amendments to IAS 28
- Annual Improvements to IFRS Standards 2015–2017 Cycle
- Plan Amendment, Curtailment or Settlement — Amendments to IAS 19
- Interpretation 23 Uncertainty over Income Tax Treatments.

Except for the impact of simplified transition approach on adoption of IFRS 16 set out in Note 2.2, the adoption of other new and amended standards does not have any significant change to the accounting policies or any significant impact on the results and financial position of the Group.

(c) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations that are relevant to the Group but not yet effective for the financial year beginning at 1 January 2019 and have not been early adopted by the Group are as follows:

Standards/Interpretation	Subject of standards amendment	Effective for annual years beginning on or after
Amendments to IAS 1 and IAS 8	Definition of Material	1 January 2020
Amendments to IFRS 3	Definition of a Business	1 January 2020
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting	1 January 2020
IFRS 17	Insurance Contracts	1 January 2021
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group is currently assessing the impact of these new or revised standards on the Group's financial position and performance.

Notes to the Financial Statements

For the year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies

This note explains the impact of the adoption of IFRS 16 Leases ("IFRS 16") on the Group's consolidated financial statements.

As indicated in Note 2.1 above, the Group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new accounting standards on leases are therefore recognised in the opening consolidated statement of financial position on 1 January 2019. The new accounting policies are disclosed in Note 2.27.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17 Leases ("IAS 17"). These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 8%.

(i) Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review — there were no onerous contracts as at 1 January 2019;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

Notes to the Financial Statements

For the year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies (continued)

(ii) Measurement of lease liabilities

The reconciliation between the operating lease commitments as disclosed by applying IAS 17 as at 31 December 2018 and the lease liabilities recognised in the consolidated statement of financial position as at 1 January 2019 (date of initial application of IFRS 16) is as follows:

	HK$'000
Operating lease commitments disclosed as at 31 December 2018 (Note 39)	18,314
Discounted using the lessee's incremental borrowing rate of at the date of initial application	(2,568)
Less: short-term leases recognised on a straight-line basis as expenses	(67)
Lease liabilities recognised as at 1 January 2019	15,679
Of which are:	
Current lease liabilities	3,664
Non-current lease liabilities	12,015
	15,679

(iii) Measurement of right-of-use assets

The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid rental expenses or accrued lease payments relating to that lease recognised in the consolidation statement of financial position as at 1 January 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

Notes to the Financial Statements

For the year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies (continued)

(iv) Adjustments recognised in the consolidated statement of financial position on 1 January 2019

As a lessee, the Group's leases are mainly rentals of offices and land use rights. The right-of-use assets for leases were measured on a modified retrospective basis as if new rules had always been applied and there were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The change in accounting policy affected the following items in the consolidated statement of financial position on 1 January 2019:

- right-of-use assets — increase by HK$13,568,000.
- lease liabilities — increase by HK$15,679,000.
- other payables — decrease by HK$1,246,000.

The net impact on accumulated losses on 1 January 2019 was an increase of HK$865,000.

(v) Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of IFRS 16.

2.3 Principles of consolidation and equity accounting

(i) Subsidiaries

Subsidiaries are all entities (including structured Group entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 2.4).

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

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (iii) below), after initially being recognised at cost.

Notes to the Financial Statements

For the year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Principles of consolidation and equity accounting (continued)

(iii) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividend received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 2.10.

(iv) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

Notes to the Financial Statements

For the year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Principles of consolidation and equity accounting (continued)

(iv) Changes in ownership interests (continued)

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2.4 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Notes to the Financial Statements

For the year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Business combinations (continued)

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration payable is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2.5 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.6 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Foreign currency translation

(i) 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 (HK$), which is the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss.

All foreign exchange gains and losses are presented in the consolidated statement of profit or loss within "Other losses — net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as financial assets at fair value through other comprehensive income are recognised in other comprehensive income.

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- 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
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this 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 dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

Notes to the Financial Statements

For the year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Foreign currency translation (continued)

(iii) Group companies (continued)

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

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

Currency translation differences arising are recognised in other comprehensive income.

(iv) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2.8 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Property, plant and equipment (continued)

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives, as follows:

• Leasehold land and buildings	2% or over the term of the leases, which ever is shorter
• Plant and machinery	15%
• Computer hardware and software	33 $^{1}/_{3}$%
• Furniture and fixtures	7%–20%
• Leasehold improvements	10%–20% or over the term of the leases, which ever is shorter
• Office equipment	33 $^{1}/_{3}$%

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.10).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within "Administrative and operating expenses" in the consolidated statement of profit or loss.

2.9 Intangible assets

(i) Goodwill

Goodwill is measured as described in note 2.4. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments (note 5).

Notes to the Financial Statements

For the year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Intangible assets (continued)

(ii) Acquired intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Amortisation is recognised in consolidated statement of profit or loss and is provided on straight-line method over their estimated useful lives as follows:

Intellectual property	5 years
Mobile games	2 years
Distribution network	3 years
Online music streaming app	3 years
Non-compete agreements of mobile game business	5 years
Know-how	10 years
Non-compete agreements of health technology business	3 years
Mobile game license	3 years
Mobile game development	3 years

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Club membership with indefinite life is carried at cost less any subsequent accumulated impairment losses.

2.10 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Notes to the Financial Statements

For the year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

Notes to the Financial Statements

For the year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Investments and other financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVTOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

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

Notes to the Financial Statements

For the year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Investments and other financial assets (continued)

(iii) Measurement (continued)

Debt instruments

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

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in profit or loss.

- FVTOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in profit or loss.

- FVTPL: Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

Notes to the Financial Statements

For the year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Investments and other financial assets (continued)

(iv) Impairment

The Group assesses on a forward-looking basis the expected credit losses ("ECLs") associated with its debt instruments carried at amortised cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables and contract assets, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 19 and 21 for further details.

2.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where the Company currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Company has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2.14 Research and development costs

Research expenditure is expensed as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility, and costs can be measured reliably. Other development expenditures are expensed as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

2.15 Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period.

Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other losses – net.

Notes to the Financial Statements

For the year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See note 19 for further information about the Group's accounting for trade receivables and note 3.1 for a description of the Group's impairment policies.

2.17 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

2.18 Share capital

Ordinary shares and redeemable convertible preference shares are classified as equity (note 27).

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Company as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Company.

2.19 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Notes to the Financial Statements

For the year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

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.

2.21 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get 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.

Other borrowing costs are expensed in the period in which they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Notes to the Financial Statements

For the year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Employee benefits

(i) Employee leave entitlement

Employee entitlements to long service payment and annual leave are recognised when they accrue to employees. Provision is made for the estimated liabilities for long service payment and annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences are not recognised until the time of leave.

(ii) Retirement benefit scheme

The Group participates in the following retirement benefit schemes and pays contributions to independently administrated funds on a mandatory or contractual basis. Assets of these schemes are held separately from those of the Group in independently administrated funds. The retirement benefit schemes are generally funded by payments from employees and by the relevant Group companies. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense on accrual basis.

All eligible employees have participated in the Mandatory Provident Fund Scheme ("MPF Scheme") in Hong Kong. Under the MPF Scheme, contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. There is no voluntary contribution from the Group nor the employees and there are no other legal or constructive obligations to the Group.

The employees of the Group's subsidiaries operating in the People's Republic of China (the "PRC") are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute a percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

The employees of the Group's subsidiary operating in Japan are required to participate in a defined contribution retirement plan to which the contributions are calculated as a percentage of employees' basic salaries. The retirement benefit plan cost charged to profit or loss represents contribution payable by the Group to the fund.

The employees of the Group's subsidiary operating in Israel are included in an arrangement based on Section 14 of the Israeli Severance Compensation Law ("Section 14"). The subsidiary is required to contribute a percentage of their payroll costs to a pension plan. The contributions are charged to profit or loss as they become payable in accordance with the rules of Section 14.

The obligations are presented as current liabilities in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

Notes to the Financial Statements

For the year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Employee benefits (continued)

(iii) Short-term employee benefits

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

(iv) Bonus plans

The Group recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

(v) Termination benefits

The Group recognises termination benefits at on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

2.24 Share-based payments

The Group operates an equity-settled share-based compensation plan, under which the entity receives services from employees, consultants and directors as consideration for equity instruments (options) of the Group. The fair value of the services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions (for example, remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions.

The total expense is recognised over the vesting period which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated statement of profit or loss, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

Notes to the Financial Statements

For the year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.25 Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.26 Revenue recognition

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

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

— provides all of the benefits received and consumed simultaneously by the customer;

— creates or enhances an asset that the customer controls as the Group performs; or

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

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

Notes to the Financial Statements

For the year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.26 Revenue recognition (continued)

When either party to a contact has performed, the Group presents the contract in the statement of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

A contract asset is the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer. Contract assets and assets arising from costs to obtain or fulfil a contract that are recognised in accordance with IFRS 15. The Group uses practical expedients to recognise the incremental costs of obtaining a contract as an expense when incurred as the amortisation period of the asset that the Group otherwise would have recognised is one year or less.

If a customer pays consideration before the Group transfers a good or service to the customer, the Group presents the contract as a contract liability when the payment is made. A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer.

A receivable is recognised when the products are delivered and the customers accept the products, 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.

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Further details of the Group's revenue and other income recognition policies are as follows:

— Revenue from sales of in-app purchase items is recognised at a point in time on individual transaction basis upon the successful download of the in-app purchase items. Customers obtain control of the in-app purchase items when they received in- app purchase items in mobile game apps. There is generally only one performance obligation.

— Advertising income is recognised over time and is based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.

  For fixed-price advertising contracts, customer usually pays a fixed amount based on a payment schedule. If the services rendered by the Group exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

Notes to the Financial Statements

For the year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.26 Revenue recognition (continued)

— Revenue from game publishing services is recognised as follows:

The Group is engaged in the provision of mobile game publishing services through cooperation with upstream game developers, downstream platforms and third party payment vendors to players. The Group publishes third party developers' games on its own and third party platforms.

The Group's game publishing service income is pre-determined according to the relevant terms entered into between the Group and the licensor of the game. The games published on the platforms are hosted, maintained and updated by the licensor of the game, and the Group mainly provides access to the platforms and after-sale basic technical support to the paying players. The Group has evaluated and determined it is not the primary obligors in the services rendered to the players. Accordingly, the Group is acting as an agent in these arrangements and records its revenue, net of portion of sharing of revenues with the game developers when the players purchase in-game virtual items from the relevant mobile games.

Game publishing service income is recognised based on the actual service provided to the end of the reporting period as a proportion on the total services to be provided.

— Real-time video streaming income is recognised when control has transferred, being at a point in time when customer consumed the virtual items in exchange for the service provided and there is no unfulfilled obligation that could affect the customer's acceptance of service.

— Revenue from shared use facilities income is recognised when control has transferred, being at a point in time when customer uses the facilities provided by the Group and there is no unfulfilled obligation that could affect the customer's acceptance of service.

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

— Leasing income under operating leases is recognised on a straight-line basis over the term of the relevant lease.

— Sundry income is recognised on an accrual basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.27 Leases

As explained in note 2.2 above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in note 2.2.

Until 31 December 2018, leases of property, plant and equipment where the Group, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases. Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in other short-term and long-term payables. Each lease payment was allocated between the liability and finance cost. The finance cost was charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases was depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Notes to the Financial Statements

For the year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.27 Leases (continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Notes to the Financial Statements

For the year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.27 Leases (continued)

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Lease income from operating leases where the group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the statement of financial position based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2.28 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

Notes to the Financial Statements

For the year ended 31 December 2019

3. FINANCIAL RISK MANAGEMENT

3.1 Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity 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) Market risk

(i) Foreign exchange risk

The Group's foreign currency transactions are mainly denominated in Renminbi ("RMB"), HK$, United States dollar ("US$"), New Israeli Shekel ("NIS") and the Japanese Yen ("JPY"). The majority of assets and liabilities are denominated in RMB, HK$ and US$, and there are no significant assets and liabilities that are denominated in other currencies. The Group is subject to foreign exchange rate risk arising from future commercial transactions and recognised assets and liabilities denominating in a currency other than RMB, HK$ and US$, which are the functional currencies of the major operating companies within the Group. The Group currently does not hedge its foreign currency exposure.

For the companies with HK$ as their functional currency, the management considers the foreign exchange risk with respect to US$ is not significant as HK$ is pegged to US$ and transactions denominated in US$ are mainly carried out by entities with the same functional currency. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rates.

The functional currency of the PRC reporting entities is RMB and the transactions are mostly denominated in RMB, the conversion of RMB into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by the PRC government.

Notes to the Financial Statements

For the year ended 31 December 2019

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial Risk Factors (continued)

(a) Market risk (continued)

(ii) Price risk

The Group's exposure to listed equity securities and bonds price risk arises from investments held by the Group and classified in the consolidated statement of financial position at fair value through profit or loss (Note 20).

To manage its price risk arising from investments in listed equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group. The majority of the Group's equity investments are publicly traded in the GEM of the Stock Exchange of Hong Kong Limited.

As at 31 December 2019, if the share price of the investment increase/decrease by 10%, the loss for the year would have been HK$1,086,000 (2018: HK$3,794,000) lower/higher, arising as a result of the fair value gain/loss of the investments.

(iii) Cash flow and fair value interest rate risk

The income and operating cash flows of the Group are substantially independent of changes in market interest rates. The Group has no significant interest-bearing assets, except for deposits placed with banks, loans to an associate and loans to independent third parties (2018: deposits placed with banks, borrowings and loans to independent third parties).

As at 31 December 2019 and 2018, expect for deposit placed with banks, the Group has no significant interest-bearing financial assets and liabilities with a floating interest rate, the Group's results and operating cash flows are substantially independent of changes in market interest rates.

As at 31 December 2019 and 2018, the Group's borrowings, loans to an associate and independent third parties are all issued at fixed rates which expose the Group to fair value interest rate risk. Management considers the fair value exposure of the fixed rate borrowings, loans to an associate and independent third parties are insignificant to the Group.

Notes to the Financial Statements

For the year ended 31 December 2019

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial Risk Factors (continued)

(b) Credit risk

Credit risk arises from arises from loans to an associate, loans to independent third parties, trade and other receivables, contract assets, financial asset at fair value through profit or loss and cash and cash equivalents.

The Group's credit risk is primarily attributable to its trade and other receivables arising from default of the counterparty, with a maximum exposure equal to the carrying amounts of these financial assets in the statement of financial position. The Group trades only with recognised and creditworthy third parties on specific terms mutually agreed prior to any business transaction.

Management of the Group closely monitors the credit-worthiness of the counterparties to ensure full recovery, including scrutinising their financial position. In this regard, the Directors consider that the Group's credit risk is minimal.

Trade receivables and contract assets

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at 31 December 2019, 31% (2018: 36%) and 89% (2018: 96%) of the total trade receivables and contract assets was due from the Group's largest customer and the five largest customers respectively.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial Risk Factors (continued)

(b) Credit risk (continued)

Trade receivables and contract assets (continued)

Expected loss rates are based on actual loss experience over the past 2 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

As at 31 December 2019, the balance of loss allowance in respect of trade receivables and contract assets were HK$1,278,000 (2018: HK$7,367,000) and HK$Nil (2018: HK$13,424,000), respectively.

Impairment losses on receivables are presented in the consolidated statement of profit or loss. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against the same line item, if any.

Others receivables

The receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are assessed individually for provision for impairment allowance. As at 31 December 2019, the balance of loss allowance in respect of these individually assessed receivables was HK$7,896,000 (2018: HK$Nil).

Loans to independent third parties and an associate

The Group measures loss allowances for loan receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix.

The Group estimated the expected credit losses by grouping the ageing profile of the loans based on shared credit risk characteristics and collectively assessed for likelihood of recovery, taking into account its ageing category, and applying expected credit loss rates to the respective gross carrying amounts of the loans.

Notes to the Financial Statements

For the year ended 31 December 2019

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial Risk Factors (continued)

(b) Credit risk (continued)

Loans to independent third parties and an associate (continued)

On that basis, the loss allowance as at 31 December 2019 was determined as follows for loans to an associate:

	Immediate past due and within 1 year	1 year to 2 years	2 years to 5 years	Total
31 December 2019				
Gross carrying amount (HK$'000)	**25,874**	**5,935**	**26,126**	**57,935**
Expected loss rate (%)	**100%**	**4%**	**17%**	**53%**
Loss allowance (HK$'000)	**(25,874)**	**(226)**	**(4,404)**	**(30,504)**
Net carrying account (HK$'000)	**—**	**5,709**	**21,722**	**27,431**

On that basis, the loss allowance as at 31 December 2019 and 31 December 2018 was determined as follows for loans to independent third parties:

	Immediate past due and within 1 year	1 year to 2 years	2 years to 5 years	Total
31 December 2019				
Gross carrying amount (HK$'000)	**—**	**6,354**	**—**	**6,354**
Expected loss rate (%)	**N/A**	**0%**	**N/A**	**0%**
Loss allowance (HK$'000)	**—**	**—**	**—**	**—**
Net carrying amount	**—**	**6,354**	**—**	**6,354**
31 December 2018				
Gross carrying amount (HK$'000)	51,186	—	5,883	57,069
Expected loss rate (%)	69%	N/A	0%	69%
Loss allowance (HK$'000)	(35,129)	—	—	(35,129)
Net carrying amount	16,057	—	5,883	21,940

For the cash and cash equivalents, deposits of the Group are mainly placed with state-owned financial institutions and reputable banks.

While financial asset at fair value through profit or loss is also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

The maximum exposure to credit risk at the reporting date is the carrying values of each class of receivables. The Group did not hold any collateral as security for these receivables as at 31 December 2019 and 2018.

Notes to the Financial Statements

For the year ended 31 December 2019

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial Risk Factors (continued)

(c) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Directors, which has built an appropriate liquidity risk management framework for management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities. Cash management of all operating entities is centralised, including raising of loans to cover expected cash demands. 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 short and long terms.

The following table details the Group's remaining contractual maturities for its financial liabilities which are included in the maturity analysis provided internally to the key management personnel for the purpose of managing liquidity risk.

As at 31 December 2019

	Less than 1 month or on demand HK$'000	1–3 months HK$'000	3 months– 1 year HK$'000	1–5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Total carrying amount as at 31 December HK$'000
Non-derivatives:						
Trade and other payables*	(6,885)	–	(797)	–	(7,682)	(7,682)
Lease liabilities	–	(722)	(2,269)	(7,252)	(10,243)	(10,243)
Convertible bonds	–	–	(196,000)	–	(196,000)	(197,095)
TOTAL	(6,885)	(722)	(199,066)	(7,252)	(213,925)	(215,020)

Notes to the Financial Statements

For the year ended 31 December 2019

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial Risk Factors (continued)

(c) Liquidity risk (continued)

As at 31 December 2018

	Less than 1 month or on demand HK$'000	1–3 months HK$'000	3 months– 1 year HK$'000	1–5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Total carrying amount as at 31 December HK$'000
Non-derivatives:						
Trade and other payables*	(13,822)	(2,571)	(812)	–	(17,205)	(17,205)
Borrowings	(1,037)	–	–	–	(1,037)	(1,037)
Convertible bonds	–	–	–	(196,000)	(196,000)	(181,825)
TOTAL	(14,859)	(2,571)	(812)	(196,000)	(214,242)	(200,067)

* Excluded from trade and other payables of HK$8,115,000 (2018: HK$17,802,000) is an amount of HK$433,000 (2018: HK$597,000) representing estimated payments for long service and unconsumed leave, the settlement which will depend upon either the termination of services of the relevant staff and management discretion respectively, and therefore the liquidity terms cannot be reasonably ascertained.

As at 31 December 2019 and 2018, no banking facility was available to the Group.

3.2 Capital risk management

The Group's objectives when managing capital are:

(a) to safeguard the Group's ability to continue as a going concern, so that it continues to provide returns and benefits for stakeholders;

(b) to support the Group's stability and growth;

(c) to provide capital for the purpose of strengthening the Group's risk management capability; and

(d) to provide capital for purposes of potential mergers and acquisitions.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and equity holder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

The Directors review the capital structure annually. As part of this review, the Directors assess the annual budget prepared by management of the Company and consider the cost of capital and the risks associated with each class of capital.

The Group is not subject to externally imposed capital requirements.

For capital management purpose, the Directors regard the total equity presented in the face of consolidated statement of financial position as capital. The amount of capital attributable to owners of the Company as at 31 December 2019 was HK$237,421,000 (2018: HK$377,467,000).

Notes to the Financial Statements

For the year ended 31 December 2019

3. FINANCIAL RISK MANAGEMENT (continued)

3.2 Capital risk management (continued)

The Group monitors capital on the basis of gearing ratio. This ratio is calculated as net debts divided by total capital. Net debts are calculated as total borrowings (including convertible bonds and borrowings) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated statement of financial position plus net debts.

The gearing ratios at 31 December 2019 and 2018 were as follows:

	2019 **HK$'000**	2018 HK$'000
Convertible bonds	**197,095**	181,825
Borrowings	**–**	1,037
Less: Cash and cash equivalents	**(30,917)**	(40,538)
Net debts	**166,178**	142,324
Total equity	**292,862**	435,590
Total capital	**459,040**	577,914
Gearing ratio	**36%**	25%

The increase in gearing ratio as at 31 December 2019 was mainly due to the decrease in total equity as a result of loss incurred for the year.

3.3 Fair Value Estimation

The following table presents financial assets and liabilities measured at fair value in the consolidated statement of financial position in accordance with the fair value hierarchy. The hierarchy groups financial assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

Notes to the Financial Statements

For the year ended 31 December 2019

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair Value Estimation (continued)

The level in the fair value hierarchy within which the financial assets and liabilities is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The financial assets and liabilities measured at fair value in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

	2019			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Financial assets:				
Recurring fair value measurements:				
Financial assets at fair value through profit or loss				
— Listed equity investments	2,502	–	–	2,502
— Bond investments (Note (ii))	8,355	–	–	8,355
— Subscription of the convertible bonds of China Creative Digital Entertainment Limited ("China Creative") (Note(iii))	–	–	41,775	41,775
— Unlisted equity investments				
— Zoox (Note (iv))	–	–	309,333	309,333
— Investment A (Note (v))	–	–	32,260	32,260
— Investment B (Note (vi))	–	–	6,500	6,500
— Other instruments	–	–	3,900	3,900
	10,857	–	393,768	404,625

Notes to the Financial Statements

For the year ended 31 December 2019

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair Value Estimation (continued)

	2018			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets:				
Recurring fair value measurements:				
Financial assets at fair value through profit or loss				
— Listed equity investments	30,888	–	–	30,888
— Bond investments (Note (ii))	7,059	–	–	7,059
— Subscription of the convertible bonds of China Creative (Note(iii))	–	–	36,573	36,573
— Unlisted equity investments				
— Zoox (Note (iv))	–	–	309,286	309,286
— Investment A (Note (v))	–	–	44,770	44,770
— Investment B (Note (vi))	–	–	9,562	9,562
— Other instruments	–	–	3,900	3,900
	37,947	–	404,091	442,038

There have been no significant transfers of financial assets or liabilities between levels 1, 2 and 3 fair value hierarchy classifications in the reporting period.

The method and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting periods.

The Group's finance department includes a team that performs the valuations of financial assets required for financial reporting purposes, including level 3 fair values. As part of the valuation process, this team reports directly to the chief financial officer (CFO) and independent external valuers will be engaged, if necessary. Discussions of valuation processes and results are held between the CFO and the valuation team at least once every year.

Notes to the Financial Statements

For the year ended 31 December 2019

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair Value Estimation (continued)

Reconciliation for financial instruments carried at fair value based on significant unobservable input (Level 3) are as follows:

Financial assets at fair value through profit or loss

	2019 **HK$'000**	2018 HK$'000
As at 1 January	**404,091**	310,275
Additions	**–**	9,500
Disposal of subsidiaries	**–**	(3,900)
Fair value (losses)/gains, net	**(10,157)**	88,730
Exchange alignment	**(166)**	(514)
As at 31 December	**393,768**	404,091
Unrealised (losses)/gains recognised in the consolidated statement of profit or loss attributable to balance at the end of the reporting period	**(7,261)**	88,730

Notes:

(i) Derivative financial instruments represented the rights to certain shares of an investee company's capital stocks pursuant to the Simple Agreements for Future Equity. During the year ended 31 December 2018, the investment had a fair value loss of HK$2,340,000 as a result of poor performance of the entity.

(ii) Bond investments represented publicly traded bonds at market value, which are measured by the Group at FVTPL.

(iii) The fair values of the Convertible Bond of China Creative as at 31 December 2019 and 2018 were valued by a firm of independent professional valuers, Grant Sherman Appraisal Limited. The debt component of the Convertible Bond of China Creative is valued using discounted cash flow method. The derivative component of the Convertible Bond of China Creative valued using the Binomial Option Pricing model.

Notes to the Financial Statements

For the year ended 31 December 2019

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair Value Estimation (continued)

Notes: (continued)

(iii) (continued)

The inputs into the valuations of the Convertible Bond of China Creative as at 31 December 2019 and 2018 were as follows:

	As at 31 December 2019	As at 31 December 2018
Discount rate	**14.71%**	14.94%
Expected volatility	**80.83%**	32.31%
Expected life	**1.32 years**	2.32 years
Risk-free rate	**2.07%**	2.11%
Credit spread	**7.68%**	7.80%
Expected dividend yield	**0%**	0%

As at 31 December 2019 and 2018, the fair value of the Convertible Bond of China Creative was HK$41,775,000 and HK$36,573,000, respectively.

When discount rate increase by 5% to 19.71%, the Group's investment in Convertible Bond of China Creative will decrease by HK$2,285,000; when discount rate decrease by 5% to 9.71%, the Group's investment in Convertible Bond of China Creative will increase by HK$2,527,000.

(iv) As at 31 December 2019, equity investments with fair value of US$39,658,000 (equivalent to approximately HK$309,333,000 (2018: US$39,652,000 (equivalent to approximately HK$309,286,000)) represented the series A preferred stocks of Zoox Inc. ("Zoox"), a company incorporated in the United States of America with limited liability. Zoox is principally engaged in robotics and pioneering autonomous mobility. The fair value of the investment in Zoox as at 31 December 2019 and 2018 is measured by a firm of independent professional valuers, Grant Sherman Appraisal Limited, using the Option Pricing Model under the equity value allocation method. The inputs into the valuation as at 31 December 2019 and 2018 were as follows:

	As at 31 December 2019	As at 31 December 2018
Time-to-liquidity event	**5 years**	5 years
Volatility	**50.68%**	48.32%
Risk-free rate	**1.71%**	2.54%
Dividend yield	**0%**	0%

When volatility increases by 5% to 55.68%, the fair value of the Group's investment in Zoox will increase by US$233,000 (equivalent to approximately HK$1,819,000); when volatility decreases by 5% to 45.68%, the fair value of the Group's investment in Zoox will increase by US$142,000 (equivalent to approximately HK$1,108,000).

(v) Investment A represented the investment of 39% interest in a private fund established in the Cayman Islands. The objective of the private fund is to achieve long-term capital appreciation and returns by holding equity securities of companies in the technology sector. The fair values as at 31 December 2019 and 2018 represented the Group's share of net asset value of the private fund as reported on the audited financial statements as at the respective reporting dates. The audited financial statements were audited by an external independent auditor who has issued unmodified audit opinion in both years.

Notes to the Financial Statements

For the year ended 31 December 2019

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair Value Estimation (continued)

Notes: (continued)

(vi) Investment B represented the investment of 13% interest in a private company in the Peoples' Republic of China. The principal activities is the development and operation of electric vehicle charging piles. The fair value of the investment as at 31 December 2019 is measured by Grant Sherman Appraisal Limited using the discounted cash flow method, and the fair value as at 31 December 2018 is measured at transaction price less impairment, if any. The inputs into the valuation as at 31 December 2019 were as follows:

	As at 31 December 2019
Discount rate	**28%**
Present value of terminal value	**3%**
Lack of marketability discount	**30%**

When discount rate increases by 5% to 33%, the Group's investment in investment B will decreases by RMB1,817,000 (equivalent to approximately HK$2,032,000); When discount rate decreases by 5% to 23%, the Group's investment in investment B will increase by RMB3,015,000 (equivalent to approximately HK$3,373,000).

(vii) Valuation techniques used by different investments are considered on a case-by-case basis.

3.4 Fair value of financial assets and liabilities measured at amortised cost

The fair value of the following financial assets and liabilities approximate their carrying values:

- Loans to an associate
- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables
- Borrowings
- Convertible note
- Lease liabilities

3.5 Offsetting financial assets and financial liabilities

No financial assets and financial liabilities were subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2019 and 2018.

Notes to the Financial Statements

For the year ended 31 December 2019

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting year are discussed below:

(a) Impairment of intangible assets, property, plant and equipment and investment in an associate

Assets that have an indefinite useful life are tested annually for impairment; or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on the higher of value-in-use calculations or fair value less costs of disposal. These calculations require the use of judgements and estimates. Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs of disposal and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations.

(b) Useful lives of other intangible assets and property, plant and equipment

The Group determines the estimated useful lives and related amortisation and depreciation charges for its other intangible asset with definite useful life and property, plant and equipment, respectively. This estimate is based on the historical experience of the actual useful lives of assets of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Notes to the Financial Statements

For the year ended 31 December 2019

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

(i) Critical accounting estimates and assumptions (continued)

(b) Useful lives of other intangible assets and property, plant and equipment (continued)

Determining whether goodwill and intangible assets are impaired requires an estimation of the value in use of the CGUs to which goodwill and the intangible assets have been allocated. Value in use calculation requires the Group to estimate the present value of the future cash flows expected to arise from the CGUs containing goodwill and the intangible assets using suitable discount rates. Where the expected future cash flows arising from the relevant CGUs differ from the original estimation, an impairment loss may arise. Details of the recoverable amount calculation and impairment loss made for the year are disclosed in Note 17.

The Group conducts impairment reviews of property, plant and equipment when events or changes in circumstances indicate that their carrying amounts may not be recoverable annually in accordance with relevant accounting standards. Impairment loss is recognised when the carrying amount of an asset is lower than the greater of its net selling price or the value in use. In determining the value in use, management assesses the present value of the estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Estimates and judgments are applied in determining these future cash flows and the discount rate.

(c) Fair values of financial instruments

Financial instruments such as financial assets at FVTPL are initially measured at fair value. Certain financial instruments as described in Note 2.12 are re-measured at fair value at subsequent reporting dates. The best evidence of fair value is quoted prices in an active market. Where quoted prices are not available for a particular financial instrument, the Group uses the values determined by the internal or external valuation techniques to estimate the fair value. The use of methodologies, models and assumptions in pricing and valuing these financial assets and liabilities requires varying degrees of judgment by management, which may result in different fair values and results. The assumptions with regard to the fair value of financial assets at FVTPL as detailed in Note 20, might cause material adjustments to the carrying amounts of assets and liabilities within the next accounting year.

(d) Impairment of contract assets, trade and other receivables and loans to an associate

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

Notes to the Financial Statements

For the year ended 31 December 2019

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

(i) Critical accounting estimates and assumptions (continued)

(d) Impairment of contract assets, trade and other receivables and loans to an associate (continued)

At each reporting date, the Company assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Company considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis. Further information on the impairment of contract assets and trade and other receivables is included in Note 3.1(b).

(e) Current taxation and deferred taxation

The Group is subject to income taxes in various jurisdictions. Significant judgment is required in determining the amount of the provision for taxation and the timing of payment of the related taxation. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the periods in which the final tax outcome is determined.

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

Deferred tax liabilities arise when the carrying amounts of the identifiable assets acquired in a business combination are recognised at their fair values at the acquisition date but the tax bases of the assets remain at cost to the previous owner, therefore a taxable temporary difference arises.

Notes to the Financial Statements

For the year ended 31 December 2019

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

(ii) Critical judgments in applying the Group's accounting policies

Control over a subsidiary

On 2 April 2015, the Group has expanded its business in the development, distribution and operating of mobile games ("mobile games"), which is considered to be value-added telecommunications services, a sector where foreign investment is subject to significant restrictions under the PRC laws and regulations. Accordingly, the wholly foreign-owned enterprise within the Group cannot acquire equity interest in the PRC entity, which holds certain licenses and permits required for the operation of mobile games business. As a result, the Group acquired 70% equity interest in Honestway Global Group Limited ("HGGL"), a limited liability company incorporated in the British Virgin Islands, which indirectly owned a wholly foreign-owned enterprise, 深圳八零八八科技有限公司 (Shenzhen 8088 Technology Co., Ltd.* or "SZ8088"), and SZ8088 entered into contractual arrangements ("Contractual Arrangements") with a company with limited liability established in the PRC, 上海威搜游科技有限公司 (Shanghai VSOYOU Technology Co., Ltd.* or "VSOYOU"), and its respective registered shareholders in order to conduct the mobile games business in the PRC and to assert management control over the operation of, and enjoy all economic benefits of VSOYOU.

SZ8088 has entered into a series of Contractual Arrangements between VSOYOU and its respective registered shareholders which enable SZ8088 to:

— exercise effective financial and operating control over VSOYOU;

— exercise equity holders' voting rights of VSOYOU under the proxy agreement;

— receive substantially all of the economic interest returns generated by VSOYOU in consideration for the technology services, marketing services and other services provided by SZ8088 under the exclusive consultancy agreement;

— obtain irrecoverable and exclusive option right to purchase the entire equity interest in VSOYOU from the respective registered shareholders at a minimum purchase price permitted by PRC laws and regulations. SZ8088 may exercise such options at any time until it has acquired all equity interests of VSOYOU;

— obtain a pledge over the entire equity interest of VSOYOU from its respective registered shareholders as collateral security for all of VSOYOU's payments due to SZ8088 and to secure the performance of VSOYOU's obligations under the Contractual Arrangements;

— provide interest-free loan facilities of up to an amount to be agreed to the respective registered shareholder who shall only contribute the loan to the registered capital of VSOYOU for the development of the business of VSOYOU under the loan agreement. The loan shall be repaid by way of transfer of the equity interest in VSOYOU held by the respective registered shareholder to SZ8088 or its nominee(s); and

— purchase copyrights in respect of software for the games owned by VSOYOU at a consideration to be determined and settled in cash under the asset purchasing agreement.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

(ii) Critical judgments in applying the Group's accounting policies (continued)

Control over a subsidiary (continued)

The Group does not have any equity interest in VSOYOU. However, as a result of the effective execution of Contractual Arrangements, the Group has rights to variable returns from its involvement with VSOYOU and has the ability to affect those returns through its power over VSOYOU and is considered to control VSOYOU indirectly through SZ8088. Consequently, the Company regarded VSOYOU as its indirect non-wholly owned subsidiary and the Group consolidated the financial position and performance of VSOYOU in the consolidated financial statements since the date of acquisition. On 9 September 2016, the Group further acquired the remaining 30% of the issued share capital of HGGL, through acquiring the entire issued share capital of Rosy Year Investments Limited, a limited liability company incorporated in the British Virgin Islands, at a cash consideration of HK$42,000,000. Since then, VSOYOU is considered to be an indirect wholly-owned subsidiary of the Group. Significant judgments have been exercised by management in assessing and concluding VSOYOU as a subsidiary of the Group.

Further details of the Contractual Arrangements are set out in the Company's announcement dated 1 December 2014 and the circular dated 2 March 2015.

* The English translation of Chinese name of the PRC entities, if any, is included for identification only and should not be regarded as their official English translation.

Power to exercise significant influence

For certain investments with equity interests over 20%, management has assessed but there is an absence of any control, jointly control nor exercise significant influence over these companies as the Group did not participate in the financial and operating decisions of these companies during the year. Accordingly the Directors are in the opinion that the investments are not deemed to be associates and accounted for as financial assets at FVTPL/available-for-sale investments.

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For the year ended 31 December 2019

5. SEGMENT INFORMATION

On 5 September 2018, the Group has disposed AID Partners Asset Management Limited ("AIDPAML"). Following the disposal of AIDPAML, the chief operating decision makers, which are collectively the Executive Directors of the Company, identify the Group has only one operating segment, which is strategic investment.

No separate analysis of segment information is presented by the Group for the year ended 31 December 2019 as all of the Group's revenue and results are related to the strategic investment business.

The segment of strategic investment mainly comprises investments in healthcare and technology businesses.

No separate analysis of segment assets and liabilities is presented by the Group as at 31 December 2019 and 2018 as all of the Group's assets and liabilities are related to the strategic investment business.

The Group had identified the following reportable operating segments for the year ended 31 December 2018:

(i) Strategic investment — acquiring stakes in companies engaging in among healthcare and technology businesses; and

(ii) Asset management — provision of fund management and asset management.

Revenue generated, (loss)/profit from operations for the year ended 31 December 2018 by each of the Group's operating segment are summarised as follows:

	Strategic investment HK$'000	Asset management HK$'000	Total HK$'000
Revenue from external customers	19,261	–	19,261
Segment (loss)/profit from operations	(736,097)	4,800	(731,297)
Other net income not allocated			723
Depreciation of property, plant and equipment			(630)
Unallocated corporate expenses			(20,154)
Loss from operations			(751,358)
Finance costs			(14,379)
Loss before taxation			(765,737)

Notes to the Financial Statements

For the year ended 31 December 2019

5. SEGMENT INFORMATION (continued)

There were no inter-segment transactions during the year ended 31 December 2018.

Unallocated corporate expenses mainly comprise legal and professional fees, rent and rates and salaries and allowances.

	Strategic investment HK$'000	Asset management HK$'000	Total HK$'000
Other segment information			
Additions to non-current assets	35,981	–	35,981
Depreciation of property, plant and equipment	(1,986)	(1)	(1,987)
Amortisation of intangible assets	(18,035)	–	(18,035)
Impairment losses on goodwill	(27,999)	–	(27,999)
Impairment losses on other intangible assets	(3,674)	–	(3,674)
Impairment losses on contract assets	(11,947)	–	(11,947)
Impairment losses on loans to independent third parties	(35,129)	–	(35,129)
Income tax credit	1,418	–	1,418

In 2018, additions to non-current assets mainly represented additions to property, plant and equipment, intangible assets and financial assets at FVTPL.

Geographic information

The following table provides an analysis of the Group's revenue from external customers and non-current assets other than financial instruments and loan to an independent third parties ("Specified non-current assets").

	Revenue from external customers		**Specified non-current assets**	
	2019 HK$'000	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
Hong Kong (place of domicile)	**2,846**	6,222	**41,661**	65,160
The PRC	**8,893**	13,039	**1,997**	11,044
Other Asian countries	**–**	–	**10,827**	49,989
	11,739	19,261	**54,485**	126,193

Notes to the Financial Statements

For the year ended 31 December 2019

5. SEGMENT INFORMATION (continued)

Key customers

During the year ended 31 December 2019, there were three customers (2018: two) which individually contributed over 10% of the Group's total revenue, the revenue contributed from each of these customers was as follows:

	For the year ended 31 December	
	2019	2018
	HK$'000	HK$'000
Customer A	**4,483**	8,296
Customer B	**–**	2,378
Customer C	**1,437**	–
Customer D	**1,339**	–

6. REVENUE

Revenue represents the (i) sales of in-app purchases items, (ii) advertising income, (iii) game publishing service income, (iv) real-time video streaming income and (v) shared use facilities income. An analysis of revenue is as follows:

	2019	2018
	HK$'000	HK$'000
Major products/services		
Sales of in-app purchase items	**3,946**	4,226
Advertising income	**6,240**	10,292
Game publishing service income	**–**	4,013
Real-time video streaming income	**695**	730
Shared use facilities income	**858**	–
	11,739	19,261
Timing of revenue recognition		
At a point in time	**5,499**	4,226
Over time	**6,240**	15,035
	11,739	19,261

Notes to the Financial Statements

For the year ended 31 December 2019

6. REVENUE (continued)

Assets and liabilities related to contracts with customers

The Group has recognised the following assets and liabilities related to contracts with customers:

	2019 HK$'000	2018 HK$'000
Contract assets	**1,319**	17,949
Less: provision for impairment of contract assets	**–**	(13,424)
Contract assets, net (Note 21(a))	**1,319**	4,525
Contract liabilities (Note 21(b))	**–**	(2,132)

The movement on the provision for impairment of contract assets is as follows:

	2019 HK$'000	2018 HK$'000
At beginning of the year	**13,424**	2,022
Provision for impairment losses for the year	**–**	11,947
Write off	**(13,190)**	–
Exchange alignment	**(234)**	(545)
At end of the year	**–**	13,424

(i) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	2019 HK$'000	2018 HK$'000
Revenue recognised that was included in the contract liability balance at the beginning of the period	**2,132**	–

Due to the short-term nature of the related service contracts, the entire contract liabilities balance at the year end would be recognised into revenue in the next period. As permitted under IFRS 15, the transaction price allocated to those unsatisfied performance obligations/contracts which have an original expected duration of one year or less is not disclosed.

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7. OTHER INCOME

	2019 HK$'000	2018 HK$'000
Bank interest income	543	791
Effective interest income on investments in convertible bonds	–	3,620
Interest income on loans to independent third parties	861	488
Interest income on a loan to a shareholder of an investee	–	261
Interest income on loans to an associate	713	–
Interest income on loaned securities to an investee	3,928	1,983
License fee income from a related company	468	–
Leasing income from related companies	–	139
Others	1,301	2,010
	7,814	9,292

8. OTHER LOSSES — NET

	2019 HK$'000	2018 HK$'000
Fair value losses on financial assets at fair value through profit or loss, net (Note 20)	(27,120)	(576,885)
(Losses)/gains on disposal of subsidiaries (Note 34)	(5,226)	4,084
Foreign exchange gains/(losses)	1,378	(1,883)
	(30,968)	(574,684)

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For the year ended 31 December 2019

9. EXPENSES BY NATURE

	2019 HK$'000	2018 HK$'000
Auditor's remuneration:		
— audit services	**850**	1,288
— non-audit services	**216**	245
Cost of sales	**9,383**	13,239
Employee benefit expense (including directors' remuneration (Note 10(h))	**21,872**	27,387
Operating leases rentals in respect of leased premises	**–**	6,043
Amortisation of intangible assets (Note 17)	**10,614**	18,035
Depreciation of property, plant and equipment (Note 15)	**2,612**	2,617
Depreciation of right-of-use assets (Note 16(a))	**3,147**	–
Write-off of property, plant and equipment (Note 15)	**–**	413
Loss on disposal of property, plant and equipment	**–**	9
Research and development costs	**2,573**	11,173
Loss on settlement of borrowings (Note 24)	**–**	3,825
Consultancy service settled by remuneration shares (Note 27(a))	**4,576**	8,526
Others	**14,884**	38,478
Total cost of sales, selling and distribution and administrative and operating expenses	**70,727**	131,278

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10. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS

(a) Directors' remuneration

	Fees HK$'000	Salaries and allowances HK$'000	Retirement fund contributions HK$'000	Total HK$'000
2019				
Executive Directors:				
Wu King Shiu, Kelvin (Note (i))	109	1,897	16	2,022
Chan Suet Ngan	10	1,040	18	1,068
Hu Kenneth	10	806	18	834
Qian Alexandra Gaochuan	10	806	18	834
Non-Executive Directors:				
Wu King Shiu, Kelvin (Note (i))	–	–	–	–
Xu Haohao (Note (ii))	150	–	–	150
Independent Non-Executive Directors:				
Fong Janie (Note (iii))	100	–	–	100
Yuen Kwok On	180	–	–	180
Matsumoto Hitoshi	180	–	–	180
Yau Chung Hang (Note (iv))	51	–	–	51
	800	4,549	70	5,419

Notes:

(i) Re-designated from an Executive Director to a Non-Executive Director and Chairman on 4 February 2019.

(ii) Resigned as a Non-Executive Director on 26 September 2019.

(iii) Resigned as an Independent Non-Executive Director on 30 April 2019.

(iv) Appointed as an Independent Non-Executive Director on 29 July 2019.

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For the year ended 31 December 2019

10. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS (continued)

(a) Directors' remuneration (continued)

	Fees HK$'000	Salaries and allowances HK$'000	Retirement fund contributions HK$'000	Total HK$'000
2018				
Executive Directors:				
Wu King Shiu, Kelvin	–	2,911	18	2,929
Chan Suet Ngan (Note (i))	10	1,040	18	1,068
Hu Kenneth (Note (i))	10	806	18	834
Qian Alexandra Gaochuan (Note (i))	10	806	18	834
Non-Executive Directors:				
Xu Haohao	300	–	–	300
Guo Qifei (Note (ii))	175	–	–	175
Independent Non-Executive Directors:				
Fong Janie	300	–	–	300
Yuen Kwok On	300	–	–	300
Matsumoto Hitoshi	300	–	–	300
	1,405	5,563	72	7,040

Notes:

(i) Appointed as an Executive Director on 1 January 2018.

(ii) Resigned as a Non-Executive Director on 1 August 2018.

(b) Directors' retirement benefits

None of the directors received or will receive any retirement benefits during the year ended 31 December 2019 (2018: Nil).

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the year ended 31 December 2019 (2018: Nil).

(d) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2019, the Company did not pay consideration to any third parties for making available directors' services (2018: Nil).

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For the year ended 31 December 2019

10. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS (continued)

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the year ended 31 December 2019, there is no loans, quasi-loans and other dealing arrangements in favour of the directors, or controlled body corporates and connected entities of such directors (2018: Nil).

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted as at 31 December 2019 or at any time for the year ended 31 December 2019 (2018: Nil).

(g) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2019 included four Directors (2018: four Directors) whose emoluments are reflected in the analysis presented above. Emoluments payable to the remaining one (2018: one) individuals during the year are as follows:

	2019 HK$'000	2018 HK$'000
Salaries, allowances and benefits in kind	**782**	2,556
Retirement fund contributions	**18**	48
	800	2,604

The emoluments fell within the following bands:

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

(h) Employee benefit expense (including directors' remuneration)

	2019 HK$'000	2018 HK$'000
Fees	**800**	1,405
Salaries, allowances and benefits in kind	**19,356**	23,682
Bonus paid and payable	**875**	824
Retirement fund contributions	**841**	1,476
	21,872	27,387

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11. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Effective interest expense on convertible bonds		
— wholly repayable within five years (Note 25)	**15,270**	14,083
Interest expenses on lease liabilities	**989**	–
Interest expenses on borrowings	**–**	296
Others	**85**	–
	16,344	14,379

12. INCOME TAX CREDIT

	2019 HK$'000	2018 HK$'000
Hong Kong		
— Current tax for the year	**–**	6
— Under-provision in respect of prior year	**72**	270
The PRC		
— Current tax for the year	**3**	6
Total current income tax	**75**	282
Deferred tax credit (Note 26)	**(2,447)**	(1,700)
Income tax credit	**(2,372)**	(1,418)

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%.

Accordingly, for the years ended 31 December 2019 and 2018, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million. The profits of group entities not qualified for the two-tiered profits tax rates regime continue to be taxed at a flat rate of 16.5%.

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For the year ended 31 December 2019

12. INCOME TAX CREDIT (continued)

The Group's subsidiaries operating in the PRC are subject to PRC Enterprise Income Tax at the tax rate of 25% (2018: 25%). One of the Group's major operating subsidiaries, VSOYOU, was established in the PRC and carries on business in the PRC as a software enterprise. This subsidiary has, pursuant to the relevant laws and regulations in the PRC, obtained exemption from PRC Enterprise Income Tax for two years starting from its first profit-making year, followed by a 50% reduction for the next three years (the "Tax Exemption"). This subsidiary which is currently entitled to the Tax Exemption from 1 January 2015 would continue to enjoy such treatments until the Tax Exemption period expires, but not beyond 31 December 2019.

Taxes on profits assessable elsewhere have been calculated at the rates prevailing in the relevant jurisdictions for the years ended 31 December 2019 and 2018.

Reconciliation between income tax credit and accounting loss at applicable tax rates is as follows:

	2019 **HK$'000**	2018 HK$'000
Loss before income tax	**(152,031)**	(765,737)
Tax at the domestic income tax rates	**(25,085)**	(126,347)
Tax calculated at domestic tax rates applicable in the respective countries	**(1,759)**	(4,966)
Tax effect of share of losses of an associate	**1,038**	–
Tax effect of non-taxable income	**(2,566)**	(28,628)
Tax effect of non-deductible expenses	**25,604**	153,136
Tax effect of unrecognised temporary differences	**(88)**	(442)
Tax effect of unrecognised tax losses	**853**	5,595
Utilisation of tax losses previously not recognised	**–**	(36)
Tax effect of tax exemption granted to PRC subsidiaries	**286**	–
Under-provision in respect of prior year	**(655)**	270
Income tax credit	**(2,372)**	(1,418)

Notes to the Financial Statements

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13. DISCONTINUED OPERATION

On 5 September 2018, the Group disposed of its entire issued share capital of AID Partners Asset Management Limited ("AIDPAML") to an independent third party at a cash consideration of approximately HK$5,937,000. The results of this business segment up to 5 September 2018 were as follows:

	Note	**2019** **HK$'000**	2018 HK$'000
Revenue		–	–
Administrative expenses			
Depreciation of property, plant and equipment		–	(1)
Other administrative expenses		–	(931)
		–	(932)
Loss before taxation		–	(932)
Taxation		–	–
Loss after taxation		–	(932)
Gain on disposal of subsidiary	34(a)	–	5,732
Profit for the year from discontinued operations		–	4,800
Net cash inflow from operating activities		–	441
Net cash inflow from investing activities		–	–
Net cash inflow from financing activities		–	–
Net increase in cash generated		–	441

Note:

(i) Loss before taxation — Discontinued operations

	2019 **HK$'000**	2018 HK$'000
Loss before taxation is arrived at after charging:		
Auditor's remuneration:		
— audit services	–	27
Employee benefit expense (including directors' remuneration)	–	663
Operating leases rentals in respect of leased premises	–	108

(ii) The carrying amounts of the assets and liabilities of AIDPAML at the date of disposal are disclosed in Note 34(a).

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14. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

(a) Basic

For continuing and discontinued operations

Basic loss per share is calculated by dividing consolidated loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2019	2018
(HK$'000)		
Loss attributable to owners of the Company	**(141,458)**	(765,260)
Adjusted for:		
Profit for the year from discontinued operations	**–**	(4,800)
Loss for the purpose of basic loss per share from continuing operations	**(141,458)**	(770,060)
(Number of shares)		
Weighted average number of ordinary shares	**543,143,649**	538,268,649
(HK cents)		
Basic loss per share attributable to the owners of the Company:		
— Continuing operations	**(26.04)**	(143.06)
— Continuing and discontinued operations	**(26.04)**	(142.17)

From discontinued operation

Basic earnings per share for the discontinued operation are 0.89 HK cents per share for the year ended 31 December 2018, based on the profit for the year ended 31 December 2018 from the discontinued operations of HK$4,800,000 and the denominators detailed above for the both basic loss per share.

14. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (continued)

(b) Diluted

For continuing and discounted operations

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion/exercise of all potentially dilutive ordinary shares. The Company has three (2018: three) categories of potentially dilutive ordinary shares: remuneration shares, share options and convertible bonds. For the remuneration shares and share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares for the period) based on the monetary value of the subscription rights attached to outstanding remuneration shares and share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. The convertible bonds were assumed to have been converted into ordinary shares, and the net loss has been adjusted to eliminate the interest expense, fair value change and gains/(losses) on early redemption less the tax effect.

For the years ended 31 December 2019 and 2018, diluted loss per share is the same as the basic loss per share as the conversion/exercise of potential ordinary shares in relation to the outstanding remuneration shares, share options and convertible notes would have anti-dilutive effects to the basic loss per share.

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15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Plant and machinery HK$'000	Computer hardware and software HK$'000	Furniture and fixtures HK$'000	Leasehold improvements HK$'000	Office equipment HK$'000	Total HK$'000
Cost							
As at 1 January 2018	10,706	6,193	2,144	980	2,922	171	23,116
Additions	–	1,869	279	216	22	48	2,434
Disposals	–	–	(28)	–	–	–	(28)
Disposals of AIDPAML (Note 34(a))	–	–	(5)	–	–	–	(5)
Disposals of Prestige Creation Group (Note 34(c))	–	–	(164)	(245)	–	(127)	(536)
Written off	(499)	–	–	–	–	–	(499)
Exchange alignment	–	(402)	(139)	(20)	(41)	3	(599)
As at 31 December 2018 and 1 January 2019	**10,207**	**7,660**	**2,087**	**931**	**2,903**	**95**	**23,883**
Additions	**–**	**56**	**177**	**–**	**–**	**–**	**233**
Disposals	**–**	**–**	**(13)**	**–**	**–**	**–**	**(13)**
Disposals of GeneSort Group (Note 34(d))	**–**	**(6,210)**	**(1,973)**	**(250)**	**(55)**	**–**	**(8,488)**
Exchange alignment	**–**	**190**	**48**	**5**	**(6)**	**–**	**237**
As at 31 December 2019	**10,207**	**1,696**	**326**	**686**	**2,842**	**95**	**15,852**
Accumulated depreciation							
As at 1 January 2018	120	155	756	231	899	43	2,204
Depreciation for the year	65	1,315	500	197	453	87	2,617
Written back on disposals	–	–	(16)	–	–	–	(16)
Disposals of AIDPAML (Note 34(a))	–	–	(4)	–	–	–	(4)
Disposals of Prestige Creation Group (Note 34(c))	–	–	(146)	(130)	–	(113)	(389)
Written off	(86)	–	–	–	–	–	(86)
Exchange alignment	–	(51)	(78)	(7)	(24)	2	(158)
As at 31 December 2018 and 1 January 2019	**99**	**1,419**	**1,012**	**291**	**1,328**	**19**	**4,168**
Depreciation for the year	**635**	**942**	**473**	**152**	**360**	**50**	**2,612**
Written back on disposals	**–**	**–**	**(3)**	**–**	**–**	**–**	**(3)**
Disposals of GeneSort Group (Note 34(d))	**–**	**(1,646)**	**(1,350)**	**(64)**	**(11)**	**–**	**(3,071)**
Exchange alignment	**–**	**38**	**27**	**(1)**	**(7)**	**–**	**57**
As at 31 December 2019	**734**	**753**	**159**	**378**	**1,670**	**69**	**3,763**
Net book value							
As at 31 December 2019	**9,473**	**943**	**167**	**308**	**1,172**	**26**	**12,089**
As at 31 December 2018	10,108	6,241	1,075	640	1,575	76	19,715

Depreciation expenses of HK$2,612,000 (2018: HK$2,617,000) has been charged to administrative and operating expenses.

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16. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(a) Right-of-use assets

The carrying amount of right-of-use assets and depreciation by class of underlying assets at the reporting date and at the date of initial application of IFRS 16 are as follows:

	31 December 2019 HK$'000	1 January 2019 HK$'000
Right-of-use assets		
— Properties leased for own use	**8,311**	13,568
Depreciation charged to administrative and operating expenses		
— Properties leased for own use	**3,147**	–

There was no addition to the right-of-use assets during the year ended 31 December 2019.

(b) Lease liabilities

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period are as follows:

	31 December 2019	
	Present value of the minimum lease payments HK$'000	**Total minimum lease payments HK$'000**
Within 1 year	**2,991**	**3,678**
After 1 year but within 2 years	**3,580**	**4,015**
After 2 years but within 5 years	**3,672**	**3,820**
	10,243	**11,513**
Less: total future interest expenses		**(1,270)**
Present value of lease liabilities		**10,243**
Categorised as:		
Current portion		**2,991**
Non-current portion		**7,252**
		10,243

The total cash outflow for leases during the year ended 31 December 2019 was HK$4,112,000 including the payment of principal elements and interest elements of lease liabilities amounting to HK$3,123,000 (Note 31(b)) and HK$989,000 (Note 11) respectively.

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17. INTANGIBLE ASSETS

	Goodwill HK$'000 (Note (a))	Distribution network HK$'000 (Note (b))	Non-compete agreements of mobile game business HK$'000 (Note (b))	Know-how HK$'000 (Note (c))	Non-compete agreements of health technology business HK$'000 (Note (c))	Others HK$'000 (Note (d))	Total HK$'000
Net book amount as at 1 January 2018	88,058	647	11,974	35,484	880	14,109	151,152
Additions	–	–	–	–	–	5,089	5,089
Amortisation	–	(647)	(5,322)	(3,719)	(346)	(8,001)	(18,035)
Impairment	(27,999)	–	–	–	–	(3,674)	(31,673)
Exchange alignment	–	–	–	–	–	(55)	(55)
Net book amount as at 31 December 2018 and 1 January 2019	**60,059**	**–**	**6,652**	**31,765**	**534**	**7,468**	**106,478**
Disposals of GeneSort Group (Note 34(d))	**(52,479)**	**–**	**–**	**(30,216)**	**(390)**	**–**	**(83,085)**
Amortisation	**–**	**–**	**(5,322)**	**(1,549)**	**(144)**	**(3,599)**	**(10,614)**
Impairment	**(7,580)**	**–**	**–**	**–**	**–**	**–**	**(7,580)**
Exchange alignment	**–**	**–**	**–**	**–**	**–**	**(3)**	**(3)**
Net book amount as at 31 December 2019	**–**	**–**	**1,330**	**–**	**–**	**3,866**	**5,196**

Amortisation of HK$10,614,000 (2018: HK$18,035,000) has been charged to administrative and operating expenses.

17. INTANGIBLE ASSETS (continued)

Notes:

(a) Goodwill acquired through acquisition of subsidiaries is allocated to the Group's CGUs. A summary of goodwill allocation is presented below:

	2019	2018
	HK$'000	HK$'000
HGGL Group (note i)	**–**	7,580
GeneSort Group (note ii)	**–**	52,479
	–	60,059

(i) HGGL Group

The recoverable amount of HGGL Group as at 31 December 2019 to which the goodwill relates was determined based on a value in use calculation. The calculation was based on financial budgets covering a five-year period approved by management and followed by an extrapolation of expected cash flows with 3% growth rate. Key assumptions were based on past performance, management estimation on market development and general inflation based on the growth rates which did not exceed the long-term average growth rates for the business in which the CGU operates. The discount rate used for value in use calculations was pre-tax and reflected specific risks relating to the relevant CGU. Accordingly, an impairment of HK$7,580,000 (2018: HK$26,059,000) was recognised in profit or loss for the year ended 31 December 2019 due to unfavourable change in market condition of mobile-online games business in the PRC.

The key assumptions used for value in use calculations are as follows:

	HGGL Group	
	2019	2018
Terminal growth rate	**3%**	3%
Pre-tax discount rate	**32.1%**	32.1%

Apart from the considerations described above in determining the value in use of the CGUs, management was not aware of any other probable changes that would necessitate changes in the key assumptions.

(ii) GeneSort Group

The recoverable amount of GeneSort Group as at 31 December 2018 to which the goodwill relates was determined based on the fair value less cost of disposal using market approach by reference to a recent transaction entered into between a shareholder of GeneSort Group and a market participant during the year. The Directors considered the transaction prices were determined on an arms-length basis and no impairment was necessary as at 31 December 2018 as the recoverable amount of the CGU exceeds its carrying amount.

In May 2019, goodwill was derecognised when GeneSort Group was disposed of as detailed in Note 34(d).

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17. INTANGIBLE ASSETS (continued)

Notes: (continued)

(b) Distribution network represents the mobile application which provides download access to users of the mobile application to download mobile games in the PRC.

Non-compete agreements of mobile game business refer to the restrictive covenants included in employment contracts of certain key management personnel of VSOYOU who agreed not to enter into or start a similar profession or trade in competition against VSOYOU's business.

(c) Know-how and non-compete agreements of health technology business arose from acquisition of approximately 73.7% equity interest in GeneSort Group on 11 July 2017, and derecognised when GeneSort Group was disposed of in May 2019 as detailed in Note 34(d).

Know-how represents a series of diagnostic tests identifying key mutations contributory to disease development and progression in cancer tissues, as well as genetic screening tests to identify individual susceptibility to cancer risk based on a technology referred to as Next Generation Sequencing ("NGS") for the analysis of NGS data and for generating individual personalised medical treatment options reports.

Non-compete agreements of health technology business refer to the restrictive covenants included in the sale and purchase agreement of previous shareholders of GeneSort Group who agreed not to enter into or start a similar profession or trade in competition against the business of GeneSort Group.

(d) As at 31 December 2019, others represented (i) a mobile game license with net carrying amount of HK$566,000 (2018: HK$4,168,000) and (ii) a club membership with net carrying amount of HK$3,300,000 (2018: HK$3,300,000).

For the impairment testing on club membership, the recoverable amount was determined based on fair value less costs of disposals which represented the market price less cost of disposal as at 31 December 2019 and 2018 and no impairment was considered necessary.

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18. INTEREST IN AN ASSOCIATE AND LOANS TO AN ASSOCIATE

Movements in interest in an associate during the year are as follows:

	Notes	2019 HK$'000
As at 1 January		–
Additions (Note 34(d))	(b)	8,420
Share of losses, net of tax		(6,287)
Share of other comprehensive loss of an associate		(675)
As at 31 December		1,458
Loans to an associate	(c)	27,431

Notes:

(a) Particulars of the associate are as follows:

Name	Place of incorporation and kind of legal entity	Particular of registered capital	Percentage of interest held 2019	Principal activities	Measurement method
GeneSort International Inc.	British Virgin Islands, limited liability company	USD50,000	23.89%	Investment holding	Equity method

The associate is a private company therefore no quoted market price available for its shares.

There were no contingent liabilities relating to the Group's interest in an associate as at 31 December 2019.

(b) The fair value of the interest in an associate as at the date of initial recognition is using the Option Pricing Model under equity value allocation method. The fair value of an associate as at the date of initial recognition was valued by a firm of independent professional valuers, Grant Sherman Appraisal Limited. The inputs into the valuation as at date of initial recognition were as follows:

	As at date of initial recognition
Time-to-liquidity event	5 years
Volatility	35.50%
Risk-free rate	0.95%
Dividend yield	0%

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For the year ended 31 December 2019

18. INTEREST IN AN ASSOCIATE AND LOANS TO AN ASSOCIATE (continued)

(c) Loans to an associate

	2019 HK$'000
Loans to an associate	57,935
Less: provision for impairment of loans to an associate	(30,504)
Loans to an associate, net	27,431

Based on the assessment of the expected credit losses (refer to Note 3.1(b), the Group has made a provision for impairment of loans to an associate of approximately HK$30,504,000 during the year ended 31 December 2019.

The loans to an associate are unsecured, interest bearing at 5% to 10% per annum, denominated in USD and repayable on 31 May 2021 and 28 May 2021 respectively.

(d) Summarised unaudited financial information in respect of the Group's associate is set out below. The associate was accounted for in the consolidated financial statements using equity method. The summarised unaudited financial information represents amounts shown in the financial statements of the associate, after fair value adjustments, prepared in accordance with IFRSs.

	For the period from 31 May 2019 (date of initial recognition) to 31 December 2019 HK$'000
Revenue	–
Other income	141
Loss for the period	(26,315)
Other comprehensive loss	(2,826)
Total comprehensive loss	(29,141)

	As at 31 December 2019 HK$'000
Current assets	2,855
Non-current assets	2,213
Current liabilities	(11,748)
Non-current liabilities	(57,314)
	(63,994)

No dividend is received from the associate during the year ended 31 December 2019.

Notes to the Financial Statements

For the year ended 31 December 2019

19. TRADE AND OTHER RECEIVABLES

	Notes	2019 HK$'000	2018 HK$'000
Trade receivables	(a)	**5,256**	7,554
Less: provision for impairment of trade receivables		**(1,124)**	(7,367)
Trade receivables, net		**4,132**	187
Other receivables	(b)	**11,977**	7,089
Less: provision for impairment of other receivables		**(7,896)**	–
Other receivables, net		**4,081**	7,089
Loans to independent third parties	(c)	**6,354**	57,069
Less: provision for impairment of loans to independent third parties		**–**	(35,129)
Loans to independent third parties, net		**6,354**	21,940
Trade receivables, net		**4,132**	187
Other receivables, net		**4,081**	7,089
Loans to independent third parties, net		**6,354**	21,940
Rental and other deposits		**1,280**	1,388
Prepayments		**1,023**	5,047
At end of the year		**16,870**	35,651
Categorised as:			
Current portion		**10,516**	29,768
Non-current portion		**6,354**	5,883
		16,870	35,651

Notes to the Financial Statements

For the year ended 31 December 2019

19. TRADE AND OTHER RECEIVABLES (continued)

Notes:

(a) Trade receivables

As at 31 December 2019 and 2018, ageing analysis of trade receivables based on invoice date and net of impairment losses is as follows:

	2019 HK$'000	2018 HK$'000
Current	727	–
0–30 days	195	8
31–60 days	286	48
61–90 days	532	–
Over 90 days	2,392	131
	4,132	187

As at 31 December 2019, trade receivables of HK$3,405,000 (2018: HK$187,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2019 HK$'000	2018 HK$'000
Past due but not impaired:		
0 to 30 days	286	–
31 to 60 days	257	–
61 to 120 days	275	–
Over 120 days	2,393	131
	3,211	131

19. TRADE AND OTHER RECEIVABLES (continued)

Notes: (continued)

(a) Trade receivables (continued)

The movement on the provision for impairment of trade receivables is as follows:

	2019 HK$'000	2018 HK$'000
At beginning of the year	**7,367**	7,784
Provision for impairment losses for the year	**1,278**	–
Written off	**(7,393)**	–
Exchange alignment	**(128)**	(417)
At end of the year	**1,124**	7,367

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Note 3.1(b) provides for details about the calculation of the allowance.

(b) Other receivables

As at 31 December 2019, other receivables mainly represented borrowing fee and late interest receivable from China Creative of HK$5,911,000 (2018: HK$1,983,000). A provision for impairment of HK$5,911,000 (2018: Nil) was made with reference to its recoverable amount.

The movement on the provision for impairment of other receivables is as follows:

	2019 HK$'000	2018 HK$'000
At beginning of the year	**–**	–
Provision for impairment losses for the year	**7,896**	–
At end of the year	**7,896**	–

Notes to the Financial Statements

For the year ended 31 December 2019

19. TRADE AND OTHER RECEIVABLES (continued)

Notes: (continued)

(c) Loans to independent third parties

(i) As at 31 December 2018, a loan to an independent third party with a principal amount of US$1,970,000 (equivalent to approximately HK$15,366,000), which was secured, interest bearing at 5% per annum. The loan was past due for less than one year and was not impaired as the balance was fully repaid during the year ended 31 December 2019.

(ii) Convertible Bond of Brave Entertainment with only debt component at a carrying amount of HK$19,056,000 as at 1 January 2018, which was classified from investments in convertible bonds to loan receivables upon the adoption of IFRS 9. Interest income amounted to HK$3,620,000 from the debt component for the year ended 31 December 2018 was calculated using the effective interest method by applying an effective interest rate of 31.9%. The debt component was unsecured and was past due for less than one year as at 31 December 2018. A provision for impairment of HK$21,985,000 was made out of the net carrying amount of HK$22,676,000 as at 31 December 2018 with reference to its recoverable amount.

(iii) A loan with a principal amount of approximately HK$12,519,000 to a shareholder of the Group's investee company, which was secured, interest bearing at 5% per annum. As at 31 December 2018, the loan with a carrying amount of HK$13,144,000 was past due for less than one year and was fully impaired.

The movement on the provision for impairment of loans to independent third parties is as follows:

	2019 **HK$'000**	2018 HK$'000
At beginning of the year	**35,129**	–
Provision for impairment losses for the year	**–**	35,129
Written off	**(35,129)**	–
At end of the year	**–**	35,129

(iv) As at 31 December 2019, loan to an independent third party represented a loan with a principal amount of HK$5,883,000 (2018: HK$5,883,000) and interest receivable of HK$471,000 (2018: Nil) to a former subsidiary, Prestige Creation Limited (disposed of during the year ended 31 December 2018 (Note 34(c)), which was secured, interest bearing at 8% per annum and repayable in December 2021. The loan was not past due nor impaired as at 31 December 2019.

(d) The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due. The Group does not hold any collateral in relation to these receivables. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

The carrying amounts of trade and other receivables approximate fair values, due to the short-term nature as at 31 December 2019 and 2018.

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For the year ended 31 December 2019

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(a) Classification of financial assets at fair value though profit or loss

Financial assets measured at fair value through profit or loss ("FVTPL") include the following:

	2019 HK$'000	2018 HK$'000
Non-current assets		
Subscription of the convertible bonds of China Creative (Note 3.3(iii))	–	9,143
Unlisted equity investments		
— Zoox Inc. ("Zoox") (Note 3.3(iv))	–	309,286
— Investment A (Note 3.3(v))	32,260	44,770
— Investment B (Note 3.3(vi))	6,500	9,562
— Other instruments	3,900	3,900
Listed equity investments	–	28,739
	42,660	405,400
Current assets		
Bond investments (Note (i))	8,355	7,059
Subscription of the convertible bonds of China Creative (Note 3.3(iii))	41,775	27,430
Unlisted equity investments		
— Zoox (Note 3.3(iv))	309,333	–
Listed equity investments	2,502	2,149
	361,965	36,638
	404,625	442,038

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For the year ended 31 December 2019

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

(b) Movements of financial assets at FVTPL

	2019 HK$'000	2018 HK$'000
Bond investments		
As at 1 January	**7,059**	15,782
Disposals	**–**	(7,591)
Gain on disposals	**–**	28
Fair value gains/(losses) for the year	**1,296**	(1,160)
As at 31 December	**8,355**	7,059
Derivative financial instruments (Note (ii))		
As at 1 January	**–**	2,340
Fair value losses for the year	**–**	(2,340)
At 31 December	**–**	–
Subscription of the convertible bonds of China Creative		
As at 1 January as originally presented	**36,573**	15,557
Impact of initial adoption of IFRS 9		
— Reclassification from investments in convertible bond	**–**	41,332
— Fair value loss recognised in accumulated losses	**–**	(4,233)
As at 1 January (Restated)	**36,573**	52,656
Fair value gains/(losses) for the year	**5,202**	(16,083)
As at 31 December	**41,775**	36,573

Notes to the Financial Statements

For the year ended 31 December 2019

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

(b) Movements of financial assets at FVTPL (continued)

	2019 **HK$'000**	2018 HK$'000
Listed and unlisted equity investments (Note (iv))		
As at 1 January	**398,406**	962,883
Additions (Note (iii))	**2,486**	28,938
Disposal of subsidiaries (Note 34(b))	**–**	(3,900)
Settlement of borrowings (Notes (iv) and 24)	**–**	(12,799)
Proceeds of disposals	**(12,613)**	(18,872)
Loss on disposals	**(6,225)**	(171,735)
Fair value gains for the year — Zoox	**47**	75,286
Fair value losses for the year — Listed equity investments	**(12,034)**	(491,681)
Fair value (losses)/gains for the year — Investment A and B	**(15,406)**	30,800
Exchange alignment	**(166)**	(514)
	354,495	398,406
Total	**404,625**	442,038
Fair value loss on financial assets at FVTPL, net	**(20,895)**	(405,178)
Loss on disposal of financial assets at FVTPL, net	**(6,225)**	(171,707)
Total net losses recognised in profit or loss relating to financial assets at FVTPL held by the Group for the year (Note 8)	**(27,120)**	(576,885)

Notes to the Financial Statements

For the year ended 31 December 2019

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Notes:

(i) Bond investments represented publicly traded bonds at market value, which are measured by the Group at FVTPL.

(ii) Derivative financial instruments represented the rights to certain shares of an investee company's capital stocks pursuant to the Simple Agreements for Future Equity. During the year ended 31 December 2018, the investment had a fair value loss of HK$2,340,000 as a result of poor performance of the entity.

(iii) On 27 May 2019, the Group disposed of equity interest in GeneSort Group in return for equity interest in a listed entity which is classified as financial assets at FVTPL at HK$2,486,000 (Note 34(d)).

On 26 June 2018, the Group disposed of its entire equity interest in First Champion Global Limited with carrying amount of HK$4,779,000 in return for equity interests in an unlisted entity which is classified as financial assets at FVTPL at HK$5,600,000 (Note 33).

On 7 December 2018, the Group disposed of its entire issued share capital of Celestial Blue Limited and its subsidiary in return for cash and equity interests in an unlisted entity which is classified as financial assets at FVTPL at HK$3,900,000 (Note 34(b)).

During the year ended 31 December 2018, the Group acquired certain listed securities at market value of HK$19,438,000.

(iv) On 19 November 2018, equity securities at market value of HK$12,799,000 was disposed of for settlement of a borrowing (Note 24). A loss on disposal of HK$14,997,000 was recognised.

21. CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	As at 31 December 2019 HK$'000	As at 31 December 2018 HK$'000
Contract assets arising from:		
Performance under advertising contracts	**1,319**	1,687
Performance under game publishing service contracts	**–**	2,729
Performance under real-time video streaming contracts	**–**	109
	1,319	4,525

(b) Contract liabilities

	As at 31 December 2019 HK$'000	As at 31 December 2018 HK$'000
Contract liabilities arising from:		
Performance under advertising contracts	**–**	2,132

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For the year ended 31 December 2019

22. CASH AND CASH EQUIVALENTS

	2019	2018
	HK$'000	HK$'000
Cash and cash equivalents	**30,917**	40,538

Cash at bank earns interest at floating rates based on daily bank balances and deposit rates.

As at 31 December 2019, cash and bank balances of the Group amounted to approximately HK$1,823,000 (2018: HK$11,811,000) were deposited in bank accounts opened with banks in the PRC where the remittance of funds is subject to foreign exchange control. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through the banks which are authorised to conduct foreign exchange business.

As at 31 December 2018, the Group had bank deposits of New Israeli Shekel ("NIS") 442,000 (equivalent to approximately HK$925,000), being utilised by a subsidiary as security guarantees in respect of tenancy agreement and a customer contract.

23. TRADE AND OTHER PAYABLES

		2019	2018
	Note	**HK$'000**	HK$'000
Trade payables	(a)	**4,126**	5,231
Other payables		**1,998**	6,499
Accrued charges		**1,991**	6,072
		8,115	17,802

Note:

(a) As at 31 December 2019 and 2018, the ageing analysis of trade payables based on invoice date is as follows:

	2019	2018
	HK$'000	HK$'000
0–30 days	**147**	4,419
31–60 days	**136**	–
61–90 days	**88**	–
Over 90 days	**3,755**	812
	4,126	5,231

Notes to the Financial Statements

For the year ended 31 December 2019

24. BORROWINGS

On 17 July 2017, an independent third party provided a three-year loan to the Group with a principal amount of HK$8,894,600 secured by certain shares of one of the Group's investee companies, bearing interest at the rate of 4% per annum payable quarterly in arrears. On 19 November 2018, the loan with carrying amount of HK$8,974,000 was settled by the secured shares to the lender, which has a market value of HK$12,799,000 on the disposal date, resulting in a loss on settlement of a borrowing of HK$3,825,000 recognised in profit or loss (Note 9).

As at 31 December 2018, borrowings represent an unsecured loan from a former shareholder of a subsidiary, bearing interest at the rate of 10% per annum and repayable within one year from the end of the reporting period.

	2019	2018
	HK$'000	HK$'000
Borrowings (included in current liabilities)	**–**	1,037

The borrowings are scheduled to be repaid as follows:

	2019	2018
	HK$'000	HK$'000
On demand or within one year	**–**	1,037

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25. CONVERTIBLE BONDS

2015 HK$140 million Convertible Bonds

	2015 HK$140 million Convertible Bonds (Note) HK$'000
Initial recognition	
Convertible bonds — financial liabilities at amortised cost	137,579
Equity component (Note 28(c))	1,921

Summarised below is the movement of convertible bonds during the year:

	2015 HK$140 million Convertible Bonds (Note) HK$'000
Convertible bonds — financial liabilities at amortised cost	
At issuance	137,579
Accumulated interest accretion	30,163
As at 1 January 2018	167,742
Interest expense (Note 11)	14,083
As at 31 December 2018 and 1 January 2019	**181,825**
Interest expense (Note 11)	**15,270**
As at 31 December 2019	**197,095**

Notes to the Financial Statements

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25. CONVERTIBLE BONDS (continued)

2015 HK$140 million Convertible Bonds (continued)

Note:

In July 2015, the Company entered into a subscription agreement (the "Subscription Agreement") with Hong Kong HNA Holding Group Co. Limited ("HNA") pursuant to which HNA agreed to subscribe the convertible bonds in principal amount of HK$140,000,000, bearing a compound interest rate of 8% per annum (the "2015 $140 million Convertible Bonds"). On 20 July 2015, all the conditions precedent set out in the Subscription Agreement were fulfilled and that the issue of the 2015 HK$140 million Convertible Bonds was completed.

The 2015 HK$140 million Convertible Bonds is convertible at the option of the bondholder at any business day during the period commencing from the date falling on the first anniversary of the issue date up to and including the date falling seven days prior to the fifth anniversary of the date of issue of the 2015 HK$140 million Convertible Bonds (the "Maturity Date") at a price of HK$0.325 per share initially. The 2015 HK$140 million Convertible Bonds is only transferrable with prior notification to the Company and may be transferred in integral multiples of HK$1,000,000. The Company may, having given not less than thirty days' notice to the bondholder, redeem the 2015 HK$140 million Convertible Bonds then outstanding, at a premium of 10% above the outstanding principal amount of the 2015 HK$140 million Convertible Bonds, in integral multiples of HK$1,000,000 at any time prior to the Maturity Date and subject to bondholder's agreement.

The conversion option embedded in the 2015 HK$140 million Convertible Bonds meets the definition of equity instrument of the Company, and is classified as equity and presented separately from the liability component of the 2015 HK$140 million Convertible Bonds.

Interest expenses of the 2015 HK$140 million Convertible Bonds for the year ended 31 December 2019 are calculated using effective interest method by applying effective interest rate of 8.3% (2018: 8.3%) per annum to the liability component.

The fair value of the liability component of 2015 HK$140 million Convertible Bonds is determined by using the discounted cash flow method, with the following key assumptions:

Fair value of shares of the Company	HK$0.285 each
Time to maturity	5 years
Dividend yield	0%
Discount rate	8.3%

Notes to the Financial Statements

For the year ended 31 December 2019

26. DEFERRED TAX LIABILITIES

Deferred taxation is calculated on temporary differences under liability method using the rates of taxation prevailing in the countries in which the Group's subsidiaries operate.

The following are the major deferred tax liabilities recognised and movements thereon during the current and prior years:

	Fair value adjustments arising from the acquisition of subsidiaries and business	
	2019	2018
	HK$'000	HK$'000
As at 1 January	**10,546**	12,246
Credited to consolidated statement of profit or loss (Note 12)	**(2,447)**	(1,700)
Disposal of subsidiaries (Note 34(d))	**(7,767)**	–
As at 31 December	**332**	10,546

Deferred tax credit arising from deferred tax liabilities recognised

The amount credited to consolidated statement of profit or loss relating to the amortisation of intangible assets.

Deferred tax assets/(liabilities) not recognised

The major deferred tax assets/(liabilities) not recognised in the consolidated statement of financial position are as follows:

	Unutilised tax losses*	Accelerated/ (decelerated) tax depreciation	Total
	HK$'000	HK$'000	HK$'000
As at 31 December 2019	**6,427**	**93**	**6,520**
As at 31 December 2018	5,574	5	5,579

* The tax losses of subsidiaries operating in Hong Kong can be carried forward indefinitely if certain criteria can be met under the respective tax jurisdictions.

Tax losses of subsidiaries operating in the PRC can be carried forward for five years.

No recognition of potential deferred tax assets relating to tax losses of the Group has been made as the recoverability of the potential deferred tax assets is uncertain.

Notes to the Financial Statements

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26. DEFERRED TAX LIABILITIES (continued)

Pursuant to the PRC Enterprise Income Tax Law and its implementation regulations, dividends receivable by non-PRC corporate residents from PRC enterprises are subject to withholding tax at a rate of 10%, unless reduced by tax treaties or arrangements. The applicable tax rate for the Group is 10%.

As at 31 December 2019, no deferred tax liability has been recognised on temporary difference in relation to the undistributed earnings of approximately HK$450,000 (2018: HK$560,000) of subsidiaries in the PRC because the Group is in a position to control the timing of the reversal of the temporary difference and it is probable that such difference will not reverse in foreseeable future.

27. SHARE CAPITAL

	Number of ordinary shares	Number of redeemable convertible preference shares ("RCPSs")	Nominal value US$'000	Equivalent nominal value HK$'000
Authorised				
As at 1 January 2018 (par value of US$0.0001 each)	1,900,000,000,000	100,000,000,000	200,000	1,560,000
Share consolidation of 20 ordinary shares with par value of US$0.0001 each into 1 ordinary share with par value of US$0.002 each and 20 RCPSs with par value of US$0.0001 each into 1 RCPS with par value of US$0.002 each ("Share Consolidation") (Note (b))	(1,805,000,000,000)	(95,000,000,000)	–	–
As at 31 December 2018 and 31 December 2019 (par value of US$0.002 each)	**95,000,000,000**	**5,000,000,000**	**200,000**	**1,560,000**
Issued and fully paid				
As at 1 January 2018 (par value of US$0.0001 each)	10,707,140,110	–	1,071	8,352
Remuneration shares issued for consultancy service (Note (a))	97,500,000	–	9	76
Share Consolidation (Note (b))	(10,264,408,105)	–	–	–
As at 31 December 2018 (par value of US$0.002 each)	**540,232,005**	**–**	**1,080**	**8,428**
Remuneration shares issued for consultancy service (Note (a))	**4,875,000**	**–**	**10**	**76**
As at 31 December 2019 (par value of US$0.002 each)	**545,107,005**	**–**	**1,090**	**8,504**

Notes to the Financial Statements

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27. SHARE CAPITAL (continued)

Notes:

(a) On 28 May 2018, the Company has issued 97,500,000 remuneration shares at an issue price of HK$0.08 per share as compensation for the consultancy service as detailed in Note 28(g).

On 28 May 2019, the Company has issued 4,875,000 remuneration shares at an issue price of HK$1.60 per share a compensation for the consultancy service as detailed in Note 28(g).

(b) On 13 November 2018, the Company proposed to implement the consolidation on the basis that every twenty (20) issued and unissued shares of the Company or redeemable convertible preference shares of the Company with par value of US$0.0001 each into one (1) consolidated share of the Company or consolidated redeemable convertible preference share of the Company with par value of US$0.002 each ("Share Consolidation"). The proposal was duly passed by the shareholders of the Company by way of ordinary resolution at the extraordinary general meeting of the Company convened on 13 December 2018 and became effective on 14 December 2018. Accordingly, the number of issued ordinary shares of the Company was reduced from 10,804,640,110 to 540,232,005. Further details of the Share Consolidation are set out in the Company's circular dated 23 November 2018.

28. RESERVES

Group

	Notes	**As at 31 December 2019 HK$'000**	As at 31 December 2018 HK$'000
Share premium	(a)	**768,129**	762,257
Capital reduction reserve	(b)	**702,955**	702,955
Convertible bonds equity reserve	(c)	**1,921**	1,921
Capital reserve	(d)	**2,112**	2,112
Capital redemption reserve	(e)	**601**	601
Share-based compensation reserve	(f)	**57,159**	57,159
Remuneration share reserve	(g)	**9,028**	10,400
Foreign exchange reserve	(h)	**(5,347)**	(3,048)
Other reserve	(i)	**(21,619)**	(20,798)
Statutory surplus reserve	(j)	**5,163**	5,163
Accumulated losses		**(1,291,185)**	(1,149,683)
		228,917	369,039

Notes to the Financial Statements

For the year ended 31 December 2019

28. RESERVES (continued)

Group (continued)

Details of the movements in the above reserves during the year are set out in the consolidated statement of changes in equity on pages 66 to 67. Nature and purpose of the reserves is as follows:

(a) Share premium

Share premium is the excess of the proceeds received over the nominal value of the shares of the Company issued at a premium, less the amount of expenses incurred in connection with the issue of the shares.

(b) Capital reduction reserve

This represents the credit arising from the Capital Reduction by reducing the par value of each of the issued ordinary shares from US$0.01 to US$0.0001 by cancelling the paid up share capital to the extent of US$0.0099 per issued ordinary share in 2017. At the effective date of the Capital Reduction, the credit arising as a result was applied towards offsetting the accumulated losses of the Company as at the date, thereby reducing the accumulated losses of the Company. The balance of credit was transferred to the capital reduction reserve account of the Company which may be utilised by the Directors as a capital reduction reserve.

(c) Convertible bonds equity reserve

This represents the amount allocated to the unexercised equity component of convertible bonds issued by the Company.

(d) Capital reserve

This represents a capital reserve arose from the acquisition of a subsidiary in 2000.

(e) Capital redemption reserve

This represents the repurchase of shares of the Company listed on the Stock Exchange. These repurchased shares were cancelled upon repurchase and, accordingly, the nominal value of the cancelled shares was credited to capital redemption reserve and the aggregate consideration paid was debited to the accumulated losses and share premium accounts.

(f) Share-based compensation reserve

This relates to share options granted to employees, consultants and directors under the Company's Share Option Scheme. Further information about share-based payments to directors, consultants and employees and other eligible person is set out in Note 29.

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28. RESERVES (continued)

Group (continued)

(g) Remuneration share reserve

On 5 May 2017, the Group entered into a consulting service agreement with an independent third party (the "Consultant"), pursuant to which, the Group engaged the Consultant to provide consultancy services (the "Consultancy Services") for a term of 5 years commencing from 5 May 2017. As consideration for the Consultancy Services, the Group will pay the Consultant a total sum of HK$39,000,000 by way of the issue and allotment (or procure the issue and allotment of) new ordinary shares of the Company in five tranches, of which the first tranche of 97,500,000 new ordinary shares at an issue price of HK$0.08 per share were issued on 25 May 2017, the second tranche of 97,500,000 new ordinary shares at an issue price of HK$0.08 per share were issued on 28 May 2018 and the third tranche of 4,875,000 new ordinary shares at an issue price of HK$1.6 per share were issued on 28 May 2019. Further details were set out in the Company's announcement dated 5 May 2017.

(h) Foreign exchange reserve

Exchange differences arising from the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. HK$) are recognised directly in other comprehensive income and accumulated in the foreign exchange reserve. The reserve is dealt with in accordance with the accounting policy of foreign currencies set out in Note 2.7.

(i) Other reserve

As at 31 December 2019, other reserve represented the difference between the consideration received and the carrying amount of net assets attributable to the reduction of equity interest in HMV Brave Co., Ltd. disposed of to non-controlling shareholders; and difference between the consideration paid and carrying amount of net assets attributable to the acquisition of the remaining 30% of the issued share capital of HGGL.

(j) Statutory surplus reserve

In accordance with the PRC Companies Law, the Company's PRC subsidiaries are required to transfer 10% of their profit after tax, as determined in accordance with accounting standards and regulations of the PRC, to statutory surplus reserve until such reserve which is 50% of its registered capital. Such reserve may be used, upon approval by the relevant authorities, to offset accumulated losses incurred by the subsidiary or be capitalised as paid-up capital of the subsidiary. The statutory surplus reserve is non-distributable.

(k) Distributable reserves

As at 31 December 2019, the aggregate amount of reserves available for distribution to owners of the Company was HK$Nil (2018: HK$297,362,000).

(l) Dividend

The Board does not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: Nil).

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29. SHARE OPTION SCHEME

The Company's share option scheme which was adopted on 27 March 2002 (the "2002 Share Option Scheme") was expired and a new share option scheme (the "2014 Share Option Scheme") was adopted by an ordinary resolution passed by the shareholders at the extraordinary general meeting of the Company on 15 April 2014 (the "Adoption Date"). The 2014 Share Option Scheme constitutes a share option scheme governed by Chapter 23 of the GEM Listing Rules and will remain in force for 10 years from the Adoption Date.

Upon the expiry of the 2002 Share Option Scheme, no further option can be offered thereunder but any options granted prior to such expiry but not yet exercised shall continue to be valid and exercisable.

The Company operates both the 2002 Share Option Scheme and the 2014 Share Option Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operation. Pursuant to the 2014 Share Option Scheme, the Directors may grant options to eligible participants persons (as defined in the 2014 Share Option Scheme) to subscribe for shares in the Company subject to the terms and conditions stipulated therein.

2002 Share Option Scheme

The remaining share options granted under the 2002 Share Option Scheme are for other eligible participants and are exercisable as follows:

(a) the first 30% of the options between the first and tenth anniversary of the date of grant;

(b) the next 30% of the options between the second and tenth anniversary of the date of grant; and

(c) the remaining options between the third and tenth anniversary of the date of grant.

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29. SHARE OPTION SCHEME (continued)

2002 Share Option Scheme (continued)

The following table discloses movements in the outstanding options granted by the Company under the 2002 Share Option Scheme during the years ended 31 December 2019 and 2018:

Year	Date of grant (dd/mm/yyyy)	Grantees	Exercise period (dd/mm/yyyy)	Exercise price per share HK$	Number of share options: Balance as at 1 January 2019	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Balance as at 31 December 2019	Options exercisable as at 31 December 2019
2019	07/10/2010	Former directors and former employees	07/10/2011 to 06/10/2020	4.00	118,528	–	–	–	118,528	118,528
	16/03/2012	Former directors and former employees	16/03/2013 to 15/03/2022	4.00	267,129	–	–	–	267,129	267,129
	14/05/2012	Former directors and former employees	14/05/2013 to 13/05/2022	3.80	292,968	–	–	–	292,968	292,968
				Total	678,625	–	–	–	678,625	678,625
			Weighted average exercise price (HK$)		3.91	–	–	–	3.91	

Year	Date of grant (dd/mm/yyyy)	Grantees	Exercise period (dd/mm/yyyy)	Exercise price per share (Note 1) HK$	Number of share options: Balance as at 1 January 2018	Granted during the year	Exercised during the year	Adjusted upon the Share Consolidation (Note 1)	Cancelled/ lapsed during the year	Balance as at 31 December 2018	Options exercisable as at 31 December 2018
2018	11/02/2008	Former directors and former employees	11/02/2009 to 10/02/2018	2.22	4,256,683	–	–	–	(4,256,683)	–	–
	29/12/2008	Former directors and former employees	29/12/2009 to 28/12/2018	4.40	818,336	–	–	(777,420)	(40,916)	–	–
	07/10/2010	Former directors and former employees	07/10/2011 to 06/10/2020	4.00	2,370,561	–	–	(2,252,033)	–	118,528	118,528
	16/03/2012	Former directors and former employees	16/03/2013 to 15/03/2022	4.00	5,342,580	–	–	(5,075,451)	–	267,129	267,129
	14/05/2012	Former directors and former employees	14/05/2013 to 13/05/2022	3.80	5,859,368	–	–	(5,566,400)	–	292,968	292,968
				Total	18,647,528	–	–	(13,671,304)	(4,297,599)	678,625	678,625
			Weighted average exercise price (HK$)		0.66	–	–	3.94	2.24	3.91	

No option was granted or exercised under the 2002 Share Option Scheme during the years ended 31 December 2019 and 2018.

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29. SHARE OPTION SCHEME (continued)

2002 Share Option Scheme (continued)

No (2018: 4,297,599) options were lapsed under the 2002 Share Option Scheme upon expiry of the life of the options during the year ended 31 December 2019.

The weighted average remaining contractual life of the options outstanding under the 2002 Share Option Scheme as at 31 December 2019 was approximately 2.02 years (2018: 3.02 years).

No share-based compensation expense was recognised under the 2002 Share Option Scheme during the years ended 31 December 2019 and 2018.

The total number of share available for issue under the 2002 Share Option Scheme is 678,625 (2018: 678,625) representing approximately 0.124% (2018: 0.126%) of the Company's total number of issued shares at the date of this report.

2014 Share Option Scheme

The following table discloses movements in the outstanding option granted by the Company under the 2014 Share Option Scheme during the years ended 31 December 2019 and 2018:

					Number of share options					
Year	Date of grant (dd/mm/yyyy)	Grantees	Exercise period (Notes)	Exercise price per share HK$	Balance as at 1 January 2019	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	Balance as at 31 December 2019	Options exercisable as at 31 December 2019
2019	15/05/2014	Former directors	(2)	3.20	2,734,200	–	–	–	2,734,200	2,734,200
	20/06/2014	Directors and former directors	(3)	3.20	1,623,262	–	–	–	1,623,262	1,623,262
	01/04/2016	Directors and former directors	(4)	4.94	8,450,000	–	–	–	8,450,000	8,450,000
	19/05/2017	Directors and former directors	(6)	1.56	5,300,000	–	–	–	5,300,000	5,300,000
					18,107,462	–	–	–	18,107,462	18,107,462
	20/06/2014	Other eligible participants	(5)	3.20	1,770,138	–	–	–	1,770,138	1,770,138
	01/04/2016	Other eligible participants	(4)	4.94	1,820,800	–	–	–	1,820,800	1,820,800
	19/05/2017	Other eligible participants	(6)	1.56	11,809,600	–	–	–	11,809,600	11,809,600
					15,400,538	–	–	–	15,400,538	15,400,538
				Total	33,508,000	–	–	–	33,508,000	33,508,000
		Weighted average exercise price (HK$)			2.896	–	–	–	2.896	

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29. SHARE OPTION SCHEME (continued)

2014 Share Option Scheme (continued)

					Number of share options							
Year	Date of grant (dd/mm/yyyy)	Grantees	Exercise period (Notes)	Exercise price per share (Note 1) HK$	Balance as at 1 January 2018	Granted during the year	Exercised during the year	Transferred during the year (Note 7)	Adjusted upon the Share Consolidation (Note 1)	Cancelled/ Lapsed during the year	Balance as at 31 December 2018	Options exercisable as at 31 December 2018
2018	15/05/2014	Former directors	(2)	3.20	54,684,000	–	–	–	(51,949,800)	–	2,734,200	2,734,200
	20/06/2014	Directors and former directors	(3)	3.20	32,465,250	–	–	–	(30,841,988)	–	1,623,262	1,623,262
	01/04/2016	Directors and former directors	(4), (7)	4.94	157,000,000	–	–	12,000,000	(160,550,000)	–	8,450,000	8,450,000
	19/05/2017	Directors and former directors	(6), (7)	1.56	38,000,000	–	–	68,000,000	(100,700,000)	–	5,300,000	5,300,000
					282,149,250	–	–	80,000,000	(344,041,788)	–	18,107,462	18,107,462
	20/06/2014	Other eligible participants	(5)	3.20	35,402,750	–	–	–	(33,632,612)	–	1,770,138	1,770,138
	01/04/2016	Other eligible participants	(4), (7)	4.94	48,416,000	–	–	(12,000,000)	(34,595,200)	–	1,820,800	1,820,800
	19/05/2017	Other eligible participants	(6), (7)	1.56	304,192,000	–	–	(68,000,000)	(224,382,400)	–	11,809,600	11,809,600
					388,010,750	–	–	(80,000,000)	(292,610,212)	–	15,400,538	15,400,538
				Total	670,160,000	–	–	–	(636,652,000)	–	33,508,000	33,508,000
		Weighted average exercise price (HK$)			0.145	–	–	–	2.896	–	2.896	

Notes:

(1) The exercise prices of the share option and the number of share options were adjusted for the Share Consolidation made by the Company on 14 December 2018.

(2) Exercisable from 15 May 2014 to 14 May 2024.

(3) Exercisable from 20 June 2014 to 19 June 2024.

(4) Divided into two tranches exercisable from 1 October 2016 and 1 April 2017, respectively to 31 March 2026.

(5) Divided into two tranches exercisable from 20 June 2014 and 20 June 2015, respectively to 19 June 2024.

(6) Exercisable from 19 May 2017 to 18 May 2027.

(7) Ms. Chan Suet Ngan, Mr. Hu Kenneth and Ms. Qian Alexandra Gaochuan were appointed as Directors of the Company on 1 January 2018, such options were transferred from the category of "other eligible participants" to "Directors".

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29. SHARE OPTION SCHEME (continued)

2014 Share Option Scheme (continued)

No option was exercised under the 2014 Share Option Scheme during the years ended 31 December 2019 and 2018.

During the year ended 31 December 2019 and 2018, no options were lapsed upon resignation of other eligible participants.

The weighted average remaining contractual life of the options outstanding under the 2014 Share Option Scheme as at 31 December 2019 was approximately 6.50 years (2018: 7.50 years).

No options were granted under the 2014 Share Option Scheme during the year ended 31 December 2019 and 2018.

No share-based compensation expense was recognised under the 2014 Share Option Scheme in the consolidated statement of profit or loss for the years ended 31 December 2019 and 2018.

The total number of share available for issue under the 2014 Share Option Scheme is 33,508,000 (2018: 33,508,000) representing approximately 6.15% (2018: 6.20%) of the Company's total number of issued shares at the date of this report.

30. RELATED PARTY TRANSACTIONS

Other than those disclosed elsewhere in these financial statements, details of other significant transactions between the Group and other related parties during the years ended 31 December 2019 and 2018 are as follows:

(a) Key management compensation

During the years ended 31 December 2019 and 2018, key management compensation is equivalent to the Directors' emoluments as disclosed in Note 10(a).

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30. RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with related parties

	Notes	**2019 HK$'000**	2018 HK$'000
Consideration received in relation to disposal of a subsidiary to a related company (Note 34(b))	(i)	**–**	7,800
Interest income on a loan to a shareholder of an investee	(i)	**–**	261
Leasing income from a related company, EVG Holdings Pte. Ltd.	(ii)	**–**	100
Leasing income from a related company, HMV Kafe Limited	(iii)	**–**	39
License fee income from a related company, HMV Kafe Limited	(iii)	**468**	–
License fee income from an associate	(i)	**546**	–

Notes:

(i) The amounts were charged based on terms mutually agreed between the relevant parties.

(ii) Mr. Wu King Shiu, Kelvin, a director and the Chairman of the Company, is also a director of EVG Holdings Pte. Ltd. of which Mr. Wu King Shiu, Kelvin was a member of key management personnel. The charges by the related company were in accordance with the terms of the underlying agreements.

(iii) Ms. Li Mau, spouse of Mr. Wu King Shiu, Kelvin, a director and the Chairman of the Company, is also a director of HMV Kafe Limited of which Ms. Li Mau was a member of key management personnel. The charges by the related company were in accordance with the terms of the underlying agreements.

Notes to the Financial Statements

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31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOW

(a) Reconciliation of loss before taxation to cash used in operations

	Notes	2019 HK$'000	2018 HK$'000
Cash flows from operating activities			
Loss before taxation from continuing operations		**(152,031)**	(770,537)
Profit before taxation from discontinued operations		**–**	4,800
		(152,031)	(765,737)
Adjustments for:			
Loss on disposal of property, plant and equipment	9	**–**	9
Write-off of property, plant and equipment	15	**–**	413
Depreciation of property, plant and equipment	15	**2,612**	2,617
Depreciation of right-of-use assets	16(a)	**3,147**	–
Amortisation of intangible assets	17	**10,614**	18,035
Provision for impairment of goodwill	17	**7,580**	27,999
Provision for impairment of other intangible assets	17	**–**	3,674
Provision for impairment of contract assets	6	**–**	11,947
Provision for impairment of trade receivables	19	**1,278**	–
Provision for impairment of other receivables	19	**7,896**	–
Provision for impairment of loans to independent third parties	19	**–**	35,129
Provision for impairment of loans to an associate	18(c)	**30,504**	–
Fair value loss on financial assets at fair value through profit or loss, net	20	**27,120**	576,885
Loss on settlement of borrowings	9	**–**	3,825
Interest income	7	**(6,045)**	(7,420)
Finance costs	11	**16,344**	14,379
Consultancy service settled by remuneration share		**4,576**	8,526
Loss/(gain) on disposal of subsidiaries	34	**5,226**	(9,816)
Share of losses of an associate, net of tax	18	**6,287**	–
Foreign exchange (gains)/losses, net	8	**(1,378)**	1,883
Operating loss before working capital changes		**(36,270)**	(77,652)
Decrease in inventories		**–**	450
Decrease/(increase) in contract assets		**3,206**	(2,019)
(Increase)/decrease in trade and other receivables		**(3,280)**	6,887
(Decrease)/increase in contract liabilities		**(2,132)**	2,132
Increase in trade and other payables		**336**	5,438
Cash used in operations		**(38,140)**	(64,764)

Notes to the Financial Statements

For the year ended 31 December 2019

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOW (continued)

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	2019 HK$'000	2018 HK$'000
Borrowings (Note 24)		
As at 1 January	**1,037**	9,033
Cash flows	**–**	682
Interest expense	**–**	296
Settlement by secured shares to the lender	**–**	(8,974)
Disposal of subsidiaries	**(1,037)**	–
As at 31 December	**–**	1,037
Convertible bonds (Note 25)		
As at 1 January	**181,825**	167,742
Interest expense	**15,270**	14,083
As at 31 December	**197,095**	181,825
Lease liabilities (Note 16(b))		
As at 1 January, as originally presented	**–**	–
Recognised on adoption of IFRS 16 and as at 1 January, as restated	**15,679**	–
Cash flows	**(3,123)**	–
Disposal of subsidiaries	**(2,313)**	–
As at 31 December	**10,243**	–

Notes to the Financial Statements

For the year ended 31 December 2019

32. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2019, the Group had the following major non-cash transaction:

On 28 May 2019, 4,875,000 new ordinary shares were issued at an issue price of HK$1.60 per share as the compensation for the consultancy service as detailed in Note 27(a). As fair value of the Company's ordinary shares at the date of grant was HK$1.22, share capital of the Company was increased by approximately HK$76,000 and share premium accounts of the Company was increased by approximately HK$5,872,000.

During the year ended 31 December 2018, the Group had the following major non-cash transaction:

On 28 May 2018, 97,500,000 new ordinary shares were issued at an issue price of HK$0.08 per share as the compensation for the consultancy service as detailed in Note 27(a). As fair value of the Company's ordinary shares at the date of grant was HK$0.061, share capital of the Company was increased by approximately HK$76,000 and share premium accounts of the Company was increased by approximately HK$5,870,000.

33. DISPOSAL OF INTERESTS IN SUBSIDIARIES WITHOUT LOSS OF CONTROL AND FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Disposal of First Champion Global Limited ("First Champion")

On 26 June 2018, the Group has entered into an agreement with independent third parties, pursuant to which the Group disposed of its entire equity interest in First Champion (the "Transaction"). The transaction involves indirect partial disposal of 22.7% of equity interests in a subsidiary of the Group without loss of control together with financial assets at fair value through profit or loss, both being held under First Champion (the "Disposal Group"), for an aggregate consideration of US$718,000 (equivalent to approximately HK$5,600,000), which was satisfied by 46.3% interest in a limited partnership. It was accounted for as an equity transaction with non-controlling interests and summarised as follows:

	2018 HK$'000
Carrying amounts of the Disposal Group disposed of:	
Net assets of 22.7% of equity interest in a subsidiary	4,779
Total consideration	5,600
Gain on disposal of Disposal Group within equity	821
Satisfied by:	
46.3% interest in a limited partnership (Note 20(iii))	5,600

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34. DISPOSAL OF SUBSIDIARIES

(a) Disposal of AID Partners Asset Management Limited

On 5 September 2018, the Group disposed of its entire issued share capital of AID Partners Asset Management Limited to an independent third party at a cash consideration of approximately HK$5,937,000. The net assets of AID Partners Asset Management Limited at the date of disposal were as follows:

	2018 HK$'000
Net assets of a subsidiary disposed of:	
Property, plant and equipment (Note 15)	1
Trade and other receivables	8
Cash and cash equivalents	253
Trade and other payables	(57)
	205
Total consideration	5,937
Gain on disposal of a subsidiary included in profit or loss for the year from discontinued operations (Note 13)	5,732
Consideration satisfied by:	
Cash	5,937
Net cash inflow arising on disposal:	
Cash consideration received	5,937
Cash and bank balances disposed of	(253)
	5,684

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34. DISPOSAL OF SUBSIDIARIES (continued)

(b) Disposal of Celestial Blue Limited and its subsidiary ("Celestial Blue Group")

On 7 December 2018, the Group disposed of its entire issued share capital of Celestial Blue Group to a related company at a consideration of US$1,000,000 (equivalent to approximately HK$7,800,000), which was satisfied by cash of US$500,000 (equivalent to approximately HK$3,900,000) and equity interests in the acquirer of US$500,000 (equivalent to approximately HK$3,900,000). The net assets of Celestial Blue Group were as follows:

	2018 HK$'000
Net assets of subsidiaries disposed of:	
Financial assets at fair value through profit or loss (Note 20(b))	3,900
Cash and cash equivalents	9
	3,909
Total consideration	7,800
Gain on disposal of subsidiaries included in profit or loss for the year	3,891
Consideration satisfied by:	
Cash	3,900
Financial assets at fair value through profit or loss (Note 20(iii))	3,900
	7,800
Net cash inflow arising on disposal:	
Cash consideration received	3,900
Cash and bank balances disposed of	(9)
	3,891

34. DISPOSAL OF SUBSIDIARIES (continued)

(c) Disposal of Prestige Creation Limited and its subsidiaries ("Prestige Creation Group")

On 31 October 2018, the Group has entered into a sale and purchase agreement, pursuant to which the Group has agreed to disposed of its entire issued share capital of Prestige Creation Group at a cash consideration of HK$100,000. The disposal of Prestige Creation Group was completed on 31 December 2018. The net liabilities of Prestige Creation Group were as follows:

	2018 HK$'000
Net liabilities of subsidiaries disposed of:	
Property, plant and equipment (Note 15)	147
Trade and other receivables	735
Tax recoverable	73
Cash and cash equivalents	1,055
Trade and other payables	(2,103)
	(93)
Total consideration	100
Gain on disposal of subsidiaries included in profit or loss for the year	193
Consideration satisfied by:	
Cash	100
Net cash outflow arising on disposal:	
Cash consideration received	100
Cash and bank balances disposed of	(1,055)
	(955)

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34. DISPOSAL OF SUBSIDIARIES (continued)

(d) Disposal of GeneSort (together with its subsidiaries, "GeneSort Group")

On 27 May 2019, the Group disposed approximately 6% of its shareholding in GeneSort Group for a cash consideration of US$740,000 (equivalent to approximately HK$5,802,000). On 31 May 2019, GeneSort Group allotted and issued shares to a subscriber which is an independent third party to the Group, and by an agreement with the subscriber, the Group further disposed approximately 17.6% (diluted basis) shareholding in GeneSort Group to the subscriber for a consideration of HK$2,486,000, which was satisfied by equity interest in a listed entity. Upon completion on 31 May 2019, GeneSort Group had ceased to be a subsidiary of the Group. Thereafter, the investment in GeneSort Group was reclassified as interest in an associate.

The assets and liabilities of GeneSort Group were deconsolidated from the Group's consolidated statement of financial position and the interest in GeneSort Group has been accounted for as an associate using equity method. The provisional fair value of the retained interest in GeneSort Group at the date of reclassification is regarded as the cost on initial recognition of the investment in GeneSort Group as an associate.

	2019 HK$'000
Net assets of subsidiaries disposed of:	
Property, plant and equipment (Note 15)	5,417
Right-of-use assets	2,110
Intangible assets (Note 17)	83,085
Trade and other receivables	1,287
Cash and cash equivalents	1,353
Trade and other payables	(8,441)
Lease liabilities	(2,313)
Loan from a shareholder	(56,619)
Borrowings	(1,037)
Deferred tax liabilities (Note 26)	(7,767)
	17,075
Provisional fair value of interest retained (Note 18)	8,420
Non-controlling interests	(4,859)
Total consideration	8,288
Loss on disposal of subsidiaries	(5,226)
Consideration satisfied by:	
Cash	5,802
Financial assets at fair value through profit or loss (Note 20(iii))	2,486
	8,288
Net cash inflow arising on disposal:	
Cash consideration received	5,802
Cash and bank balances disposed of	(1,353)
	4,449

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35. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of principal subsidiaries as at 31 December 2019 and 2018 are as follows:

Name	Place/Country of incorporation/ establishment	Principal place of operation	Issued share capital	Percentage of attributable interest held by the Group 2019	2018	Principal activities
Action Key Investments Limited	Samoa	N/A	1 ordinary share at US$1 each	**100%**	100%	Investment holding
Ever Source Development Limited	British Virgin Islands	N/A	1 ordinary share at US$1 each	**100%**	–	Investment holding
Honour Best Holdings Limited	British Virgin Islands	N/A	1 ordinary share at US$1 each	**100%**	100%	Investment holding
Silver Alpine Limited	British Virgin Islands	N/A	1 ordinary share at US$1 each	**100%**	100%	Investment holding
8088 Management Limited	Hong Kong	Hong Kong	ordinary HK$1	**100%**	100%	Provision of corporate services
Complete Star (HK) Limited	Hong Kong	Hong Kong	ordinary HK$10,000	**70%**	70%	Development and operation of mobile games
Valliant Investments Limited	British Virgin Islands	N/A	1 ordinary share at US$1 each	**100%**	100%	Investment holding
Honestway Global Group Limited	British Virgin Islands	N/A	100 ordinary shares at US$1 each	**100%**	100%	Investment holding
深圳八零八八科技有限公司	The PRC	Shenzhen, the PRC	Registered and paid up HK$12,633,000	**100%**	100%	Investment holding
上海威搜游科技有限公司*	The PRC	Shenzhen, the PRC	Registered and paid up RMB10,000,000	**100%**	100%	Provision of mobile games business in PRC
AID Partners Autonomous, LP	Cayman Islands	N/A	N/A	**82.3%**	82.3%	Investment holding
Green Admiral Limited	British Virgin Islands	N/A	1 ordinary share at US$1 each	**82.3%**	82.3%	Investment holding

All of the above principal subsidiaries are limited liability companies and are indirectly held by the Company except for Ever Source Development Limited, Silver Alpine Limited and Honour Best Holdings Limited.

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.

* 上海威搜游科技有限公司 is accounted for as subsidiary through certain Contractual Arrangements (Note 4(ii)).

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36. NON-CONTROLLING INTERESTS

As at 31 December 2019 and 2018, the Group's material non-controlling interests ("NCI") are as follows:

(a) CSL is a 70% indirectly owned subsidiary of the Company. Summarised financial information in relation to the post-acquisition NCI of CSL, before inter-group eliminations, is presented below:

	2019 HK$'000	2018 HK$'000
For the year ended 31 December		
Revenue	**2,846**	6,222
Loss and total comprehensive income for the year, before amortisation and impairment (net of tax)	**(2,090)**	(970)
Loss and total comprehensive income for the year, after amortisation and impairment (net of tax)	**(2,090)**	(970)
Loss allocated to NCI	**(627)**	(291)
Dividend paid to NCI	**–**	–
For the year ended 31 December		
Net cash (outflow)/inflow from operating activities	**(14)**	379
Net cash flow from investing activities	**–**	–
Net cash flow from financing activities	**–**	–
Net cash (outflow)/inflow	**(14)**	379
As at 31 December		
Current assets	**2,329**	4,382
Non-current assets	**–**	–
Current liabilities	**(63)**	(25)
Non-current liabilities	**–**	–
Net assets	**2,266**	4,357
Accumulated non-controlling interests	**680**	1,307

36. NON-CONTROLLING INTERESTS (continued)

(b) GeneSort International Inc. is a 51% indirectly owned subsidiary of the Company as at 31 December 2018, which had ceased to be a subsidiary of the Company on 27 May 2019 as detailed in Note 34(d). Summarised financial information in relation to the post-acquisition NCI of GeneSort Group, before inter-group eliminations, is presented below:

	2018 HK$'000
For the year ended 31 December	
Revenue	–
Loss and total comprehensive income for the year, before amortisation (net of tax)	(27,421)
Loss and total comprehensive income for the year, after amortisation (net of tax)	(29,403)
Loss allocated to NCI	(11,561)
Dividend paid to NCI	–
For the year ended 31 December	
Net cash outflow from operating activities	(22,733)
Net cash outflow from investing activities	(257)
Net cash inflow from financing activities	23,202
Net cash inflow	212
As at 31 December	
Current assets	3,340
Non-current assets	37,961
Current liabilities	(5,817)
Non-current liabilities	(31,322)
Net assets	4,162
Accumulated non-controlling interests	2,038

Notes to the Financial Statements

For the year ended 31 December 2019

36. NON-CONTROLLING INTERESTS (continued)

(b) (continued)

On 26 June 2018, the Group disposed of 22.7% equity interest in its subsidiary, GeneSort Group as detailed in Note 33. Following the disposal, the Group had 51% equity interests in that subsidiary. The transaction has been accounted for as an equity transaction with the non-controlling interests as follows:

	2018 HK$'000
Consideration received from disposal of 22.7% equity interest	5,600
Net assets attributable to 22.7% ownership interest	(4,779)
Increase in equity attributable to owners of the Company (included in other reserve)	821

(c) AID Partners Autonomous, LP is a 82.3% indirectly owned subsidiary of the Company. Summarised financial information in relation to NCI of AID Partners Autonomous, LP, before inter-group elimination, is presented below:

	2019 HK$'000	2018 HK$'000
For the year ended 31 December		
Revenue	**–**	–
Profit and total comprehensive income for the year before amortisation (net of tax)	**47**	75,286
Profit and total comprehensive income for the year after amortisation (net of tax)	**47**	75,286
Profit allocated to NCI	**8**	13,300
Dividend paid to NCI	**–**	–
For the year ended 31 December		
Net cash outflow from operating activities	**(3)**	(10)
Net cash flow from investing activities	**–**	–
Net cash flow from financing activities	**–**	–
Net cash outflow	**(3)**	(10)
As at 31 December		
Current assets	**309,333**	16
Non-current assets	**–**	309,286
Current liabilities	**–**	(16)
Non-current liabilities	**–**	–
Net assets	**309,333**	309,286
Accumulated non-controlling interests	**54,674**	54,666

Notes to the Financial Statements

For the year ended 31 December 2019

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	As at 31 December 2019 HK$'000	As at 31 December 2018 HK$'000
ASSETS AND LIABILITIES		
Non-current assets		
Interests in subsidiaries	**229,743**	547,283
Current assets		
Other receivables	**342**	384
Financial assets at fair value through profit or loss	**8,355**	7,059
Cash and cash equivalents	**3,103**	7,148
	11,800	14,591
Current liabilities		
Other payables	**585**	2,066
Convertible bonds	**197,095**	–
	197,680	2,066
Net current (liabilities)/assets	**(185,880)**	12,525
Total assets less current liabilities	**43,863**	559,808
Non-current liabilities		
Convertible bonds	**–**	181,825
Net assets	**43,863**	377,983
EQUITY		
Share capital (Note 27)	**8,504**	8,428
Reserves (Note 38)	**35,359**	369,555
Total equity	**43,863**	377,983

Wu King Shiu, Kelvin
Director

Chan Suet Ngan
Director

Notes to the Financial Statements

For the year ended 31 December 2019

38. STATEMENT OF CHANGES IN EQUITY OF THE COMPANY

	Share premium HK$'000	Capital reduction reserve HK$'000	Convertible bonds equity reserve HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Employee share-based compensation reserve HK$'000	Remuneration share reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
As at 1 January 2018	756,387	702,955	1,921	2,112	601	62,165	7,820	(402,896)	1,131,065
Loss and total comprehensive loss for the year	–	–	–	–	–	–	–	(769,960)	(769,960)
Remuneration shares issued for consultancy service (Note 27(a))	5,870	–	–	–	–	–	2,580	–	8,450
Lapse of share options	–	–	–	–	–	(5,006)	–	5,006	–
As at 31 December 2018 and 1 January 2019	**762,257**	**702,955**	**1,921**	**2,112**	**601**	**57,159**	**10,400**	**(1,167,850)**	**369,555**
Loss and total comprehensive loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(338,696)**	**(338,696)**
Remuneration shares issued for consultancy service (Note 27(a))	**5,872**	**–**	**–**	**–**	**–**	**–**	**(1,372)**	**–**	**4,500**
As at 31 December 2019	**768,129**	**702,955**	**1,921**	**2,112**	**601**	**57,159**	**9,028**	**(1,506,546)**	**35,359**

39. OPERATING LEASE COMMITMENTS

As at 31 December 2018, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of certain office premises as follows:

	2018 HK$'000
Within one year	4,758
In the second to fifth years	13,556
	18,314

40. IMPACT OF OUTBREAK OF CORONAVIRUS DISEASE 2019

After the outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020, it had resulted in suspension of work in certain regions in the PRC. The epidemic has continued to spread and impacted global business and economic activities. A series of precautionary and control measures have been and continued to be implemented across the country/region. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. As at the date on which this set of consolidated financial statements were authorised for issue, the Group was not aware of any material adverse effects on the consolidated financial statements as a result of the COVID-19 outbreak.

Appendix I

FIVE-YEAR FINANCIAL SUMMARY

The financial information relating to the year ended 31 December 2019 included in this five year summary does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements.

	For the years ended 31 December				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Financial results					
(Loss)/profit attributable to owners of the Company	**(141,458)**	(765,260)	(420,333)	504,551	(233,146)

	As at 31 December				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Total assets	**508,647**	649,233	1,399,348	1,734,875	1,344,807
Total liabilities	**(215,785)**	(213,643)	(207,692)	(218,958)	(589,211)
Total equity	**292,862**	435,590	1,191,656	1,515,917	755,596

Appendix II

CORPORATE INFORMATION

Board of Directors

Chairman and Non-Executive Director:
Wu King Shiu, Kelvin *(Chairman)*

Executive Directors:
Chan Suet Ngan
Hu Kenneth
Qian Alexandra Gaochuan

Independent Non-Executive Directors:
Yuen Kwok On
Matsumoto Hitoshi
Yau Chung Hang

Audit Committee

Yuen Kwok On *(Chairman)*
Matsumoto Hitoshi
Yau Chung Hang

Remuneration Committee

Yuen Kwok On *(Chairman)*
Wu King Shiu, Kelvin
Matsumoto Hitoshi

Nomination Committee

Wu King Shiu, Kelvin *(Chairman)*
Yuen Kwok On
Matsumoto Hitoshi

Company Secretary

Chan Suet Ngan

Compliance Officer

Qian Alexandra Gaochuan

Principal Bankers

East West Bank
The Hongkong and Shanghai Banking Corporation Limited
China Construction Bank (Asia) Corporation Limited

Auditor

Linksfield CPA Limited

Solicitors

Michael Li & Co.

Registered Office

Cricket Square,
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Grand Cayman KY1-1111,
Cayman Islands

Share Registrars and Transfer Office

Computershare Hong Kong Investor Services Limited
46th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

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GEM 8088