華人策略控股有限公司

Chinese Strategic Holdings Limited

(incorporated in Bermuda with limited liability)

Stock Code: 8089

Annual Report 2019

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

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

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

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

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BOARD OF DIRECTORS

Executive Directors

Ms. Chan Shui Sheung Ivy
Mr. Mok Tsan San

Non-executive Director

Mr. Lam Kwok Hing Wilfred *J.P. (Chairman)*

Independent Non-executive Directors

Ms. Yuen Wai Man
Mr. Chow Fu Kit Edward
Mr. Lam Raymond Shiu Cheung

AUTHORISED REPRESENTATIVES

Ms. Chan Shui Sheung Ivy
Mr. Mok Tsan San

AUDIT COMMITTEE

Ms. Yuen Wai Man *(Chairman)*
Mr. Chow Fu Kit Edward
Mr. Lam Raymond Shiu Cheung

NOMINATION COMMITTEE

Mr. Lam Raymond Shiu Cheung *(Chairman)*
Mr. Lam Kwok Hing Wilfred *J.P.*
Ms. Yuen Wai Man
Mr. Chow Fu Kit Edward

REMUNERATION COMMITTEE

Ms. Yuen Wai Man *(Chairman)*
Mr. Lam Kwok Hing Wilfred *J.P.*
Mr. Chow Fu Kit Edward
Mr. Lam Raymond Shiu Cheung

COMPANY SECRETARY

Ms. Cheung Ching Man

COMPLIANCE OFFICER

Mr. Mok Tsan San

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Bermuda

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338 King's Road
North Point
Hong Kong

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8/F, Catic Plaza,
8 Causeway Road,
Causeway Bay,
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Fubon Bank (Hong Kong) Limited
Nanyang Commercial Bank, Ltd.
Bank of Communications Co., Ltd.

STOCK CODE

8089

BUSINESS REVIEW

The Company and its subsidiary (collectively, the "**Group**") is principally engaged in businesses of properties investments, securities trading, loan financing, trading business and dealing in, advising on securities and asset management. The revenue of the Group for the year ended 31 December 2019 amounted to approximately HK$4,140,000, representing a decrease of approximately 83.4% as compared with approximately HK$24,886,000 in the preceding financial year. The revenue drop was mainly due to the diminishing in revenue of trading business during the year ended 31 December 2019.

Properties Investments

The Group recorded a rental income of approximately HK$1,369,000 for the year ended 31 December 2019 (for the year ended 31 December 2018: approximately HK$2,516,000) through properties leasing. Due to the falling prices experienced by the property market in Hong Kong in the fourth quarter during the year ended 31 December 2019, the Group recorded a loss arising from fair value changes of investment properties of approximately HK$19,377,000 (31 December 2018: gain approximately HK$8,291,000).

As at 31 December 2019, the fair value of investment properties of the Group amounted to approximately HK$131,310,000 (as at 31 December 2018: approximately HK$164,840,000).

Securities Trading

During the year ended 31 December 2019, through disposal of financial assets at FVTPL, the Group recorded a loss of approximately HK$Nil (31 December 2018: loss approximately HK$57,074,000). With the volatile securities market affected by political and economic factors, the Group recorded a loss arising from the fair value changes of financial assets at FVTPL of approximately HK$21,336,000 (31 December 2018: loss from changes in fair value of financial assets at FVTPL of approximately HK$53,082,000).

As at 31 December 2019, the Group had financial assets at fair value through profit or loss which represent listed securities in Hong Kong amounted to approximately HK$4,725,000 (as at 31 December 2018: approximately HK$33,294,000).

There is no single investments of Hong Kong listed securities and/or relevant derivatives with market value exceeding HK$20,000,000 as at 31 December 2019. There is no single investment of Hong Kong listed securities recording a gain/loss exceeding HK$10,000,000 during the year ended 31 December 2019. The gain/loss of securities exceeding HK$10,000,000 during the year ended 31 December 2018 are as follows:

	As at 31 December 2018			For the year ended 31 December 2018			
Company	No. of shares held	Approx. percentage of shareholdings	Fair value	Stock price performance (%)	Price range (HK$)	(Loss) gain on disposal	Dividend received
			HK$'000	*Approx.*	*Approx.*	*HK$'000*	*HK$*
CEFC Hong Kong Financial Investment Company Limited	25,644,000	0.26%	5,129	(75)%	0.15-0.98	(14,072)	Nil
China Eco-Farming Limited	21,820,000	0.12%	5,215	(73.15)%	0.239-1.05	(12,251)	Nil

The Group will remain both prudent and cautious in the securities investment business with the aim of achieving commensurate investment returns. The Group will carefully scrutinize the strategy and approach which will adopt for its securities investment business to navigate through an increasingly volatile investment economic climate.

Loan Financing

During the year ended 31 December 2019, the performance of the loan financing business was not satisfactory due to keen market competition. It recorded a decrease of approximately 57.3% in the interest income to approximately HK$774,000 from HK$1,814,000 in the preceding financial year.

Trading Business

The Group launched its trading business in the last quarter of 2017 as a means of diversify its revenue streams. During the year ended 31 December 2019, the group recorded the revenue and operating gain of tea leaves trading of approximately HK$1,991,000 and HK$306,000 respectively (31 December 2018: approximately HK$20,544,000 and loss of HK$1,088,000 respectively).

Dealing in, Advising on Securities and Asset Management

During the year ended 31 December 2019, the Group has two operating subsidiaries, FT Securities Limited ("**FT Securities**"), a company holding Type 1 (Dealing in Securities) and Type 4 (Advising on Securities) licences under Securities and Futures Commission (the "**SFC**"), and Chinese Strategic Asset Management Limited ("**CSAM**"), a company holding Type 4 (Advising on Securities) and Type 9 (Asset Management) licences under the SFC. This segment reported a revenue for the year ended 31 December of 2019 of HK$Nil (for the year ended 31 December 2018: HK$Nil). Due to the unfavorable business conditions and lack of business opportunities in the current competitive market, FT Securities and CSAM had made an application to SFC separately to revoke its license in August 2019, and subsequently, FT Securities and CSAM had ceased business of regulated activities.

Financial Assets

The Group held an investment portfolio, classified as equity instruments at fair value through other comprehensive income with carrying value of approximately HK$1,572,000 as at 31 December 2019 (as at 31 December 2018: approximately HK$2,426,000).

The Group held certain unlisted convertible bond by a private company, classified as financial assets at fair value through profit or loss, amounted to HK$Nil as at 31 December 2019 (as at 31 December 2018: approximately HK$7,468,000). The convertible instruments were measured at fair value at the reporting end date. In this regard, a loss arising from fair value changes of financial assets at fair value through profit and loss of approximately HK$7,468,000 was recorded during the year ended 31 December 2019 (31 December 2018: loss of approximately HK$32,000).

The carrying value of the aforesaid investments, representing 0.44% of the total assets of the Group, is marked against market value and its performance is affected by Hong Kong stock market and global economic environment.

FINANCIAL REVIEW

For the year ended 31 December 2019, the Group recorded a revenue of approximately HK$4,140,000 (for the year ended 31 December 2018: approximately HK$24,886,000), representing a decrease of approximately 83.4% as compared with the preceding financial year. The revenue drop was mainly due to the diminishing in revenue of trading business during the year ended 31 December 2019.

Administrative expenses for the year ended 31 December 2019 was approximately HK$56,683,000 (for the year ended 31 December 2018: approximately HK$80,552,000), representing a decrease of approximately 29.6% as compared with the preceding financial year. The decrease in expenses was mainly due to lowering consultancy fee, staff costs and charges in dealing of securities.

The Group incurred finance costs of approximately HK$23,800,000 for the year ended 31 December 2019 (for the year ended 31 December 2018: approximately HK$27,237,000), which mainly comprised interest on interest bearing bank borrowing and other borrowings, margin accounts and bonds.

The loss attributable to the owners of the Company for the year ended 31 December 2019 aggregated at approximately HK$178,040,000 (for the year ended 31 December 2018: approximately HK$221,601,000). Loss for the year was mainly attributable to loss from changes in fair value of financial assets at FVTPL of approximately HK$21,336,000, staff cost and Directors' emoluments of approximately HK$24,476,000, share of loss of joint venture of approximately HK$11,427,000, impairment loss on right-of-use asset of approximately HK$15,297,000 and legal and professional fee of approximately HK$6,869,000. The basic loss per share for the year ended 31 December 2019 was HK72.53 cents (for the year ended 31 December 2018: HK107.17 cents).

OUTLOOK

Looking forward to the year of 2020, the macroeconomic environment remains pessimistic, the market conditions for Hong Kong remain uncertain and continue to face challenges. Hong Kong will be exposed to increasing risks and difficulties, mainly from trade war between China and the US, the continuing local political and social events, the outbreak of COVID-19 in Hong Kong and around the world, and China's economic growth is forecast to decelerate this year.

Although the residential property market in Hong Kong has primarily remained buoyant in the first quarter of 2019, however, the longest bull market in the Hong Kong property sector's history likely came to an end in the fourth quarter of 2019 due to local social movement and economic uncertainties. The Company is of view that the property market might take a turn for the worse and residential property market is expected to fall in 2020. The management will continue to adopt a very cautious and conservative approach when seeking new property investment opportunities for the Company in 2020.

For securities trading, on the back of slowing economy in China, the People's Republic of China (the "**PRC**") government is likely to introduce some policy easing measures to maintain the stable growth of the economy, the US economy may also face downward pressure and the Federal Reserve is expected to further cut interest rate. Given that the investment market is expected to be increasingly volatile, it is necessary to exercise caution and care in the securities investment business in order to monitor relevant risks. Therefore, the Group will continue to closely monitor market changes, manage and reorganize existing investment portfolio and, hopefully, achieve balance between risks and profits.

The Group will continue to actively consider and source for new products for its trading business that have potential market appeal and reasonable returns.

The development of loan financing business will depend on the market and the assessment of the repayment ability of the potential borrowers. The Group will continue to adopt a cautious and prudent approach to balance the finance income against credit risk from respective borrowers and to seek new borrowers.

Overall, the Group is actively attempting to improve the performance of its various business operations, and from time to time, to explore business opportunities in different sectors in order to broaden its revenue stream. Given that the overall business environment in 2020 will likely be challenging, volatile and unpredictable, the management will maintain a very cautious and practical approach in managing the Company's business operations in the coming financial year. The Group will no doubt act cautiously and prudently moving forward.

INTEREST IN A JOINT VENTURE

The Group's investment in the joint venture 長沙賽格發展有限公司 (Changsha Seg Development Co Limited) ("**Changsha Seg**") performed unsatisfactorily during the year ended 31 December 2019. The Group's share loss of Changsha Seg amounted to approximately HK$11,427,000 for the year ended 31 December 2019 (for the year ended 31 December 2018: profit approximately HK$11,198,000). The net assets of Changsha Seg was approximately HK$281,645,000 (for the year ended 31 December 2018: approximately HK$308,535,000).

Changsha Seg is principally engaged in rental of office premises and a shopping mall in Changsha, the PRC that is situated at a prime location near the Changsha Railway Station. The Group has been working closely with its partner, Shenzhen Seg Co. Ltd., a company listed on the Shenzhen Stock Exchange, as well as the other shareholders of Changsha Seg, in respect of its operation and development.

FUND RAISING ACTIVITIES

On 4 March 2019, the Company, Excel Precise Securities Limited and Paragon Securities Limited (the "**March Placing Agents**") entered into a placing agreement (the "**March Placing Agreement**") pursuant to which the Company proposed to offer the placing of up to 41,000,000 placing shares (the "**March Placing Share(s)**") at the placing price of HK$0.35 per March Placing Share under general mandate and appoint the March Placing Agents to place and to procure subscriptions for the March Placing Shares, on a best-effort basis, to not less than six placees (the "**March Placing**").

Completion of the March Placing took place on 20 March 2019 upon the fulfilment of the relevant conditions set out in the March Placing Agreement. An aggregate of 27,518,400 March Placing Shares had been successfully placed by the March Placing Agents to not less than six placees at the placing price of HK$0.35 per March Placing Share pursuant to the terms of the March Placing Agreement.

The net proceeds from the March Placing amounted to approximately HK$9,000,000 and was used for (i) approximately HK$4,200,000 for the Group's general working capital including overhead expenses of the Group and approximately HK$1,200,000 for the expansion of business; and (ii) approximately HK$3,600,000 towards the liabilities of the Group.

Details of the March Placing are set out in the announcements of the Company dated 4 March 2019 and 20 March 2019.

On 2 August 2019, the Company carried out a second round of fund raising by entering into a placing agreement (the "**August Placing Agreement**") with Easy One Securities Limited (the "**August Placing Agent**") pursuant to which the Company proposed to offer the placing of up to 46,800,000 placing shares (the "**August Placing Share(s)**") at the placing price of HK$0.20 per August Placing Share under general mandate and appoint the August Placing Agent to place and to procure subscriptions for the August Placing Shares, on a best-effort basis, to not less than six placees (the "**August Placing**").

Completion of the August Placing took place on 21 August 2019 upon the fulfilment of the relevant conditions set out in the August Placing Agreement. An aggregate of 46,800,000 August Placing Shares had been successfully placed by the August Placing Agent to not less than six placees at the placing price of HK$0.20 per August Placing Share pursuant to the terms of the August Placing Agreement.

The net proceeds from the August Placing amounted to approximately HK$8,800,000 and was used for (i) approximately HK$3,061,000 for settlement of the liabilities of the Group; (ii) approximately HK$4,243,000 for the Group's general working capital; (iii) approximately HK$1,100,000 for partial repayment of a loan from a Director; and (iv) approximately HK$396,000 for settlement of the outstanding loan interest and the legal costs.

Details of the August Placing are set out in the announcements of the Company dated 2 August 2019 and 21 August 2019.

LIQUIDITY AND FINANCIAL RESOURCES

The Group principally finances its operations through a combination of shareholders' equity, internally generated cash flows and borrowings.

As at 31 December 2019, the Group had cash and cash equivalent of approximately HK$1,320,000 (as at 31 December 2018: approximately HK$7,185,000), interest-bearing borrowings of approximately HK$114,959,000 (as at 31 December 2018: approximately HK$142,349,000) and bond payables of HK$50,000,000 (as at 31 December 2018: HK$50,000,000).

As at 31 December 2019, the gearing ratio (measured as total liabilities to total assets) was approximately 74.2% (as at 31 December 2018: approximately 51.0%).

CAPITAL STRUCTURE

As at 31 December 2019, the Company's issued share capital was HK$2,810,959, (as at 31 December 2018 HK$2,067,775) divided into 281,095,913 shares of HK$0.01 each (as at 31 December 2018 206,777,513 shares of HK$0.01 each).

CAPITAL COMMITMENTS

As at 31 December 2019 and 31 December 2018, the Group did not have any capital commitments.

CONTINGENT LIABILITIES

As at 31 December 2019 and 31 December 2018, the Group did not have any material contingent liability.

CHARGES ON ASSETS

As at 31 December 2019, investment properties and certain financial assets at FVTPL with an aggregate carrying value of approximately HK$131,389,000 (as at 31 December 2018: approximately HK$179,562,000) have been pledged to banks and other financial institutions to secure the credit facilities granted to the Group.

SIGNIFICANT INVESTMENT

Save as disclosed in this annual report, the Group did not have any other significant investment during the year ended 31 December 2019.

MATERIAL ACQUISITION AND DISPOSAL

Host Luck Limited (the "**Vendor**"), a subsidiary of the Company, entered into a preliminary sales and purchase agreement on 25 February 2019 and the sales and purchase agreement on 11 March 2019 with two individuals (the "**Purchasers**") pursuant to which the Vendor agreed to sell and the Purchasers agreed to purchase the property at the consideration of HK$8,300,000.

The consideration for the sale and purchase of the property was determined after arm's length negotiation between the Vendor and the Purchasers on normal commercial terms with reference to a preliminary valuation on the property as at 31 December 2018 of HK$7,900,000 conducted by an independent professional property valuer appointed by the Group.

Details are set out in the announcement of the Company dated 26 April 2019.

On 30 August 2019, the Company (the "**Debtor**") and EverCare Finance Company Limited ("**EverCare**", the "**Creditor**") (collectively, the "**Parties**") entered into the deed of settlement (the "**Deed of Settlement**"), pursuant to which EverCare agreed to discontinue High Court Action 1114 of 2019 against the Company if the Company assigns all its right, title, benefit, interest and ownership over the Property (as defined further below) to EverCare at a consideration of approximately HK$3,557,000 plus the payment in cash of the sum of approximately HK$268,000 for interest accrued on the principal of approximately HK$3,557,000 from 1 March 2019 to 30 August 2019 and the sum of approximately HK$129,000 for the reimbursement of legal costs incurred by EverCare.

The property is a land parcel situated on Lot 044 T 02 of Tinian, the Commonwealth of the Northern Mariana Islands (the "**Property**"). The Property comprises a parcel of private land and the total site area of the Property is approximately 53,722 square meters. The land use rights of the Property were leasehold and granted with a term of 55 years commencing on 19 May 2014.

The transfer of the Property was agreed by the Parties at the consideration of approximately HK$3,557,000. The consideration was determined after arm's length negotiation between the Creditor and the Debtor on normal commercial terms with reference to, among other things, (i) the outstanding amount due from the Company to the Creditor; (ii) the financial position of the Company; and (iii) a preliminary valuation on the Property as at 31 July 2019 of US$1,850,000 conducted by an independent professional property valuer appointed by the Group.

As at the date of this annual report, the transfer and the change of ownership of the Property is now being processed by the relevant government agent/department in the place in which the Property is situated, which is not completed yet. As at 31 December 2019, approximately HK$3,557,000 recorded as assets classified as held for sale, approximately HK$3,557,000 amounted due to EverCare recorded as part of the other payables under current liabilities, and approximately HK$15,297,000 recorded as impairment loss on right-of-use asset.

Details of the disposal are set out in the announcements of the Company dated 30 August 2019 and 11 October 2019.

On 24 September 2019, Sure Progress Investment Limited (必進投資有限公司) (“**Sure Progress**”), a wholly-owned subsidiary of the Company, and Cheng Jiao Advisory Services (Shenzhen) Company Limited* (承教投資諮詢(深圳)有限公司), a wholly-owned foreign enterprise formed under the laws of the PRC that is entirely owned by Sure Progress, entered into a strategic cooperation framework agreement (the “**Framework Agreement**”) with Beijing Huading Huijin Investment Company Limited* (北京華鼎滙金投資有限責任公司) (“**Beijing Huading**”), a company established under the laws of the PRC with limited liability.

Under the Framework Agreement, the parties agreed to strategically develop and market, on a global scale, the artificial intelligence services business that is currently operated by Beijing Lanhai Huijin Technology Company Limited* 北京藍海滙金智能科技有限公司 (“**Lanhai Technology**”), a company established under the laws of the PRC with limited liability (the “**AI Services Business**”) and of which Beijing Huading is a major shareholder.

Under the Framework Agreement, subject to the execution of a formal cooperation agreement among the relevant parties, Beijing Huading shall, in exchange for a 25% shareholding in Sure Progress and on the premise that Sure Progress is able to secure 7,800 subscribers in the fourth quarter of 2019 and 73,000 subscribers in 2020, procure Lanhai Technology to enter into an exclusive agency agreement with Sure Progress (the “**Exclusive Agency Agreement**”) which would grant Sure Progress the exclusive global right to market and promote the AI Services Business (including the right to set-up branch offices in Taiwan, Macau, Singapore and Malaysia) so as to attract paid subscribers to the AI Services Business.

The parties to the Framework Agreement agreed to each use their best efforts to enter into a formal cooperation agreement and to procure the execution of the Exclusive Agency Agreement by no later than 31 October 2019 which has subsequently been extended to 31 January 2020 under a supplemental framework agreement signed on 31 October 2019, for the purpose of realizing the aforementioned goals.

As of the date of this annual report, the Framework Agreement was lapsed on 31 January 2020.

Details of the Framework Agreement are set out in the announcement of the Company dated 26 September 2019.

* *For identification purpose only*

On 6 November 2019, Key Model Limited (“**Key Model**”), a subsidiary of the Company, entered into a sale and purchase agreement with an independent third party (“**Purchaser 1**”) under and pursuant to which sale and purchase agreement Key Model agreed to sell, and Purchaser 1 agreed to purchase from Key Model, 88.89% of the total issued shares in Watson China Limited (“**Watson China**”) and shareholder’s loan in the principal amount of approximately HK$3,930,000 due and owing by Watson China to the Company. Please refer to Note 49(a) for details of this transaction as well as the consideration involved and mode of settlement thereof.

Also on 6 November 2019, Deluxe Charm Limited (“**Deluxe Charm**”), also a subsidiary of the Company, entered into a sale and purchase agreement with an independent third party (“**Purchaser 2**”) under and pursuant to which sale and purchase agreement Deluxe Charm agreed to sell, and Purchaser 2 agreed to purchase from Deluxe Charm, 99.99% of the total issued shares in Fortune Park Limited. Please refer to Note 49(b) for details of this transaction as well as the consideration involved and mode of settlement thereof.

Further, on 6 November 2019, Rich Best Asia Limited (“**Rich Best**”), another subsidiary of the Company, entered into a sale and purchase agreement with an independent third party (“**Purchaser 3**”) under and pursuant to which sale and purchase agreement Rich Best agreed to sell to Purchaser 3, and Purchaser 3 agreed to purchase from Rich Best, 100% of the total issued shares in Alpaco Company Limited (“**Alpaco**”) and shareholder’s loan in the principal amount of approximately HK$5,768,000 due and owing by Alpaco to the Company. Please refer to Note 49(c) for details of this transaction as well as the consideration involved and mode of settlement thereof.

LITIGATIONS

Regarding the action under High Court Action No. 701 of 2013, the parties have exchanged their respective witness statements and are now preparing for the expert evidence. Upon filing and exchange of the expert evidence, the case would be set down for trial.

In another litigation matter which has been reported previously, the Company and King Perfection Limited have obtained judgment but one of the judgment debtors has been wound up. Both the Company and King Perfection Limited are relying on legal advice for further conduct and for protection of their interest.

Under High Court Action No. 1114 of 2019, EverCare Finance Company Limited (“**EverCare**”) claimed against the Company for HK$11,296,663.40 together with interest and costs. Subsequently, EverCare and the Company (collectively, the “**Parties**”) entered into the deed of settlement (the “**Deed of Settlement**”) on 30 August 2019, pursuant to which the Company settled EverCare’s claim partly in cash and partly by assigning to EverCare all its right, title, benefit, interest and ownership over the Property (as defined in the Material Acquisition and Disposal section). The transfer and the registration of change of ownership of the Property is now being processed by the relevant government agent/department in the place in which the Property is situated, which is not completed yet.

With regard to High Court Miscellaneous Proceedings No. 1152 of 2019, Nanyang Commercial Bank Limited (the "**Bank**") instituted mortgagee action against the Company and Sun Famous Investment Limited ("**Sun Famous**") as a result of the non-repayment of certain loan facilities that have been obtained by Sun Famous from the Bank. The Bank claimed for vacant possession of the charged property namely, which was charged to and in favour of the Bank under the mortgage, as well as all money due by the Company and Sun Famous to the Bank thereunder, and both the Company and Sun Famous have instructed legal advisers to act on their behalf on this matter whilst simultaneously pursuing direct discussions and negotiations with the Bank with a view to resolving this matter swiftly and amicably.

Easy Champ Corporation Limited ("**Easy Champ**"), an indirect wholly-owned subsidiary of the Company, has been sued under High Court Action No. 1504 of 2019 by the landlord of the office premises (the "**Premises**") currently occupied by Easy Champ. Judgment has already been entered against Easy Champ, and it is adjudged that Easy Champ do pay the landlord (a) the sum of HK$1,350,000 being arrears of rent; (b) mesne profits at the rate of HK$150,000 per month from 10 August 2019 to the date when vacant possession of the Premises is delivered up to the landlord; (c) the sum of approximately HK$26,000 being interest accumulated on arrears of rent as at 19 August 2019; (d) interest on the sum of HK$1,350,000 at the rate of 5.125 per cent per annum from 1 September 2019 to the date of the judgement and thereafter at the judgment rate to the date of full payment; and (e) costs, to be taxed if not agreed.

As at the date of this report, Easy Champ is in process of being wound up by the High Court of Hong Kong

FT Securities Limited ("**FT Securities**"), an indirect wholly-owned subsidiary of the Company, was disciplined by the Securities and Futures Commission (the "**SFC**") on 16 November 2018 and as a result of which FT Securities was fined HK$3,500,000. FT Securities appealed to the Securities and Futures Appeals Tribunal. The appeal was dismissed, and SFC enforced against FT Securities for a total amount of approximately HK$3,806,000, being the said fine of HK$3,500,000 together with SFC's costs.

On 10 October 2019, the SFC obtained a Garnishee Order to Show Cause from the cost of First Instance of the High Court of Hong Kong Special Administrative Region against FT Securities, with The Hongkong and Shanghai Banking Corporation Limited being the garnishee (the "**Garnishee**"), and with the said Garnishee order to Show Cause being made absolute on 13 December 2019, an amount of approximately HK$2,261,000 was deducted from FT Securities' bank account with the Garnishee for purported part payment of the fine. Further announcement will be made whenever appropriate and/or necessary.

On 18 November 2019, the Company received a statutory demand (the "**Statutory Demand**") dated 18 November 2019 issued by the legal representative of a purported creditor demanding the Company to settle a sum of approximately HK$1,443,000 plus interest (the "**Relevant Sum**"). The Statutory Demand was issued pursuant to section 178(1)(a) or 327(4)(a) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong. If the Company fails to repay the Relevant Sum within 3 weeks after the service of the Statutory Demand, a winding-up order may be made in respect of the Company.

The Company will announce or disclose the conduct of litigation matters and/or the outcome of any enforcement whenever appropriate and/or necessary.

ADVANCE TO AN ENTITY

On 15 February 2015 and 24 March 2015, Hong Kong Entertainment (Overseas) Investments Limited ("**HKE**") and Tinian Entertainment Co., Ltd ("**TEC**"), a former indirect wholly-owned subsidiary of the Company, entered into a provisional operating agreement and operating agreement respectively ("**Operating Agreement**") under which HKE intended to lease to TEC and TEC intended to lease from HKE, the leased property comprising of the Hotel-Casino Complex and the relevant assets at the occupation fees of approximately HK$133,000,000. Upon the entering into the Operating Agreement, TEC has paid HKE a refundable deposit of HK$50,000,000, which has been set off with part of the rental prepayment repayable by HKE.

Following to the term sheet of 7 April 2016 and the restructuring agreement of 29 April 2016 regarding the restructuring of the Hotel-Casino Complex, the total outstanding amount due from HKE to Gain Millennia Limited ("**GML**") and TEC and other moneys payable by HKE to GML and/or its affiliated companies is HK$164,624,000 (the "**GML Outstanding Amount**"). Pursuant to the restructuring agreement, a new company incorporated by Mr. Chen Chien Yeh shall issue a convertible bonds in a principal sum of USD21,150,002 to GML or its nominee as a full and final settlement of the GML Outstanding Amount. On 29 June 2016, a supplemental agreement was entered into to extend the long stop date of the restructuring agreement from 30 June 2016 to 30 September 2016. On 30 September 2016, the restructuring agreement lapsed. The management has taken a prudent approach and made full impairment of the GML Outstanding Amount during the year ended 31 December 2016, and on 12 April 2019, the GML Outstanding Amount has been written off as resolved and approved by the Board.

Details are set out in the announcements of the Company dated 23 February 2015, 3 March 2015, 20 April 2015, 7 April 2016, 29 April 2016, 11 May 2016, 29 June 2016 and 16 August 2017.

On 12 April 2019, Perfect Plus Investment Limited ("**Perfect Plus**"), an indirect wholly-owned subsidiary of the Company, entered into the sales and purchase agreement with an independent third party (the "**Purchaser**"), pursuant to which Perfect Plus agreed to sell and the Purchaser agreed to acquire the entire issued share capital of GML, the completion of which also took place on the said date of the execution of the sales and purchase agreement which has resulted in GML no longer being a subsidiary of the Company.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES

The reporting currency adopted by the Group is Hong Kong dollars ("**HK$**"). The majority of the Group's sales, receivables and expenditures are denominated in HK$, United States dollars ("**USD**") or Renminbi ("**RMB**"). HK$ is closely linked with USD. Although the exchange rate of HK$ against RMB had slightly appreciated during the year under review, the Directors do not consider that the Group is exposed to any material foreign currency exchange risk. No hedging or other similar device has been implemented. However, the Directors will constantly monitor the Group's foreign exchange exposure and implement foreign currency hedging measures should the need arises.

EMPLOYEE INFORMATION AND REMUNERATION POLICY

The Group had 33 employees (as at 31 December 2018: 49 employees) in Hong Kong and Mainland China as at 31 December 2019. During the year ended 31 December 2019, the Group incurred staff costs (including Directors' emoluments) of approximately HK$24,476,000 (year ended 31 December 2018: approximately HK$33,140,000).

The emoluments of the Directors are recommended by the remuneration committee, and approved by the Board, as authorized by the shareholders of the Company in the annual general meeting of the Company, having regard to the respective Directors' skills, knowledge and involvement in the Company's affairs. None of the Directors are involved in deciding their own remuneration.

The employees are remunerated with basic salary, discretionary bonus and share options with reference to corporate and individual's performance during the year. The Group offers competitive remuneration package, including medical and retirement benefits, to eligible employees. Apart from basic salary, executive Directors and employees are eligible to receive a discretionary bonus taking into account factors, such as market conditions as well as corporate and individual's performance during the year.

EXECUTIVE DIRECTORS

Ms. Chan Shui Sheung Ivy ("**Ms. Chan**"), aged 55, was appointed as an executive Director on 25 August 2008. Ms. Chan graduated from the University of South Australia with a Master of Business Administration degree. Ms. Chan has over 26 years of experience in investment and is currently the director of certain subsidiaries of the Company. She is also a director of Channel Enterprises (Int'l) Limited.

Mr. Mok Tsan San ("**Mr. Mok**"), aged 49, was appointed as an executive Director on 12 August 2014. Mr. Mok is the managing director of Capital Union Investments Limited, a direct investment firm with a portfolio in Greater China and overseas. Mr. Mok was an executive director of Chinese Food and Beverage Group Limited (stock code: 8272), a company listed on the GEM of The Stock Exchange of Hong Kong Limited (the "**Exchange**") during the period from April 2014 to December 2016. He was also a non-executive director of Casablanca Group Limited (stock code: 2223), from April 2015 to April 2018, and a non-executive director of Newtree Group Holdings Limited (stock code: 1323) during the period from August 2014 to February 2016, both companies listed on the Main Board of the Exchange. With over 17 years of solid experiences in fund raising and investment syndication in a number of ventures, he has helped, funded, and/or personally invested in and advised in a number of other Silicon Valley companies in Hong Kong, including but not limited to Facebook Inc. and Proteus Digital Health. Mr. Mok began his career in Babtie Asia Limited (now Jacobs Engineering Group Inc.), an international civil engineering consulting firm as an engineer. He holds a Bachelor of Science degree in Civil Engineering from Ohio State University.

NON-EXECUTIVE DIRECTOR

Mr. Lam Kwok Hing Wilfred, *J.P.* ("**Mr. Lam**"), aged 60, was appointed as a non-executive Director on 2 September 2013, re-designated as an executive Director with effect from 1 January 2014 and then redesignated again as a non-executive Director with effect from 1 December 2018. He has also been appointed as the Chairman of the Board, members of the nomination committee and the remuneration committee of the Company. Mr. Lam is currently the director of certain subsidiaries of the Company.

Mr. Lam is an independent non-executive director of National Arts Entertainment and Culture Group Limited (stock code: 8228), a company listed on GEM of the Exchange, since 22 March 2019.

Mr. Lam was an executive director (re-designated from an executive director to a non-executive director on 1 July 2015 and from a non-executive director to an executive director from April 2017 to June 2019) of Hong Kong Resources Holdings Company Limited (Stock Code: 2882), a company listed on the Main Board of the Exchange.

Mr. Lam was a chairman and an executive director of Lamtex Holdings Limited (formerly known as China New Energy Power Group Limited) (Stock Code: 1041), a company listed on the Main Board of the Exchange from June 2015 to March 2016, and then was appointed as a consultant until March 2017. Mr. Lam was a non-executive director of The Hong Kong Building and Loan Agency Limited (Stock Code: 145) a company listed on the Main Board of the Exchange from October 2011 to October 2017.

Mr. Lam is a Justice of Peace of the Hong Kong Special Administrative Region and was awarded the Queen's Badge of Honour in January 1997. He is also a Deputy Commissioner (Administration) of the Civil Aid Service. He holds a bachelor degree of Law with honours from The University of Hong Kong. He is a practising solicitor in Hong Kong, a consultant lawyer of WT Law Offices and Lam, Lee & Lai Solicitors & Notaries and a Civil Celebrant of Marriages. He also holds a professional qualification of Estate Agent's (Individual) License in Hong Kong.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Yuen Wai Man ("**Ms. Yuen**"), aged 48, was appointed as an independent non-executive Director on 4 July 2008. She was also appointed as the chairmen of the audit and remuneration committees of the Company and a member of nomination committee of the Company on 4 July 2008. She graduated from The University of Hong Kong with a degree in Business Administration in 1994. She is the fellow member of The Association of Chartered Certified Accountants, fellow member of The Hong Kong Institute of Certified Public Accountants and overseas member of The Chinese Institute of Certified Public Accountants. Ms. Yuen has worked in accounting and auditing area for over 25 years. She is currently an independent non-executive director of China Eco-Farming Limited (stock code: 8166), a company listed on the GEM of the Exchange since 1 September 2016, and was an independent non-executive director of The Hong Kong Building and Loan Agency Limited (stock code: 145), a company listed on the Main Board of the Exchange, during the period from November 2012 to October 2017.

Mr. Chow Fu Kit Edward ("**Mr. Chow**"), aged 52, was appointed as an independent non-executive Director on 14 May 2012. He was also appointed as members of the audit committee, nomination committee and remuneration committee of the Company on 14 May 2012. Mr. Chow has over 25 years of experience in power industry and is specialised in business strategy development, change management, materials procurement and marketing for power company. He holds a Master's degree of Engineering in Mechanical Engineering from The University of Hong Kong and a Master's degree of Business Administration from The Chinese University of Hong Kong. He is a Chartered Engineer, member of Institution of Mechanical Engineers and The Hong Kong Institution of Engineers.

Mr. Lam Raymond Shiu Cheung ("**Mr. Lam**"), aged 54, was appointed as an independent non-executive Director on 1 September 2017. He was also appointed as the chairman of the nomination committee of the Company and member of the audit committee and remuneration committee of the Company on 1 September 2017. Mr. Lam graduated from the Victoria University of Melbourne, Australia, with a Bachelor of Business Degree majoring in banking and finance. He also earned a Master Degree in Applied Finance from Macquarie University of Australia. Mr. Lam has 28 years' extensive experience in business development and corporate finance. He started his career in corporate banking, after which he joined one of the biggest oil companies in the USA specializing in the area of business development.

Mr. Lam is currently an independent non-executive director of China Assurance Finance Group Limited (Stock Code: 8090) since December 2011 and Yin He Holdings Limited (Stock Code: 8260) since April 2012, all companies listed on the GEM of the Exchange. He was an independent non-executive director of Kakiko Group Limited (now known as Jinhai International Group Holdings Limited) (stock code: 2225) from September 2017 to July 2019, a company listed on the Main Board of the Exchange. He was an executive director of Chinese Food And Beverage Group Limited (Stock Code: 8272) from April 2013 to January 2019, a company listed on the GEM of the Exchange.

The Board presents this annual report together with the audited consolidated financial statements for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in businesses of properties investments, securities trading, loan financing, trading business and dealing in, advising on securities and asset management.

SEGMENT INFORMATION

An analysis of the Group's performance for the year ended 31 December 2019 by business segment is set out in Note 9 to the accompanying consolidated financial statements.

RESULTS

Details of the Group's results for the year ended 31 December 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 61 and 63 of this annual report.

BUSINESS REVIEW AND COMMENTARY

The business review of the Group for the year ended 31 December 2019 is set out in the section headed "Management Discussion and Analysis" on pages 5 to 17 of this annual report.

Environmental performance

The Company is committed to conserving and protecting the natural resources while minimising impact on the environment. To build a greener future, the Company is committed to implementing policies and measures to foster reduction of the Group's environmental impact. Energy saving and power monitoring systems are in place for various business units to monitor our environmental performance. The Company also strives to follow energy saving practices in office premises where applicable.

For details, please refer to the section headed "Environmental, Social and Governance Report" on pages 49 to 57 of this annual report.

BUSINESS REVIEW AND COMMENTARY *(Continued)*

Compliance with laws and regulations

The Group is committed to complying with the requirements of the Personal Data (Privacy) Ordinance, and ordinance relating to disability, sex, family status and race discrimination, as well as the Employment Ordinance, the Minimum Wage Ordinance and ordinances relating to occupational safety of employees of the Group, so as to safeguard the interests and well-being of its employees.

The Group is also committed to safeguarding the security of personal data. When collecting and processing such data, the Group complies with the Personal Data (Privacy) Ordinance and guidelines issued by the Office of the Privacy Commissioner for Personal Data, with a view to protecting the privacy of its employees and customers, etc.

The Group has also complied with the Stamp Duty Ordinance, Rating Ordinance and Inland Revenue Ordinance in respect of renting of premises during the year ended 31 December 2019.

During the year ended 31 December 2019, the Group was not aware of any non-compliance with any relevant laws and regulations that has a significant impact on it.

For details, please refer to the section headed "Environmental, Social and Governance Report" on pages 49 to 57 of this annual report.

Key relationships with stakeholders

The skills and competencies of the staff enable the Group to create value by building the corporate expertise to deliver business objectives.

The Company is committed to maintaining high standards of health and safety for staff. The Company ensures that the operations comply, at a minimum, with local health and safety laws as well as industry best practices. Routine training is provided to the staff to enable effective health and safety management throughout the organisation. Emergency preparation and contingency planning, for example, fire drill, have been developed to ensure incidents are responded to in a timely and effective manner.

BUSINESS REVIEW AND COMMENTARY *(Continued)*

Key relationships with stakeholders *(Continued)*

Safety is the pre-requisite for the Group to effectively run the business. Ensuring compliance with the required health, safety and labour standards is very important to the Group. The Group is committed to protecting the safety and health of the employees pursuant to relevant regulations and standards.

Employee management focuses on recruiting and growing the right people who add expertise while maintaining a broader outlook in the Company's industry. The Group's success is dependent on retaining employees in key areas of the business, therefore regularly review on remuneration packages to ensure competitiveness and promote training for the Company's staff is important. Staff performance is measured on a regular and structured basis to provide employees with appropriate feedback and to ensure their alignment with the Group's corporate strategy.

Apart from the relationship with employees, building sustainable and long-term relationships with tenants are also one of the Group's primary objectives. The Group strives to provide tenants with quality service and timely response to their enquiries. On-the-job training has been provided to staff to deal with tenants in various scenarios.

For details, please refer to the section headed "Environmental, Social and Governance Report" on pages 49 to 57 of this annual report.

Principal risks and uncertainties

The Group's financial conditions, results of operations, businesses and prospects may be affected by a number of risks and uncertainties. Key risks and uncertainties affecting the Group include market risk, credit risk and liquidity risk which are set out in Note 7(b) to the accompanying consolidated 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 235 of this annual report.

SUBSIDIARIES AND ASSOCIATES

Particulars of the Company's subsidiaries and associates are set out in Notes 51 and 22 to the accompanying consolidated financial statements, respectively.

PLANT AND EQUIPMENT

Details of movements in plant and equipment during the year ended 31 December 2019 are set out in Note 18 to the accompanying consolidated financial statements.

DIVIDEND

The Directors do not recommend payment of final dividend for the year ended 31 December 2019 (for the year ended 31 December 2018: nil).

DIVIDEND POLICY

The Company has adopted a dividend policy that aims to enhance the Shareholders' value. The following parameters/factors shall be considered by the Board for declaration of dividend:

– Circumstances under which the Shareholders may or may not expect dividend;

– Financial parameters/factors that shall be considered for declaration of dividend;

DIVIDEND POLICY *(Continued)*

– Internal and external factors that shall be considered for declaration of dividend;

– Utilisation of retained earnings; and

– Multiple classes of shares.

The payment of dividend is also subject to any restrictions under the applicable laws and the bye-laws of the Company (the "**Bye-laws**").

The policy shall be reviewed periodically and submitted to the Board for approval if amendments are required.

DONATION

During the year ended 31 December 2019, the Group's charitable donations amounted to HK$Nil (year ended 31 December 2018: HK$3,000).

SHARE CAPITAL

Details of movements in share capital of the Company are set out in Note 40 to the accompanying consolidated financial statements.

RESERVES

Movements in reserves of the Group during the year ended 31 December 2019 are set out in the section headed "Consolidated Statement of Changes in Equity" on pages 66 and 67 of this annual report.

The Company had no reserves available for distribution to shareholders of the Company as at 31 December 2019 (as at 31 December 2018: HK$Nil).

SHARE OPTION SCHEME

The Company adopted a share option scheme on 22 November 2002 which was expired on 21 November 2012 (the "**Expired Share Option Scheme**"), to allow the Company to grant share options to the participants for the purpose of providing incentives or rewards to the participants for their contribution to the Group. Pursuant to an ordinary resolution passed and approved at the special general meeting of the shareholders of the Company held on 2 April 2014, the Company adopted a new share option scheme to continue to provide incentives and/or rewards to the participants by way of granting options. The general scheme limit of the Company is 17,231,751 shares which was refreshed on 28 June 2017 by the shareholders of the Company at the annual general meeting representing 10% of the issued share capital by the time of passing the relevant resolution and approximately 6% of the issued share capital as at the date of this annual report. Details of the share options granted and outstanding during the year ended 31 December 2019 were:

		Number of share options							
	Date of grant of share options	Outstanding as at 01.01.2019	During the year ended 31 December 2019				Outstanding as at 31.12.2019	Validity period of shares options	Exercise price
Name of category			Granted	Exercised	Cancelled	Lapsed			*HK$*
Employees	23/3/2016	677,157	–	–	–	–	677,157	23/3/2016–22/3/2026	6.1640*
Consultants	23/3/2016	975,028	–	–	–	–	975,028	23/3/2016–22/3/2026	6.1640*
Directors									
Lam Kwok Hing Wilfred	23/3/2016	297,870	–	–	–	–	297,870	23/3/2016–22/3/2026	6.1640*
Chan Shui Sheung Ivy	23/3/2016	297,870	–	–	–	–	297,870	23/3/2016–22/3/2026	6.1640*
Mok Tsan San	23/3/2016	297,870	–	–	–	–	297,870	23/3/2016–22/3/2026	6.1640*
		2,545,795	–	–	–	–	2,545,795		

* *Following the Open Offer and Share Consolidation on 26 June 2017 and 27 June 2017 respectively, the exercise price of the outstanding share options was adjusted from HK$0.6120 to HK$6.1640.*

A summary of the Expired Share Option Scheme and the new share option scheme of the Company is set out in Note 41 to the accompanying consolidated financial statements.

RETIREMENT BENEFITS SCHEMES

Details of the retirement benefits schemes are set out in Note 42 to the accompanying consolidated financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Bye-laws and the laws in Bermuda.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

EQUITY-LINKED AGREEMENTS

Other than (i) the placing agreement dated 4 March 2019 and 2 August 2019, both as set out in the section headed "Management Discussion and Analysis" and under sub-heading "Fund Raising Activities", and (ii) the share option scheme of the Company as set out in Note 41 to the consolidated financial statements, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company or subsisting during the year ended 31 December 2019.

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2019.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's revenue and purchases attributable to the major customers and supplier respectively for the year ended 31 December 2019 is as follows:

	Percentage of revenue
The largest customer	12.08%
Five largest customers combined	48.09%

	Percentage of purchase
The largest supplier	100%
Five largest suppliers combined	100%

The principal businesses of the Group are properties investments, securities trading, loan financing, trading business and dealing in, advising on securities and asset management.

During the year ended 31 December 2019, none of the Directors, their close associates, or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the number of issued shares of the Company) had an interest in the Group's five largest customers and suppliers.

RELATED PARTY TRANSACTIONS

The related party transactions of the Group are disclosed in Note 43 to the accompanying consolidated financial statements.

These related party transactions did not fall under the definition of connected transaction or continuing connected transaction as defined in the GEM Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the reporting date are set out in Note 54 to the accompanying consolidated financial statements.

DIRECTORS

The Directors who held office during the year ended 31 December 2019 and up to the date of this annual report are:

Executive Directors
Ms. Chan Shui Sheung Ivy
Mr. Mok Tsan San

Non-executive Director
Mr. Lam Kwok Hing Wilfred *J.P. (Chairman)*

Independent Non-executive Directors
Ms. Yuen Wai Man
Mr. Chow Fu Kit Edward
Mr. Lam Raymond Shiu Cheung

Under the Bye-laws, all Directors are subject to retirement by rotation at least once every three years.

In accordance with Bye-laws no. 87(1), Ms. Chan Shui Sheung Ivy and Mr. Chow Fu Kit Edward will retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting (the "**AGM**").

Pursuant to Code Provision A.4.3 of the Corporate Governance Code and Corporate Governance Report, (Appendix 15) to the GEM Listing Rules, if an independent non-executive director serves more than 9 years, any further appointment of such independent non-executive director should be subject to a separate resolution to be approved by shareholders. Upon the expiry of the current employment contract, Ms. Yuen Wai Man has served on the Board for more than 9 years. The reasons why the Board believes she is still independent and shall be re-elected would be included in the papers to shareholders accompanying the condition for her re-election. According to the above GEM Listing Rules, Ms. Yuen Wai Man shall retire from office at the forthcoming AGM and, being eligible, will offer herself for re-election at the forthcoming AGM.

DIRECTORS *(Continued)*

The non-executive Directors are appointed for a specific term, subject to retirement by rotation in accordance with the Bye-laws.

None of the Directors being proposed for re-elections at the forthcoming AGM 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.

BOARD OF DIRECTORS' BIOGRAPHIES

Biographical details of the Directors as at the date of this annual report are set out on pages 18 to 20 of this annual report.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID EMPLOYEES

Details of the emoluments of the Directors and the five highest paid employees of the Group are set out in Notes 14 and 15 to the accompanying consolidated financial statements, respectively.

SERVICE CONTRACT AND APPOINTMENT LETTER OF DIRECTORS

Mr. Lam Kwok Hing Wilfred has entered into an appointment letter with the Company effective from 2 September 2013 as a non-executive Director and was terminated on 31 December 2013. He has entered into another appointment letter with the Company effective from 1 January 2014 regarding the re-designation from non-executive Director to executive Director and the appointment as chairman of the Board. He has further entered into another appointment letter with the Company effective from 1 December 2018 regarding the re-designation from executive Director to non-executive Director while remains as chairman of the Board. He has further entered into another appointment letter with the Company for a fixed term from 1 January 2020 to 31 December 2020.

Ms. Chan Shui Sheung Ivy has entered into an appointment letter with the Company effective from 1 January 2013.

Mr. Mok Tsan San has entered into an appointment letter with the Company effective from 12 August 2014.

SERVICE CONTRACT AND APPOINTMENT LETTER OF DIRECTORS *(Continued)*

Ms. Yuen Wai Man has entered into an appointment letter with the Company for a fixed term from 1 January 2020 to 31 December 2020.

Mr. Chow Fu Kit Edward has entered into an appointment letter with the Company for a fixed term from 1 January 2020 to 31 December 2020.

Mr. Lam Raymond Shiu Cheung has entered into an appointment letter with the Company for a fixed term from 1 January 2020 to 31 December 2020.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance in relation to the Group's business pursuant to which the Company or any of its subsidiaries was a party and in which any of the Directors or Company's members of its management had a material interest, whether directly or indirectly, subsisted at 31 December 2019 or at any time during the year ended 31 December 2019.

COMPETING INTERESTS

None of the Directors or any of their respective associates (as defined in the GEM Listing Rules) had any business or interest that competes or may compete with the business of the Group or had any other conflict of interest with the Group during the year ended 31 December 2019.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES OF THE COMPANY

As at 31 December 2019, the interests and short positions of the Directors and the chief executives of the Company in 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**")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executives of the Company were deemed or taken to have under such provision of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Exchange pursuant to the required standard of dealings by directors of listed issuer as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

Long position in shares and underlying shares of the Company

Name of Directors	Type of interests	Number of issued ordinary shares held	Number of underlying shares	Approximate percentage of the issued share capital
Lam Kwok Hing Wilfred	Beneficial owner	–	297,870 *(Note)*	0.10%
Chan Shui Sheung Ivy	Beneficial owner	9,000	297,870 *(Note)*	0.11%
Mok Tsan San	Beneficial owner	–	297,870 *(Note)*	0.10%

Note:

All underlying shares are share options granted by the Company on 23 March 2016 under the Company's share option scheme at the exercise price of HK$6.1640 per share which was adjusted after taking into account the effect of the open offer and share consolidation of the shares became effective on 26 June 2017 and 27 June 2017 respectively.

Save as disclosed above, as at 31 December 2019, none of the Directors or chief executives of the Company had any interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the above section headed "Directors' and Chief Executives' Interests in Shares of the Company", at no time during the year ended 31 December 2019 was the Company or any of its subsidiaries a party to any arrangement to enable any of the Directors or the chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate, and none of the Directors, their spouse or their children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year ended 31 December 2019.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2019, persons (other than a Director or chief executive of the Company) who had interests or short positions directly or indirectly in the Company's shares and/or underlying shares recorded in the register kept by the Company pursuant to Section 336 of the SFO, or as otherwise notified to the Company and the Exchange were as follows:

Long position in shares and underlying shares of the Company

Name of Shareholders	Capacity	Number of Shares	Approximate percentage of interests
Tse Young Lai	Beneficial owner	42,656,400	15.18%
Ng Kam Ching	Beneficial owner	19,260,000	6.85%

As at 31 December 2019, the number of shares issued by the Company was 281,095,913.

Save as disclosed above, the Directors were not aware of any other persons, other than a Director or chief executive of the Company, who had an interest or a short position in shares or underlying shares of the Company as at 31 December 2019 as recorded in the register required to be kept by the Company under Section 336 of the SFO or as otherwise notified to the Company or the Exchange.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report from pages 35 to 48 of this annual report.

PERMITTED INDEMNITY PROVISION

Pursuant to the Bye-laws, every Director shall be entitled to be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they may incur or sustain in or about the execution of their duty in their offices. Such permitted indemnity provision has been in force throughout the year. The Company has arranged appropriate directors' and officers' liability insurance coverage for the directors and officers of the Group.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float throughout the year ended 31 December 2019 as required under the GEM Listing Rules.

AUDITOR

The consolidated financial statements for the years ended 31 December 2017, 31 December 2018 and 31 December 2019 were audited by Asian Alliance (HK) CPA Limited.

On behalf of the Board
Lam Kwok Hing Wilfred
Chairman

Hong Kong, 12 May 2020

CORPORATE GOVERNANCE PRACTICES

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

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Throughout the year, the Company did not appoint a chief executive. The Board will keep reviewing the current structure from time to time and appoint candidate with suitable knowledge, skill and experience as chief executive of the Company, if identified.

DIRECTORS' SECURITIES TRANSACTION

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "**Code of Conduct**"). Following a specific enquiry, all Directors confirmed that they have complied with the Code of Conduct throughout the year ended 31 December 2019.

BOARD OF DIRECTORS

As at the date of this annual report, the Board consists of six Directors, two of whom are executive Directors, namely Ms. Chan Shui Sheung Ivy and Mr. Mok Tsan San, one of whom is non-executive Director, namely Mr. Lam Kwok Hing Wilfred, and three of whom are independent non-executive Directors, namely Ms. Yuen Wai Man, Mr. Chow Fu Kit Edward and Mr. Lam Raymond Shiu Cheung.

Biographical details of each Director are set out in the section headed "Board of Directors" from pages 18 to 20 of this annual report.

BOARD OF DIRECTORS *(Continued)*

The Company is committed to having a diversity of the Board to complement the Company's corporate strategy. The Company considers that having a Board with diverse culture would assure Directors that their views are heard, their concerns are attended to and they serve in an environment where bias, discrimination and harassment on any matter are not tolerated. The Board has adopted a board diversity policy which sets out the approach to achieve diversity on the Board. Board appointments are based on merit and candidates are considered against objective criteria, having due regard for the benefits of diversity on the Board including, but not limited to, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

The Board includes a balanced composition of executive Directors, non-executive Director and independent non-executive Directors, and possesses a wide spectrum of relevant skills and experience. All executive Directors have given sufficient time and attention to the affairs of the Group. Each executive Director has sufficient experience to hold the position so as to carry out his or her duties effectively and efficiently. The participation of the independent non-executive Directors in the Board brings independent opinion on issues relating to the Group's strategy, performance, conflicts of interest and management process in order to ensure the interests of all shareholders of the Company have been duly considered. To the best knowledge of the Company, there is no financial, business, family or other material/relevant relationship among members of the Board.

Throughout the year ended 31 December 2019, the Board consisted of three independent non-executive Directors, two of them have appropriate professional qualification or accounting or related financial management expertise as required by Rule 5.05(2) of the GEM Listing Rules.

All non-executive Directors are appointed for specific term of one year. They are subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Bye-laws.

BOARD OF DIRECTORS *(Continued)*

Pursuant to Rule 5.09 of the GEM Listing Rules, the Company has received a written confirmation from each of the independent non-executive Directors of his/her independence to the Company. The Company considers all independent non-executive Directors to be independent.

The Board is responsible for approving and monitoring business plans, evaluating the performance of the Group and oversight of management. The Board also focuses on overall strategies and policies with particular attention paid to the growth and financial performance of the Group.

The Board delegates day-to-day operations of the Group to the executive Directors and senior management of the Company, while reserving certain key matters for its approval. Decisions of the Board are communicated to the management through the executive Directors who have attended the Board meetings.

During the year ended 31 December 2019, 20 Board meetings, and 1 AGM were held. Details of the attendance of the Directors are as follows:

	Attendance of	
Directors	**Board meetings**	**General meeting**
Executive Directors		
Ms. Chan Shui Sheung Ivy	20/20	1/1
Mr. Mok Tsan San	17/20	1/1
Non-executive Director		
Mr. Lam Kwok Hing Wilfred *J.P. (Chairman)*	20/20	1/1
Independent Non-executive Directors		
Ms. Yuen Wai Man	19/20	1/1
Mr. Chow Fu Kit Edward	18/20	1/1
Mr. Lam Raymond Shiu Cheung	20/20	1/1

BOARD OF DIRECTORS *(Continued)*

A meeting of the independent non-executive Directors and the chairman of the Company without the presence of executive Directors was held during the year ended 31 December 2019, pursuant to code provision A.2.7 of the CG Code.

Apart from the regular Board meetings, the Board meets on other occasions when a board-level decision on a particular matter is required. Sufficient notice is given for regular Board meetings to all Directors enabling them to attend and reasonable notice will be given in case of special Board meetings. The Directors will receive details of agenda items for decision and summary of the committee meetings held in advance of each Board meeting (if any).

The company secretary of the Company (the "**Company Secretary**") is responsible for distributing detailed documents to the Directors prior to the Board meetings to ensure that the Directors are able to make informed decisions regarding the matters discussed in the meetings. And all Directors have access to the advice and services of the Company Secretary with a view to ensuring that the Board procedures, and all applicable rules and regulations, are followed.

Any Directors wishing to do so in the furtherance of his or her duties may take independent professional advice at the Company's expense. Directors get familiar with the Group through initial induction, on-going participation at the Board and committee meetings, and meeting with key members of management. The Directors are encouraged to update their skills and knowledge.

TRAINING FOR DIRECTORS

The Company provides regular updates and presentations on changes and developments relating to the Group's business and the legislative and regulatory environments to the Directors at regular Board meetings.

TRAINING FOR DIRECTORS *(Continued)*

The Directors are committed to complying with Code Provision A.6.5 of the CG Code on Directors' training. All Directors have participated in continuous professional development to develop and refresh their knowledge and skills and provided a record of training they received for the year ended 31 December 2019 to the Company.

The individual training record of each Director received for the year ended 31 December 2019 is summarised as follows:

Directors	Type of continuous professional development programmes
Executive Directors	
Ms. Chan Shui Sheung Ivy	B
Mr. Mok Tsan San	B
Non-executive Director	
Mr. Lam Kwok Hing Wilfred *J.P. (Chairman)*	A
Independent Non-executive Directors	
Ms. Yuen Wai Man	A
Mr. Chow Fu Kit Edward	B
Mr. Lam Raymond Shiu Cheung	B

notes:

A: attending seminars/forums/workshops/conferences relevant to the business or directors' duties

B: reading regulatory updates

REMUNERATION COMMITTEE

The remuneration committee of the Company was established on 12 August 2005 with written terms of reference. It currently comprises four members, including three independent non-executive Directors; namely, Ms. Yuen Wai Man, Mr. Chow Fu Kit Edward and Mr. Lam Raymond Shiu Cheung; and one non-executive Director, Mr. Lam Kwok Hing Wilfred. Ms. Yuen Wai Man is the chairman of this committee.

The role and function written in the terms of reference of the remuneration committee are no less exacting terms than the CG Code. The remuneration committee makes recommendations to the Board on the Company's policy and structure for all remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy. The remuneration committee also reviews and recommends the Board on its proposals relating to the remuneration of the executive Directors with reference to the Board's corporate goal and objectives. No Director or any of his/her associates can be involved in deciding his/her own remuneration. Factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration are considered by the remuneration committee to determine the remuneration package of individual executive Directors including benefits in kind, pension rights and compensation payments including any compensation payable for loss or termination of their office or appointment; or relating to dismissal or removal for misconduct to ensure that it is consistent with contractual terms and is otherwise fair, not excessive, reasonable and appropriate.

For the year ended 31 December 2019, the remuneration committee of the Company held two meetings and passed certain written resolutions to (i) review the policy and structure of the remuneration packages for the Directors; (ii) make recommendations to the Board on the remuneration proposal for the re-appointment of executive Director, non-executive Director and independent non-executive Director; and (iii) review Directors' remuneration.

Details of the attendance of the Company's remuneration committee meetings are as follows:

Members	**Attendance**
Ms. Yuen Wai Man *(Chairman)*	2/2
Mr. Lam Kwok Hing Wilfred, *J.P.*	2/2
Mr. Chow Fu Kit Edward	2/2
Mr. Lam Raymond Shiu Cheung	2/2

The remuneration payable to Directors depends on their respective contractual terms under service contract/letter of appointment, if any, and as recommended by the Remuneration Committee and approved by the Board.

NOMINATION COMMITTEE

The nomination committee of the Company (the "**Nomination Committee**") was established on 12 August 2005 with written terms of reference which was further revised on 31 December 2018. It currently comprises four members, including three independent non-executive Directors; namely, Ms. Yuen Wai Man, Mr. Chow Fu Kit Edward and Mr. Lam Raymond Shiu Cheung; and one non-executive Director, Mr. Lam Kwok Hing Wilfred. Mr. Lam Raymond Shiu Cheung is the chairman of this committee.

The Nomination Committee is responsible for reviewing the structure, size, composition and diversity of the Board annually in order to make recommendations to the Board on any proposed changes in relation to the Directors' appointment, re-appointment and independence of independent non-executive Directors.

The Board has adopted a board diversity policy which sets out the approach to achieve diversity on the Board. The board diversity policy was further revised on 31 December 2018. Accordingly, selection of candidates to the Board is based on a range of measurable objectives, including but not limited to gender, age, cultural and educational background, professional experience and qualifications, skills, knowledge and length of service, having due regard to the Company's own business model and specific needs from time to time. With the existing Board members coming from a variety of business and professional background, the Company considers that the Board possesses a balance of skills, experience, expertise and diversity of perspectives appropriate to the requirements of the Company's business.

For the year ended 31 December 2019, the Nomination Committee held two meetings and passed certain written resolutions to (i) make recommendations to the Board on the appointment of non-executive Director and independent non-executive Directors and the re-election of Directors at the general meeting; (ii) review the structure, size, composition and diversity of the Board members; (iii) assess the independence of the independent non-executive Directors; and (iv) review and consider the vacancy of chief executive of the Company.

Details of the attendance of the Nomination Committee meetings are as follows:

Members	**Attendance**
Mr. Lam Raymond Shiu Cheung *(Chairman)*	2/2
Mr. Lam Kwok Hing Wilfred	2/2
Ms. Yuen Wai Man	2/2
Mr. Chow Fu Kit Edward	2/2

DIRECTOR NOMINATION POLICY

The director nomination policy of the Group (the "**Nomination Policy**") is in place and was adopted in writing in the Year taking into consideration the revised Listing Rules effective from 31 December 2018. The Nomination Policy sets out the procedures, process and criteria for identifying and recommending candidates for election to the Board.

AUDIT COMMITTEE

The Company has established an audit committee (the "**Audit Committee"**) with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules which was further revised on 31 December 2018. As at the date of this annual report, the Audit Committee comprises three independent non-executive Directors; namely Ms. Yuen Wai Man, Mr. Chow Fu Kit Edward and Mr. Lam Raymond Shiu Cheung. Ms. Yuen Wai Man is the chairman of this committee.

The primary duties of the Audit Committee include, among other things, making recommendations to the Board on the appointment, re-appointment and removal of the external auditor whilst getting the way with them to maximize their independence and objectivity and to approve the remuneration and term of engagement of the external auditor; reviewing the Company's financial statements, annual report and accounts, interim report and quarterly reports and financial reporting judgments contained therein; overseeing the effectiveness of the audit financial reporting system, risk management and internal control systems of the Group; and reviewing the confidential arrangements that employees of the Company may use to report and by way of which facilitating the above-mentioned duties.

For the year ended 31 December 2019, the Audit Committee held six meetings and passed certain written resolutions to review and supervise the financial reporting process, to review corporate governance, internal control and risk management issues related to the financial reporting and environmental, social and governance reporting, and to make recommendation to the Board on (1) the re-appointment of auditor; (2) the engagement of a consultant firm for provision of the Group's internal audit function and environmental, social and governance reporting; (3) enterprise risk assessment of the Group; and (4) internal audit work plan. They had reviewed the quarterly results, interim results and, in conjunction with the external auditor of the Company, reviewed the annual results of the Group and recommended to the Board for their consideration and approval. The Audit Committee was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

AUDIT COMMITTEE *(Continued)*

Review of Risk Management and Internal Control Systems

The Audit Committee is delegated by the Board with the responsibility to provide independent oversight of the Group's financial reporting, risk management and internal control systems, and the adequacy of the external and internal audits. The Audit Committee reviewed the effectiveness of the Group's risk management and internal control systems by reviewing the reports (including the internal audit workplan) issued by the independent external assurance provider, and the internal control self-assessment from management.

The Audit Committee reviewed and concurred with the management's confirmation that for the year ended 31 December 2019: (i) the Group's risk management and internal control systems were effective and adequate; and (ii) the Group had complied satisfactorily with the requirements of the CG Code in respect of risk management and internal control systems.

Review of Accounting, Financial Reporting and Internal Audit Functions

The Audit Committee reviewed and was satisfied with the adequacy of the resources, staff qualifications and experience, training programmes, on the Group's accounting, financial reporting and internal audit functions.

The Audit Committee also carried out and discharged its other duties as set out in the CG Code.

Details of the attendance of the Audit Committee meetings are as follows:

Members	Attendance
Ms. Yuen Wai Man *(Chairman)*	6/6
Mr. Chow Fu Kit Edward	6/6
Mr. Lam Raymond Shiu Cheung	6/6

The Group's unaudited quarterly results, interim results, annual results and audited annual results of the year 2019 were reviewed by this committee.

CORPORATE GOVERNANCE FUNCTION

The Board is also responsible for performing the corporate governance duties with its written terms of reference as set out below:

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

b) to review and monitor the training and continuous professional development of Directors and senior management;

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

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

e) to review the Company's compliance with the CG Code and disclosure in the corporate governance report.

AUDITOR'S REMUNERATION

During the year ended 31 December 2019, the remuneration paid/payable to the Company's external auditor, Asian Alliance (HK) CPA Limited, is set out below:

	HK$'000
Services rendered to the Group	
– Audit services	1,357
– Non-audit services	–
	1,357

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

Annual Report and Financial Statements

All Directors acknowledge their responsibilities to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and in presenting the quarterly, interim and annual financial statements, and announcements to the shareholders of the Company. The Directors aim to present a balanced and understandable assessment of the Group's position and prospects with timely publication of the financial statements of the Group. Except from the issues discussed under paragraph "Multiple fundamental uncertainties relating to going concern" in the Independent Auditor's Report, as at 31 December 2019, the Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statements of the external auditor of the Company, Asian Alliance (HK) CPA Limited, about their reporting responsibilities on the financial statements of the Group are set out in the Independent Auditor's Report on pages 58 to 60 of this annual report.

Accounting Period

The Directors consider that in preparing the financial statements, the Group uses appropriate accounting policies that are consistently applied, and that all applicable accounting standards are followed.

COMPANY SECRETARY

Ms. Cheung Ching Man ("**Ms. Cheung**"), delegated by an external service provider, was appointed as the Joint Company Secretary on 1 February 2013 and acts as the sole Company Secretary with effect from 7 June 2016 following the confirmation by the Exchange that Ms. Cheung met the requirements to be the sole Company Secretary under the GEM Listing Rules. Her primary contact person in the Company is Ms. Chan Shui Sheung Ivy, an executive Director.

Pursuant to Rule 5.15 of the GEM Listing Rules, Ms. Cheung has taken no less than 15 hours of relevant professional training during the year ended 31 December 2019.

SHAREHOLDERS' RIGHTS

Right to convene special general meeting

The Directors, on the requisition of shareholder(s) of the Company holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the rights, by written requisition to the Board or the Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition.

The requisition must state the purposes of the meeting, and must be signed by the requisitionists and deposited at the registered office of the Company in Bermuda for the attention of the Company Secretary.

If the Directors do not within 21 days from the date of the deposit of the requisition proceed duly to convene a meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date.

Right to put enquiries to the Board

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the head office of the Company in Hong Kong or the registered office in Bermuda, or by e-mail to info@chinesestrategic.com for the attention of the Company Secretary.

SHAREHOLDERS' RIGHTS *(Continued)*

Right to put forward proposals at general meetings

On the requisition in writing of either (i) any number of shareholder(s) of the Company representing not less than one-twentieth of the total voting rights of all the shareholders having at the date of the requisition a right to vote at the meeting to which the requisition relates; or (ii) not less than 100 shareholders, the Company shall, at the expense of the requisitionists: (a) to give to shareholders of the Company entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; (b) to circulate to shareholders entitled to have notice of any general meeting sent to them any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

The requisition must be signed by the requisitionists and deposited at the head office and principal place of business in Hong Kong of the Company for the attention of the Company Secretary.

INVESTORS AND SHAREHOLDERS RELATIONS

The Board recognizes the importance of maintaining clear, timely and effective communication with the shareholders of the Company and investors. The Company has disclosed all necessary information to its shareholders and investors in compliance with the GEM Listing Rules. Moreover, the Board maintains close communications with the shareholders and investors of the Company through a number of formal communication channels which include (i) the publication of the Company's latest business developments and financial performance through its annual, interim and quarterly reports, notices, announcements and circulars; (ii) the general meetings providing an opportunity for the shareholders of the Company to raise comments and exchanging views with the Board; and (iii) the Company's website provides an effective communication platform between the Company and its investors.

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

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and maintaining sound and effective risk management and internal control systems to safeguard the interests of shareholders and the Group's assets. The Board also acknowledges its responsibility for overseeing the Group's risk management, financing reporting, and internal control systems on an ongoing basis and reviewing their effectiveness at least annually through the Audit Committee. The Audit Committee assists the Board in fulfilling its oversight and corporate governance roles in the Group's financial, operational, compliance, risk management and internal controls, and the resourcing of the finance and internal audit functions.

To this end, appropriate policies and controls have been 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. Besides, management continues to allocate resources for the risk management and internal control systems to provide reasonable, though not absolute, assurance against material misstatement or loss and to manage rather than eliminate the risk of failure to achieve business objectives.

The Board, through the Audit Committee, has delegated the internal audit function to an independent external assurance provider, who has conducted a review on the adequacy and effectiveness of the Group's risk management and internal control systems for the year ended 31 December 2019. The Board considers that the Group's risk management and internal control systems are effective and adequate.

The Board, through the Audit Committee, leads and provides direction to management by laying down strategies and overseeing their implementation by management, monitors the Group's operational and financial performance, and ensures that sound risk management and internal control systems are in place.

The Board reviewed and was satisfied with the adequacy of the resources, staff qualifications and experience, training programmes, on the Group's accounting, financial reporting and internal audit functions.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") REPORT

This report was approved by the Company's Board of Directors and aims to provide a balanced representation of the Group's effort on the corporate social responsibility in the Marketplace, Workplace, Community and Environment which cover the Group's operations for the financial year ended 31 December 2019 (the "**Year**").

Reporting Framework

This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide set out in Appendix 20 of the GEM Listing Rules.

ESG Working Group

Steered by the Board of Directors, the Company has established an ESG working group, which has clear terms of reference that set out the powers delegated to it to enhance our commitment to transparency and accountability.

Corporate Social Responsibility ("CSR") Vision, Policy and Strategy

The Group adopts the CSR Policy in order to commit to the highest standards of corporate governance, and aims to integrate CSR into the Group's business strategy and management approach.

CSR is viewed as a business philosophy that creates shared sustainable value with its stakeholders in the economic, social and environmental dimensions. The Group's CSR vision and CSR Policy guide the Group's business and operational decisions to take into account its responsibility to the CSR cornerstones with pragmatic objectives providing guidance on the application of these principles in its daily operations. The Group's CSR Policy describes our long-term approach to specific issues in the four cornerstones: Marketplace, Workplace, Community and Environment, which is instrumental in enabling our business to operate in a sustainable manner. Within each of the cornerstones, core principles and pragmatic objectives provide guidance on practicing CSR in our daily operations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") REPORT *(Continued)*

Stakeholders Engagement

The Group endeavours to create sustainable growth and long-term value for its stakeholders, who comprise the Group's employees, investors, customers and the wider community. We continue to interact with our stakeholders on an ongoing basis in order to understand their views and collect their feedback. We have also established effective communication channels with our stakeholders through company website, annual general meeting and staff meetings. The opinions of stakeholders are vastly beneficial to formulating and implementing sustainable development strategies whereby we can improve the ESG performance.

MARKETPLACE

The Group, endeavoring to provide professional financial services to its clients, is well known for its commitment towards a corporate culture that embraces strong principles of business ethics across its organizational hierarchy. The core area under the compliance rules of the Group is the renting of premises, which is subject to laws and regulations, including Stamp Duty Ordinance, Rating Ordinance, and Inland Revenue Ordinance. No case of non-compliance to any relevant laws and regulations relating to the renting of premises that had a significant impact over it was identified for the Year.

Supply Chain Management

Maintaining an efficient and fair supply chain is a top agenda of the Group which lays a significant attention on its set of suppliers who are considered the harbingers of good reputation for the Group. The associated sustainability impacts on the business operations as well as an enhanced performance are the major outcomes of a cordial relationship with the suppliers. The Group has therefore sought to address the varied needs of the stakeholders by laying a focus on responsible behavior, equality, and sensitivity while undertaking its supplier selection, negotiations, governance, and re-compensations.

MARKETPLACE *(Continued)*

Product and Service Responsibility

Safeguarding personal data and privacy of its customers and employees is among the priority areas of the Group, which has also ensured compliance to a set of security guidelines and ordinances in place. For instance, the Group ensures a strict compliance of all collected and processed data to the Personal Data (Privacy) Ordinance and other guidelines issued by Office of the Privacy Commissioner for Personal Data. The Group also aims to further strengthen its focus on Personal Data Privacy protection by following stringent adherence to such information security controls.

During the Year, the Group is not aware of any material non-compliance with the relevant laws and regulations relating to products and services safety that have or may result in significant impact on the Group.

Anti-corruption

The Group also aims at maintaining a fair internal working environment and cordial relationships among its employees. Anti-corruption measures and laws are enforced within the business arena of the Group as well as its internal working mechanisms to ensure honesty and integrity. The whistle blowing policy is a good example of an anti-corruption, anti-fraud, and anti-malpractice policy followed by the Group which encourages reporting of any inappropriate behavior through procedures well-in-place. During the Year, no violation of related rules and regulations on bribery, extortion, fraud and money laundering was identified.

WORKPLACE

The Group's workforce is its greatest asset, and the progress made by the Group over the recent years is a testimony to their dedication and quality efficiency. Valuing diversity, recognizing and rewarding talent, incessantly working towards skill development, and ensuring safety and wellbeing are the basic pillars of the work culture promoted and encouraged by the Group.

Employment

The Group has several non-discriminatory policies and practices well in place, to ensure equal opportunities across all sexes, ethnicities, races, ages, and religions. Such policies entail the processes of recruitment to promotion, and embark upon a sole focus on the qualifications, experience, and merits of the applicants and staff.

WORKPLACE *(Continued)*

Employment *(Continued)*

Diversity is another significant asset of the Group which is considered as its greatest strength. As an organization, the Group seeks to respect diversity across all levels and strives towards a work environment offering breakthrough ideas for the clients and development opportunities for the employees.

During the Year, The Group is not aware of any material non-compliance with relevant laws and regulations in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, welfare and other benefits that have a significant impact on the Group.

Health and Safety

Ensuring a safe working environment has been a priority concern for the Group, which is highly committed to maintaining high standards of health and safety for staff. The Group ensures that the operations at each company location comply, at a minimum, with the local health and safety laws along with a goal to attain the industry best practices as well. It also has its own set of health and safety policies and procedures for its constituent offices and work sites, health and safety management training, along with routine emergency and contingency planning (such as fire drill).

In addition to such routine drills and practices, all permanent staff members of the Group are covered by insurance guided by the Employees' Compensation Ordinance and the Mandatory Provident Fund ("**MPF**") scheme in accordance with the MPF Schemes Ordinance.

During the Year, the Group is not aware of any material non-compliance with the relevant laws and regulations in relation to providing a safe working environment and protecting the employees from occupational hazards that have a significant impact on the Group.

WORKPLACE *(Continued)*

Development and Training

Aiming at a strong, stable, and effective workforce, the Group ensures the provision of appropriate training and development opportunities to its employees. Programs such as on-the-job training, management training, occupational health and safety management, and other compliance and policies training have been included under its training development framework designed for the employees working at different positions. A regular evaluation of the training programs is also done to ensure their effectiveness. These programs are aimed at supporting the staff training, individual staff's personal growth, as well as a long-term career development planning. The Group has also made a recent provisioning of a 1 week to 2 weeks on-the-job training for the new hires to enable them to learn about company ethics and equip relevant business skills.

Labour Standards

Another step taken for a motivated and enthusiastic work force is the provision of competitive remuneration and welfare packages to the employees. Appropriate promotion opportunities, salary adjustments, rewards and recognition are ensured through a robust system of remunerations and associated benefits. The aim is to aptly reward the performance of each individual to retain the talent for Group's development.

The Group is strongly committed to ensuring strict adherence to the Personal Data (Privacy) Ordinance, the Employment Ordinance, the Minimum Wage Ordinance, and other ordinances relating to occupational safety, as well as disability, sex, family status, and race discrimination. The Employee Handbook provided by the Group mentions all about the non-discrimination statement, statement on work hours to ensure the adherence to all human rights.

During the Year, the Group is not aware of any non-compliance with relevant laws and regulations in relation to the prevention of child and forced labour on the Group.

COMMUNITY

Community occupies a significant position for the long-term success of the Group. It is for this reason that the Group puts additional efforts in being recognized as a responsible corporate citizen. The Group sought to present its activities being based on the sense of a shared value by not only being an active supporter of charitable organizations itself, but also encouraging its employees to spend time for charitable activities with which they associate themselves. The Group has actively encouraged a sense of responsibility among the staff members and their families towards the society, needy and particularly the physically disabled. Such an attitude has been deemed to be based on the values of harmony, equality, and fairness. Thereby indicating that such active engagement on the part of the employees is a determinant of increased loyalty towards the organization.

ENVIRONMENT

The Group lays focus on the preservation of the natural environment by adhering to the laws and regulations adopted by the local authorities to curtail the high emissions of greenhouse gas. The Group and its members are well aware of its social and environmental responsibilities towards environment friendly operations in order to build a sustainable working and living environment.

The major business operations of the Group for the Year included property investments, securities trading, loan financing, trading business and dealing in, advising on securities and asset management. These operations are mainly carried out in offices and do not have significant impact on the environment and natural resources thus the Group’s emission relating to air, greenhouse gas emissions and discharges into water and land as well as the generation of hazardous and non-hazardous wastes are minimal in the Year.

ENVIRONMENT *(Continued)*

Energy Consumption and Green House Gas ("GHG") Emission

The major sources of emission of GHG by the Group are fuel used for its motor vehicles and consumption of electricity for its office operations. The Group has therefore, directed efforts to monitor and minimize its mobile fuel and electricity usage in its workplace by the use of environmentally friendly public transportation and office equipment as well as by encouraging our employees to share rides where possible and to keep the indoor temperature within the office at 24 to 26 degrees Celsius.

Overview of energy consumption

	2018 kWh	**2019 kWh**	**Variance Increase/ (decrease)**
Mobile fuel	204,915	169,806	(17%)
Electricity	54,963	37,735	(31%)
Total energy consumption	259,878	207,541	(20%)
Energy consumption intensity[1]			
Per square feet	19.8	34.0	72%

Note:

1. Energy consumption intensity is calculated by dividing the total energy consumption by the area of the Group's office. The office area is approximately 13,144 square feet for 2018 and 6,100 square feet in 2019.

ENVIRONMENT *(Continued)*

Energy Consumption and Green House Gas ("GHG") Emission *(Continued)*

Overview of carbon footprint

	2018 kgCO2e	2019 kgCO2e	Variance Increase/ (decrease)
Scope 1: Direct emissions[2]			
– Carbon dioxide	52,010	41,330	(21%)
Scope 2: Indirect emissions[3]			
– Carbon dioxide	28,030	19,240	(31%)
Total GHG emissions (Scope 1+2)	80,040	60,570	(24%)
GHG emissions intensity[4]			
Per square feet	6.1	9.9	62%

Notes:

1. The above calculation is based on the reference and tools provided by Environmental Protection Department. https://www.carbon-footprint.hk/node/52

2. Scope 1 refers to direct GHG emissions such as fuel consumption.

3. Scope 2 refers to indirect GHG emissions from consumption of purchased electricity.

4. GHG emissions intensity is calculated by dividing the total GHG emissions by the area of the Group's office.

During the Year, the Group's mobile fuel consumption decreased by 17% from 204,915 kWh in 2018 to 169,806 kWh in 2019. Meanwhile, the corresponding direct GHG emissions also decreased by 21% from 52,010 kg of CO_2 equivalent in 2018 to 41,330 kg of CO_2 equivalent in the Year. As a means to reduce energy consumption, the office air-conditioning unit is set to switch off automatically from 8 p.m. to 8 a.m. of the following day. In addition, the Group continued to encourage behavioral change, through e-communication to all employees to promote a green working environment. Hence, the Group's electricity consumption decreased by 31% from 54,963 kWh in 2018 to 37,735 kWh in the Year and the related indirect GHG emissions decreased from 28,030 kg of CO_2 equivalent in 2018 to 19,240 kg of CO_2 equivalent in the Year. The total GHG emissions also decreased by 24% from 80,040 kg of CO_2 equivalent in 2018 to 60,570 kg of CO_2 equivalent in the Year.

ENVIRONMENT *(Continued)*

Energy Consumption and Green House Gas ("GHG") Emission *(Continued)*

The principal activities of the Group are not in production, hence water is used mainly for domestic purpose at our office and the Group does not have any concern in sourcing water that is fit for such purpose. The Group will continue to promote energy and water-saving behavior under its overall environmental management agenda.

Waste Management

Paper waste is the major waste that has been identified in the Group's business operation. The Group encourages employees to maximize the usage of soft and electronic copies instead of hardcopies to create a paperless environment.

Moreover, the Group follows proper waste management both within its workplace, and outside. There is no generation of any kind of hazardous waste in the workplace. The Group currently does not report on the volume of non-hazardous waste produced, but proper reuse and recycle guidelines are followed for the disposal of non-hazardous waste which is segregated into paper and tins. Reusing the waste products and duplex print is also strongly encouraged by the Group.

Regulatory Compliance

The Group is not aware of any incidents of non-compliance with laws and regulations that have a significant impact on the Group relating to air and GHG emission, discharges into water and land and generation of hazardous and non-hazardous wastes.

華融(香港)會計師事務所有限公司
Asian Alliance (HK) CPA Limited

TO THE MEMBERS OF CHINESE STRATEGIC HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Chinese Strategic Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 61 to 234, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

(a) Limitation of scope on prior year's scope limitation affecting opening balances, comparative figures and related disclosures

As explained in our report dated 27 March 2019 on the Group's consolidated financial statements for the year ended 31 December 2018 (the "2018 Consolidated Financial Statements"), we were not provided with sufficient evidence to enable us to satisfy ourselves as to whether the Group's share of Chinese Capital Union Financial Limited ("CCUF")'s result for the year ended 31 December 2018 and thus the carrying amount of the interest in CCUF and the receivable due from and payable to CCUF included in the Group's consolidated statement of financial position as at 31 December 2018 were fairly stated and whether the summarised financial information of CCUF as shown in Note 22 to the 2018 Consolidated Financial Statements were properly disclosed. We qualified our opinion on the Group's 2018 Consolidated Financial Statements in respect of this limitation of scope accordingly.

BASIS FOR DISCLAIMER OF OPINION *(Continued)*

(a) Limitation of scope on prior year's scope limitation affecting opening balances, comparative figures and related disclosures *(Continued)*

Any adjustments found to be necessary to the opening balances as at 1 January 2019 may affect the results and related disclosures in the notes to the consolidated financial statements of the Group for the year ended 31 December 2019. The comparative figures for the year ended 31 December 2018 shown in these consolidated financial statements may not comparable with the figures for the current year.

(b) Limitation of scope on share of results of joint ventures

As described in Note 23 to the consolidated financial statements, the Group has equity accounted for its interest in CCUF in the consolidated financial statements. There were no other satisfactory audit procedures that we could perform to determine whether any adjustments were necessary in respect of the interest in CCUF as at 1 January 2019 and the Group's share of result of CCUF and the related disclosures for the year ended 31 December 2019.

Any adjustments to the opening balances of the interest in CCUF as at 1 January 2019 would have a significant consequential effect on the share of result of CCUF recognised and the related disclosures for the year ended 31 December 2019.

(c) Multiple fundamental uncertainties relating to going concern

As described in Note 2 to the consolidated financial statements, the Group reported loss attributable to the owners of the Company of approximately HK$178,040,000 and had net cash used in operating activities of approximately HK$4,159,000 for the year ended 31 December 2019. As at 31 December 2019, the Group's current liabilities exceeded its current assets by approximately HK$192,229,000, in which total borrowings amounted to approximately HK$114,959,000, while its cash and cash equivalents amounted to approximately HK$1,320,000 only.

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

The directors of the Company (the "Directors") have been undertaking a number of measures to improve the Group's liquidity and financial position as described in Note 2 to the consolidated financial statements. The consolidated financial statements have been prepared by the Directors on a going concern basis, the validity of which depends on the Group's ability to obtain sufficient future funding. Due to the uncertainty of the Group's ability to maintain adequate future cash flows, we were unable to ascertain whether the assumptions made by the Directors in preparing the consolidated financial statements on a going concern basis are proper and appropriate.

Should the going concern assumption be inappropriate, adjustments would be necessary to reclassify all non-current assets and liabilities as current assets and liabilities respectively, write-down the value of assets to their recoverable amounts and to provide for further liabilities which may arise. The consolidated financial statements have not incorporated any of these adjustments. However, the uncertainty surrounding the Group's future cash flows raises significant doubt on the Group's ability to continue as a going concern. We consider that appropriate disclosures have been made in the consolidated financial statements concerning this situation, but we are unable to obtain adequate evidence concerning the Group's ability to meet any financial obligations as and when they fall due and we consider that this material uncertainty relating to going concern basis.

We consider the cumulative effect of the above matters on the consolidated financial statements is so extreme that we have disclaimed our opinion.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. However, because of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Asian Alliance (HK) CPA Limited
Certified Public Accountants (Practising)
Cheng Ting Chiu
Practising Certificate Number: P06598

8/F., Catic Plaza
8 Causeway Road
Causeway Bay
Hong Kong

12 May 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	*8*		
Sales of goods		**1,991**	20,544
Leases		**1,369**	2,516
Interest under effective interest method		**774**	1,814
Dividend income		**6**	12
Total revenue		**4,140**	24,886
Cost of sales		**(2,030)**	(20,381)
Gross profit		**2,110**	4,505
Other income	*10a*	**2,047**	606
Other gains and losses	*10b*	**(78,877)**	(101,462)
Administrative expenses		**(56,683)**	(80,552)
Impairment losses under expected credit loss model, net of reversal	*10c*	**(13,810)**	(26,310)
Share of results of associates	*22*	**(4)**	(11)
Share of results of joint ventures	*23*	**(11,427)**	11,198
Operating loss		**(156,644)**	(192,026)
Finance costs	*11*	**(23,800)**	(27,237)
Loss before tax		**(180,444)**	(219,263)
Income tax expenses	*12*	**(89)**	(167)
Loss for the year	*13*	**(180,533)**	(219,430)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	2019 **HK$'000**	2018 HK$'000
Other comprehensive expense		
Item that will not be reclassified to profit or loss:		
Fair value loss on investments in equity instruments at fair value through other comprehensive income	**(854)**	(27)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(2)**	(5)
Share of translation reserve of a joint venture	**(3,094)**	(8,692)
	(3,096)	(8,697)
Other comprehensive expense for the year, net of income tax	**(3,950)**	(8,724)
Total comprehensive expense for the year	**(184,483)**	(228,154)
(Loss) profit for the year attributable to:		
Owners of the Company	**(178,040)**	(221,601)
Non-controlling interests	**(2,493)**	2,171
	(180,533)	(219,430)

	Notes	2019 HK$'000	2018 HK$'000
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(181,990)**	(230,325)
Non-controlling interests		**(2,493)**	2,171
		(184,483)	(228,154)
Loss per share	*17*		
Basic (HK cents)		**(72.53) cents**	(107.17) cents
Diluted (HK cents)		**N/A**	N/A

Consolidated Statement of Financial Position

At 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Plant and equipment	18	**4,227**	7,221
Prepaid lease payment – non-current portion	20	**–**	18,726
Right-of-use assets	19	**7,126**	–
Investment properties	21	**131,310**	164,840
Interests in associates	22	**403**	397
Interests in joint ventures	23	**152,088**	184,518
Club debentures	24	**2,690**	2,690
Other assets	30	**805**	–
Intangible assets	25	**–**	5,732
Equity instruments at fair value through other comprehensive income	26	**1,572**	2,426
Loan and interest receivables	27	**19,330**	–
Financial assets at fair value through profit or loss	28	**–**	7,468
Deposit paid for acquisition of a subsidiary	29	**–**	3,302
		319,551	397,320
CURRENT ASSETS			
Loan and interest receivables	27	**9,386**	25,778
Financial assets at fair value through profit or loss	28	**4,725**	33,294
Other receivables	29	**10,812**	41,934
Prepaid lease payment – current portion	20	**–**	388
Amount due from an associate	22	**3**	5
Amount due from a joint venture	23	**4,242**	1,824
Bank balances and cash	31	**1,320**	7,185
		30,488	110,408
Assets classified as held for sale	32	**3,557**	17,270
		34,045	127,678
CURRENT LIABILITIES			
Trade and other payables	33	**70,830**	50,448
Amount due to an associate	22	**731**	723
Amount due to joint venture	23	**3,000**	3,000
Borrowings	34	**94,823**	142,349
Bond payables	35	**40,000**	10,000
Lease liabilities – current portion	36	**3,070**	–
Obligations under finance leases – current portion	37	**–**	729
Financial guarantee contract	38	**4,837**	3,540
Bank overdraft		**70**	–
Tax liabilities		**8,913**	8,944
		226,274	219,733
Liabilities associated with assets classified as held for sale	32	**–**	5,719
		226,274	225,452
NET CURRENT LIABILITIES		**(192,229)**	(97,774)
TOTAL ASSETS LESS CURRENT LIABILITIES		**127,322**	299,546

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT LIABILITIES			
Bond payables	*35*	**10,000**	40,000
Borrowings	*34*	**20,136**	–
Lease liabilities – non-current portion	*36*	**4,156**	–
Obligations under finance leases – non-current portion	*37*	**–**	766
Deferred tax liabilities	*39*	**1,639**	1,560
		35,931	42,326
NET ASSETS		**91,391**	257,220
CAPITAL AND RESERVES			
Share capital	*40*	**2,811**	2,068
Reserves		**57,859**	222,171
Equity attributable to owners of the Company		**60,670**	224,239
Non-controlling interests	*51*	**30,721**	32,981
TOTAL EQUITY		**91,391**	257,220

The consolidated financial statements on pages 61 to 234 were approved and authorised for issue by the Board of Directors on 12 May 2020 and are signed on its behalf by:

Lam Kwok Hing Wilfred	**Chan Shui Sheung Ivy**
Director	*Director*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Share options reserve HK$'000	Fair value through other comprehensive income ("FVTOCI") revaluation reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2018	2,068	3,168,665	7,914	11,547	(3,939)	2,806	(2,734,497)	454,564	30,640	485,204
(Loss) profit for the year	–	–	–	–	–	–	(221,601)	(221,601)	2,171	(219,430)
Other comprehensive expense for the year, net of income tax										
Item that will not be reclassified to profit or loss:										
Fair value loss on investments in equity instruments at FVTOCI	–	–	–	–	(27)	–	–	(27)	–	(27)
Items that may be subsequently reclassified to profit or loss:										
Exchange differences arising on translation of foreign operations	–	–	–	–	–	(5)	–	(5)	–	(5)
Share of translation reserve of a joint venture	–	–	–	–	–	(8,692)	–	(8,692)	–	(8,692)
	–	–	–	–	–	(8,697)	–	(8,697)	–	(8,697)
	–	–	–	–	(27)	(8,697)	–	(8,724)	–	(8,724)
Total comprehensive (expense) income for the year	–	–	–	–	(27)	(8,697)	(221,601)	(230,325)	2,171	(228,154)
Acquisition of a subsidiary (Note 48(c))	–	–	–	–	–	–	–	–	170	170
Cancellation of share options (Note 41)	–	–	–	(3,063)	–	–	3,063	–	–	–
At 31 December 2018	2,068	3,168,665	7,914	8,484	(3,966)	(5,891)	(2,953,035)	224,239	32,981	257,220

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Share options reserve HK$'000	FVTOCI revaluation reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2019	2,068	3,168,665	7,914	8,484	(3,966)	(5,891)	(2,953,035)	224,239	32,981	257,220
Loss for the year	–	–	–	–	–	–	(178,040)	(178,040)	(2,493)	(180,533)
Other comprehensive expense for the year, net of income tax										
Item that will not be reclassified to profit or loss:										
Fair value loss on investments in equity instruments at FVTOCI	–	–	–	–	(854)	–	–	(854)	–	(854)
Items that may be subsequently reclassified to profit or loss:										
Exchange differences arising on translation of foreign operations	–	–	–	–	–	(2)	–	(2)	–	(2)
Share of translation reserve of a joint venture	–	–	–	–	–	(3,094)	–	(3,094)	–	(3,094)
	–	–	–	–	–	(3,096)	–	(3,096)	–	(3,096)
	–	–	–	–	(854)	(3,096)	–	(3,950)	–	(3,950)
Total comprehensive expense for the year	–	–	–	–	(854)	(3,096)	(178,040)	(181,990)	(2,493)	(184,483)
Disposal of a subsidiary (Note 49(a))	–	–	–	–	–	–	–	–	233	233
Issuance of shares upon placing (Note 40)	743	18,248	–	–	–	–	–	18,991	–	18,991
Transaction cost attributable to issuance of shares upon placing (Note 40)	–	(570)	–	–	–	–	–	(570)	–	(570)
At 31 December 2019	2,811	3,186,343	7,914	8,484	(4,820)	(8,987)	(3,131,075)	60,670	30,721	91,391

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	2019 HK$'000	2018 HK$'000
OPERATING ACTIVITIES		
Loss before tax	**(180,444)**	(219,263)
Adjustments for:		
Finance costs	**23,800**	27,237
Interest income	**(323)**	(606)
Gain on disposal of right-of-use assets	**(503)**	–
Depreciation of plant and equipment	**1,471**	3,898
Depreciation of right-of-use assets	**3,092**	–
Amortisation of prepaid lease payment	**–**	388
Loss on written-off of plant and equipment	**–**	2
Impairment loss of goodwill	**1,660**	389
Impairment loss on right-of-use assets	**15,297**	–
Impairment loss on interests in joint venture	**17,909**	–
Gain on disposal of an investment property	**(400)**	(80)
Loss (gain) on disposal of subsidiaries	**1,095**	(907)
Gain on disposal of plant and equipment	**(2,626)**	–
Gain on deemed disposal of a subsidiary	**–**	(45)
Impairment losses under expected credit loss model, net of reversal	**13,810**	26,310
Changes in fair values of investment properties, net	**19,377**	(8,291)
Loss from changes in fair value of financial assets at FVTPL, net	**21,336**	53,082
Written-off of other receivables	**–**	240
Written-off of intangible assets	**5,732**	–
Share of results of joint ventures	**11,427**	(11,198)
Share of results of associates	**4**	11
Operating cash flows before movements in working capital	**(48,286)**	(128,833)
(Increase) decrease in loan and interest receivables	**(1,737)**	15,523
Decrease in other receivables	**18,305**	12,058
Decrease in financial assets at fair value through profit or loss	**31,938**	68,647
(Decrease) increase in trade and other payables	**(8,784)**	21,462
Cash used in operations	**(8,564)**	(11,143)
Tax paid	**(30)**	–
NET CASH USED IN OPERATING ACTIVITIES	**(8,594)**	(11,143)

	Notes	2019 HK$'000	2018 HK$'000
INVESTING ACTIVITIES			
Interest received		**323**	606
Investment in an associate		**(10)**	–
Purchase of plant and equipment		**(8)**	(456)
Proceeds from disposal of investment property		**–**	980
Proceeds from disposal of plant and equipment		**2,797**	–
Net cash inflow arising on disposal of subsidiaries	*49*	**2,201**	10,049
Net cash outflow arising on acquisition of assets through acquisition of a subsidiary	*48*	**4**	(5,684)
Increase in amount due from a joint venture		**(2,514)**	1,467
Increase in amount due to a joint venture		**–**	3,000
Decrease in amount due from an associate		**18**	(46)
Increase in amount due to an associate		**8**	29
Net cash inflow (outflow) on acquisition of a subsidiary	*47*	**2,788**	(3,389)
Proceeds from disposal of right-of-use assets		**1,130**	–
NET CASH FROM INVESTING ACTIVITIES		**6,737**	6,556
FINANCING ACTIVITIES			
Proceeds from issuance of shares upon placing	*40*	**18,991**	–
Transaction cost attributable to issuance of shares upon placing		**(570)**	–
Repayment of obligation under finance lease		**–**	(1,156)
Repayment of lease liabilities		**(3,891)**	–
Borrowings raised		**5,444**	14,877
Repayment of borrowings		**(10,283)**	(33,754)
Interest paid		**(13,772)**	(17,338)
NET CASH USED IN FINANCING ACTIVITIES		**(4,081)**	(37,371)

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	2019 **HK$'000**	2018 HK$'000
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(5,938)**	(41,958)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**7,188**	49,146
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**1,250**	7,188
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY		
– bank balances and cash	**1,320**	7,185
– bank balances and cash on assets classified as held for sale	**–**	3
– Bank overdraft	**(70)**	–
	1,250	7,188

1. GENERAL

Chinese Strategic Holdings Limited (the "Company") is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the "Exchange") since 18 May 2000. The address of the registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda, and its principal place of business is located at Unit 1, 21/F, Yue Xiu Building, Nos. 160-174 Lockhart Road, Wanchai, Hong Kong.

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are set out in Note 51 to the consolidated financial statements.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

2. BASIS OF PREPARATION

In preparing the consolidated financial statements, the directors of the Company (the "Directors") have given careful consideration to the future liquidity of the Group notwithstanding that the Group incurred a loss for the year attributable to owners of the Company of approximately HK$178,040,000 for the year ended 31 December 2019 and, as of that date, the Group had net current liabilities of approximately HK$192,229,000.

In the opinion of the Directors, the Group is able to operate as a going concern in the next twelve months from 31 December 2019 after taking into consideration of the following measures:

(a) The Group has a concrete plan to enforce cost-saving measures to reduce the administrative and operating expenses.

(b) The maturity dates of three bond payables with the principal amount of HK$30,000,000 has been extended for 2 years to 4 December 2021, 6 February 2022 and 15 March 2022 respectively.

(c) The Group is also negotiating with an independent third party for a possible loan restructuring plan.

The Directors are of the opinion that the Group will be able to have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due for a period of not less than the next twelve months from 31 December 2019. Accordingly, the Directors are of the opinion that it is appropriate to prepare these consolidated financial statements for the year ended 31 December 2019 on a going concern basis. The consolidated financial statements do not include any adjustments that would result from the failure of the Group to obtain sufficient future funding. Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to reduce the carrying amounts of the assets of the Group to their recoverable amounts, to provide further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC) – Interpretation ("Int") 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to Hong Kong Accounting Standards ("HKAS") 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

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

3.1 HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* ("HKAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and Amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

3.1 HKFRS 16 Leases *(Continued)*

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by any prepaid lease payments by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

ii) applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in Hong Kong was determined on a portfolio basis; and

iii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and Amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

3.1 HKFRS 16 Leases (Continued)

As a lessee (Continued)

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 11.6%.

	Notes	**At 1 January 2019 HK$'000**
Operating lease commitments disclosed as at 31 December 2018		1,770
Lease liabilities discounted at relevant incremental borrowing rates		1,701
Less: Practical expedient – leases with lease term ending within 12 months from the date of initial application		(1,701)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16		–
Add: Obligations under finance leases recognized at 31 December 2018	*(b)*	1,495
Lease liabilities as at 1 January 2019		1,495
Analysed as:		
Current		729
Non-current		766
		1,495

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and Amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

3.1 HKFRS 16 Leases (Continued)

As a lessee (Continued)

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Notes	**Right-of-use assets** HK$'000
Reclassified from prepaid lease payments	*(a)*	19,114
Amounts included in property, plant and equipment under HKAS 17		
– Assets previously under finance leases	*(b)*	1,388
		20,502

(a) Upfront payments for leasehold land in the Commonwealth of the Northern Mariana Islands ("**CNMI**") was classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payment amounting to approximately HK$388,000 and HK$18,726,000 respectively were reclassified to right-of-use assets.

(b) In relation to assets previously under finance leases, the Group re-categorised the carrying amount of the relevant assets which were still under lease as at 1 January 2019 amounting to approximately HK$1,388,000 as right-of-use assets. In addition, the Group reclassified the obligations under finance leases of HK$729,000 and HK$766,000 to lease liabilities as current and non-current liabilities respectively at 1 January 2019.

The transition to HKFRS 16 has no impact on the accumulated losses at 1 January 2019.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and Amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

3.1 HKFRS 16 Leases (Continued)

As a lessee (Continued)

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Notes	**Carrying amounts previously reported at 31 December 2018** HK$'000	**Adjustments** HK$'000	**Carrying amounts under HKFRS 16 at 1 January 2019** HK$'000
Non-current assets				
Right-of-use assets		–	20,502	20,502
Prepaid lease payment				
– non-current portion	*(a)*	18,726	(18,726)	–
Plant and equipment	*(b)*	7,221	(1,388)	5,833
Current assets				
Prepaid lease payment				
– current portion	*(a)*	388	(388)	–
Current Liabilities				
Lease liabilities – current portion		–	729	729
Obligations under finance leases	*(b)*	729	(729)	–
Non-current liabilities				
Lease liabilities – non-current portion		–	766	766
Obligations under finance leases	*(b)*	766	(766)	–

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and Amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

3.1 HKFRS 16 Leases *(Continued)*

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied under trade and other payables. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets should be adjusted to reflect the discounting effect at transition. Based on the assessment by the management of the Company, the amount of the adjustment is insignificant and therefore no adjustment to refundable rental deposits received has been made.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

[1] Effective for annual periods beginning on or after 1 January 2021.
[2] Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
[3] Effective for annual periods beginning on or after a date to be determined.
[4] Effective for annual periods beginning on or after 1 January 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the *Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and amendments to HKFRSs in issue but not yet effective *(Continued)*

Except for the new and amendments to HKFRSs mentioned below, the Directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKFRS 3 Definition of a Business

The amendments:

– add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis;

– clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; and

– narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

The optional concentration test and the amended definition of a business are not expected to have a significant impact to the Group.

Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgements. In particular, the amendments:

– include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;

– replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and

– include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and amendments to HKFRSs in issue but not yet effective *(Continued)*

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

– reintroduces the terms stewardship and prudence;

– introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;

– discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;

– states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and

– discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for investment properties and certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 (since 1 January 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations

Acquisition of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amounts of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value.

Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to investment properties which are subsequently measured under fair value model and financial assets and financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described below.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates and joint ventures *(Continued)*

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The associate and joint venture uses accounting policies that differ from those of the Group for like transactions and events in similar circumstances, for example, the investment properties are stated at cost and amortised over the lease term. Appropriate adjustments have been made to conform the associate's and the joint venture's accounting policies to those of the Group. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interests held by the Group. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates and joint ventures *(Continued)*

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture, and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Non-current assets held for sale

Non-current assets and 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. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in the relevant subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale from the time when the investment (or a portion of the investment) is classified as held for sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell, except for financial assets within the scope of HKFRS 9 and investment properties which continue to be measured in accordance with the accounting policies as set out in respective sections.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers *(Continued)*

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

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

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Refund liabilities

The Group recognises a refund liability if the Group expects to refund some or all of the consideration received from customers.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers *(Continued)*

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Leases

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in Note 3)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in Note 3)

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative standalone price of the lease component and the aggregate stand-alone price of the non-lease components, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of office premises that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in Note 3) *(Continued)*

Right-of-use assets

The cost of right-of-use asset includes:

– the amount of the initial measurement of the lease liability;

– any lease payments made at or before the commencement date, less any lease incentives received;

– any initial direct costs incurred by the Group; and

– an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 *Financial Instruments* ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in Note 3) *(Continued)*

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

– fixed payments (including in-substance fixed payments) less any lease incentives receivable;

– variable lease payments that depend 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 the option; and

– payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessee (prior to 1 January 2019)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Lease incentives relating to operating leases are considered as integral part of lease payments, the aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs (other than those incurred by manufacturer or dealer lessors) are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Interest and rental income which are derived from the Group's ordinary course of business are presented as revenue.

The Group as a lessor (upon application of HKFRS 16 in accordance with transitions in Note 3)

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case, the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributable to non-controlling interest as appropriate).

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 partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Retirement benefits costs and termination benefits

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

A liability for a termination benefit is recognised at the earlier of when the group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

Share-based payments

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share-based payments reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated losses.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payments *(Continued)*

Share options granted to consultants

Equity-settled share-based payment transactions with parties other than employees are measured at the fair values of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses, (unless the goods or services qualify for recognition as assets).

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

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

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

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

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Plant and equipment

Plant and equipment are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write-off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values, adjusted to exclude any prepaid or accrued operating lease income.

Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Effective 1 January 2019, a leased property which is recognised as a right-of-use asset upon application of HKFRS 16 is derecognised if the Group as intermediate lessor classifies the sublease as a finance lease. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions for the costs to restore leased assets to their original condition, as required by the terms and conditions of the lease, are recognised at the date of inception of the lease at the directors' best estimate of the expenditure that would be required to restore the assets, Estimates are regularly reviewed and adjusted as appropriate for new circumstances.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible asset

Intangible asset acquired separately

Intangible asset with indefinite useful lives that are acquired separately (including club debentures) are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Intangible asset acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at revalued amounts, being their fair value at the date of the revaluation less subsequent accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Any revaluation increase arising from revaluation of intangible assets is recognised in other comprehensive income and accumulated in revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognise in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an intangible asset is recognised in profit or loss to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment on plant and equipment, right-of-use assets and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its plant and equipment, right-of-use assets, intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives are tested for impairment at least annually, and whatever there is an indication that they may be impaired.

The recoverable amount of plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment on plant and equipment, right-of-use assets and intangible assets other than goodwill *(Continued)*

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

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest/dividend income which are derived from the Group's ordinary course of business are presented as revenue.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

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

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

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

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of HKFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (Continued)

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to accumulated loss.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other gains and losses" line item in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (Continued)

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including other assets, trade receivables, other receivables, loan and interest receivables, amount due from an associate/a joint venture and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

– an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

– significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

– existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

– an actual or expected significant deterioration in the operating results of the debtor;

– an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(i) Significant increase in credit risk *(Continued)*

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

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contract, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(iii) Credit-impaired financial assets

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

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected losses is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

For ECL on financial guarantee contracts for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

– Nature of financial instruments (i.e. the Group's other receivables, are each assessed as a separate group. Loans to related parties are assessed for expected credit losses on an individual basis);

– Past-due status;

– Nature, size and industry of debtors; and

– External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(v) Measurement and recognition of ECL *(Continued)*

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

For financial guarantee contracts, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with HKFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of loan and interest receivables, and other receivables, where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to accumulated losses.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, borrowings, obligations under finance leases, amount due to an associate/a joint venture and bond payables are subsequently measured at amortised cost, using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contract liabilities are measured initially at their fair values. It is subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with HKFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit and loss.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4 to the consolidated financial statements, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying accounting policies

The followings are the critical judgements, apart from those involving estimations (see below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred taxation on investment properties

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model, the Directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the Group's deferred taxation on investment properties, the Directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. The Group has not recognised any deferred taxes on changes in fair value of investment properties located in Hong Kong as the Group is not subject to any income taxes on the fair value changes of the investment properties located in Hong Kong on disposal.

The Group recognised deferred taxes in respect of those investment properties situated in the People's Republic of China ("PRC") which are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time and are subject to land appreciation tax on disposal of these investment properties.

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

Critical judgements in applying accounting policies *(Continued)*

Classification of Changsha Seg Development Co. Limited ("Changsha Seg") as a joint venture

Changsha Seg is a limited liability company incorporated in the PRC whose legal form confers separation between the parties to the joint arrangement and the company itself. Furthermore, there are no contractual arrangements or any other facts and circumstances that indicate that the parties to the joint arrangement have rights to the assets and obligations for the liabilities of the joint arrangement. Accordingly, Changsha Seg is classified as a joint venture of the Group. For details, please refer to Note 23 to the consolidated financial statements.

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment loss on loan and interest receivables and other receivables

Impairment loss on loan and interest receivables and other receivables represent management's best estimate of losses incurred in the loan portfolio at the reporting date under ECL models. Management assesses whether the credit risk of loan receivables have increased significantly since their initial recognition. The Group is required to exercise judgement in making assumptions and estimates when calculating loan impairment loss, including any observable data indicating that there is a measurable decrease in the estimated future cash flows from loans portfolio and historical loss experience on the basis of the relevant observable data that reflects current economic conditions.

The measurement of the ECL involves significant management judgments and assumptions, primarily including the selection of appropriate models and determination of relevant key measurement parameters, criteria for determining whether or not there was a significant increase in credit risk or a default was incurred, economic indicators for forward-looking measurement, and the application of economic scenarios and weightings, management consideration due to significant uncertain factors not covered in the models and the estimated future cash flows.

The information about the ECL are disclosed in Note 7(b) to the consolidated financial statements.

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

Key sources of estimation uncertainty *(Continued)*

Fair value measurement of financial instruments

Certain of the Group's financial assets, equity instruments at FVTOCI and convertible instruments designated as financial assets at FVTPL, are measured at fair values with fair values being determined based on unobserved inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these instruments. See Note 7(c) to the consolidated financial statements for further disclosures.

Fair value of investment properties

At the end of the reporting period, investment properties are stated at fair value based on the valuation performed by the independent professional valuers. In determining the fair value, the independent professional valuers have based on a method of valuation which involves certain estimates of market conditions. In relying on the valuation report, the Directors have exercised their judgements and are satisfied that the assumptions used in valuation have reflected the current market conditions. Changes to these assumptions would result in changes in the fair values of the Group's investment properties being recognised in profit or loss. The carrying amount of investment properties measured at fair value at 31 December 2019 was approximately HK$131,310,000 (2018: HK$164,840,000).

Estimated impairment of joint ventures

As at 31 December 2019, in view of impairment indicators, the Group performed impairment assessment on a joint venture. Determining whether impairment loss should be recognised requires an estimation of the recoverable amount of the relevant joint venture which is the higher of value in use and fair value less costs of disposal. The value in use calculation requires the management of the Group to estimate the present value of the estimated cash flows expected to arise from dividends to be received from the joint venture and the proceeds from the ultimate disposal of the investment taking into account factors, including discount rate, dividend payout rate, etc. In cases where the actual cash flows are less or more than expected, or change in facts and circumstances which result in revision of future cash flows estimation, a material reversal or further recognition of impairment may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

As at 31 December 2019, the carrying amount of the joint venture amounted to approximately HK$152,088,000 (2018: HK$184,518,000), after taking into account the impairment of approximately HK$17,909,000 (2018: HK$Nil) recognised in profit or loss during the year.

6. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes borrowings, lease liabilities, obligations under finance leases and bond payables, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated losses.

The Directors review the capital structure on an annual basis. As part of this review, the Directors consider the cost of capital and risks associates with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through new share issues as well as the issue of new debt or the redemption of existing debt.

7. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2019 **HK$'000**	2018 HK$'000
Financial assets		
Mandatorily measured at FVTPL		
– investments held for trading	**4,725**	33,294
– Convertible instruments designated as financial assets at FVTPL	**–**	7,468
Financial assets at amortised cost	**44,508**	77,497
Equity instruments at FVTOCI	**1,572**	2,426
Financial liabilities		
Other financial liabilities measured at amortised cost	**239,590**	248,015
Financial guarantee contracts	**4,837**	3,540

7. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies

The Group's major financial instruments include equity instruments at FVTOCI, loan and interest receivables, other receivables, other assets, amount due from (to) an associate/a joint venture, bank balances and cash, financial assets at FVTPL, trade and other payables, bond payables, lease liabilities, bank overdraft, obligations under finance leases and borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

Market risk

(i) Currency risk

The functional currency of certain subsidiaries established in the PRC is Renminbi ("RMB"). The RMB is not freely convertible into other currencies however, under Mainland China'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 banks authorised to conduct foreign exchange business.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date, that are denominated in currencies other than the functional currency of the relevant group entities were mainly denominated in RMB and United States dollars ("USD").

	Liabilities		Assets	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
RMB	**20,136**	–	**88**	90
USD	**–**	–	**7**	7

Other than the above, the Group did not have significant exposure to risk resulting from changes in foreign currency exchange rates.

7. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(i) Currency risk (Continued)

The Group currently does not have a foreign currency hedging policy. However, management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2018: 5%) change in HK$ against the respective foreign currencies. 5% (2018: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 5% (2018: 5%) change in foreign currency rates. A positive number below indicates a decrease in post-tax loss where HK$ strengthen against the respective foreign currencies. For a 5% (2018: 5%) strengthening of HK$ against the relevant currency, there would be an equal and opposite impact on the post-tax loss and the balances below would be negative.

	RMB impact	
	2019	2018
	HK$'000	HK$'000
(Increase) decrease in post-tax loss	**(1,002)**	5

No sensitivity analysis was prepared for USD because HK$ is pegged to USD.

7. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(ii) Interest rate risk

The Group's income and operating cash flows would be affected by the changes of market interest rates. The Group's exposure to market risk for changes in interest rates mainly arises from borrowings (see Note 34 to the consolidated financial statements for details) and lease liabilities (see Note 36 to the consolidated financial statements for details). Borrowings and lease liabilities arranged at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. At 31 December 2019, approximately 0% (2018: 18%) of the borrowings bore interest at floating rates. The interest rate and repayment terms of the borrowings outstanding at year end are disclosed in Note 34 to the consolidated financial statements.

Interest expense on financial liabilities not measured at FVTPL

	2019 **HK$'000**	2018 HK$'000
Financial liabilities at amortised cost	**23,800**	27,237

The Group has exposure at cash flow interest rate risk through the impact of the rate changes on bank balances and bank borrowings which are carried at variable interest rate.

Loan and interest receivables, bond payables, certain other receivables, lease liabilities, obligations under finance leases and certain financial assets at FVTPL at fixed rates expose the Group to fair value interest-rate risk. The Group has not formulated a policy to manage the interest rate risk. The Group has not used any derivative contracts or formulated any policy to hedge its exposure to interest rate risk as the exposure is considered to be insignificant.

7. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(ii) Interest rate risk (Continued)

Sensitivity analysis

Bank balances are excluded from sensitivity analysis as the Directors consider that the exposure of cash flow interest risk arising from variable-rate bank balances is insignificant.

If the interest rates had been increased/decreased by 100 basis points in borrowings arranged at variable rates and assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2019 (2018: post-tax loss) would increase/decrease (2018: increase/decrease) by approximately HK$Nil (2018: HK$252,000). The assumed changes have no impact on the Group's other components of equity. This is mainly attributable to the Group's exposure with respect to interest rate on its variable-interest rate borrowings. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates.

(iii) Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's other price risk is mainly concentrated on instruments quoted on the Exchange.

7. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(iii) Other price risk (Continued)

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to equity price risks at the reporting date.

If the prices of the respective equity securities measured at FVTPL had been 10% (2018: 10%) higher/lower, the post-tax loss for the year ended 31 December 2019 would decrease/increase by approximately of HK$473,000 (2018: HK$3,329,000) as a result of the changes in financial assets at FVTPL.

Credit risk and impairment assessment

The Group's credit risk exposure are primarily attributable to the loan and interest receivables, other receivables, amounts due from an associate/a joint venture, bank balances, and financial guarantee contracts. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with it financial assets, except that the credit risks associated with loan and interest receivables is mitigated because they are secured over listed equity shares, unlisted shares and properties, and corporate guarantee provided by a listed company.

In order to minimise the credit risk, the management of the Group was responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual receivable at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

7. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Loan and interest receivables

In respect of loan and interest receivables, representing financing advances to customers under the Group's loan financing business, individual credit evaluations are performed on all customers. These evaluations focus on the customer's financial background 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.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry in which customers operate also has an influence on credit risk but to a lesser extent.

In respect of the loan and interest receivables arising from the Group's loan financing business, 75% (2018: 45%) of the total net loan and interest receivables as at 31 December 2019 was due from the Group's largest customer and 100% (2018: 98%) of the total net loan and interest receivables as at 31 December 2019 was due from the Group's five largest customers for the Group's loan financing business.

The Directors consider the credit risk under control since the management exercise due care in granting credit and check the financial background of these customers on a regular basis.

The Directors estimate the estimated loss rates of loan and interest receivables based on historical credit loss experience of the debtors as well as fair value of the collaterals pledged by the customers to the loan and interest receivables. Based on the assessment by the Directors, reversal of impairment loss of approximately HK$1,944,000 (2018: impairment loss of approximately HK$1,949,000) was recognised in profit of loss for the year ended 31 December 2019.

Bank balances

Credit risks on bank balances are limited because the counterparties are reputable banks with high credit ratings assigned by international credit agencies. The Group assessed 12m ECL for bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on bank balances is considered to be insignificant.

7. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Amounts due from associates and joint ventures

The Group regularly monitors the business performance of the associates and joint venture. The Group's credit risks in these balances are mitigated through the value of the assets held by these entities and the power to participate or jointly control the relevant activities of these entities. The Directors believe that, for amounts due from a joint venture, there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL; while the Directors believe that, for amounts due from an associate, there are significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on lifetime ECL (credit impaired).

Other receivables and other assets

For other receivables and deposits and other assets, the Directors make periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. Except for past due amounts that the Group provided impairment based on lifetime ECL, the Directors of the Company believe that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL.

Financial guarantee contracts

For financial guarantee contract, the maximum amount that the Group has guaranteed under the guarantee contract was HK$20,500,000 as at 31 December 2019 (2018: HK$14,000,000). At the end of the reporting period, the Directors have performed impairment assessment and concluded that there has been significant increase in credit risk since initial recognition of the financial guarantee contract, the Group provided impairment based in lifetime ECL (credit-impaired).

7. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

7. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

The table below details the credit risk exposures of the Group's financial assets and financial guarantee contracts, which are subject to ECL assessment.

2019	Note	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount	
					HK$'000	HK$'000
Financial assets at amortised costs						
Bank balances	31	AA+	N/A	12m ECL		1,312
Other assets	30	N/A	Low risk	12m ECL		805
Other receivables	29	N/A	Low risk	12m ECL	5,908	
			Doubtful	Lifetime ECL – not credit-impaired	2,470	
			Loss	Lifetime ECL – credit-impaired	101,315	109,693
Loan and interest receivables	27	N/A	Watch list	12m ECL	21,685	
			Doubtful	Lifetime ECL – not credit-impaired	3,849	
			Loss	Lifetime ECL – credit-impaired	160,032	185,566
Amount due from a joint venture	23	N/A	Watch list	12m ECL		4,388
Amount due from an associate	22	N/A	Low risk	12m ECL		28
Other item						
Financial guarantee contracts (Note)	38	N/A	Loss	Lifetime ECL - credit-impaired		20,500

7. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

2018	Note	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount HK$'000	HK$'000
Financial assets at amortised costs						
Bank balance	31	AA+	N/A	12m ECL		7,184
Other receivables	29	N/A	Low risk	12m ECL	28,518	
			Loss	Lifetime ECL – credit-impaired	264,729	293,247
Loan and interest receivables	27	N/A	Doubtful	Lifetime ECL – not credit-impaired	38,426	
			Loss	Lifetime ECL – credit-impaired	146,147	184,573
Amount due from a joint venture	23	N/A	Watch list	12m ECL		1,874
Amount due from an associate	22	N/A	Watch list	12m ECL		46
Other item						
Financial guarantee contracts (Note)	38	N/A	Loss	Lifetime ECL – credit-impaired		14,000

Note: For financial guarantee contracts, the gross carrying amount represents the maximum amount the Group has guaranteed under the respective contracts.

7. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

The following tables show reconciliation of loss allowances that has been recognised for other receivables:

	12m ECL HK$'000	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
As at 1 January 2018	912	–	228,730	229,642
Changes due to financial instruments recognised as at 1 January:				
– Impairment losses recognised	–	–	20,899	20,899
As at 31 December 2018	912	–	249,629	250,541
Changes due to financial instruments recognised as at 1 January:				
– Impairment losses recognised	–	68	15,008	15,076
– Impairment losses reversed	(819)	–	–	(819)
– Write-off	–	–	(164,647)	(164,647)
New financial asset originated	–	–	120	120
As at 31 December 2019	93	68	100,133	100,271

Changes in the loss allowance for other receivables are mainly due to:

	2019		
		Increase (decrease) in lifetime ECL	
	Increase/ (decrease) in 12m ECL **HK$'000**	**Not credit-impaired** **HK$'000**	**Credit-impaired** **HK$'000**
Default payment increase	**–**	**–**	**15,128**
Disposed through disposal of subsidiary	**–**	**–**	**(164,624)**

	2018		
		Increase (decrease) in lifetime ECL	
	Increase/ (decrease) in 12m ECL HK$'000	Not credit-impaired HK$'000	Credit-impaired HK$'000
Default payment increase	–	–	20,899

7. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

The following tables show reconciliation of loss allowances that has been recognised for loan and interest receivables:

	12m ECL HK$'000	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
As at 1 January 2018	–	190,010	118,816	308,826
Changes due to financial instruments recognised as at 1 January:				
– Transfer to credit-impaired	–	(151,980)	151,980	–
– Impairment losses recognised	–	–	5,400	5,400
– Impairment losses reversed	–	–	(3,451)	(3,451)
– Write-offs	–	–	(151,980)	(151,980)
As at 31 December 2018	–	38,030	120,765	158,795
Changes due to financial instruments recognised as at 1 January:				
– Transfer to credit-impaired	–	(38,030)	38,030	–
– Impairment losses recognised	–	–	4,428	4,428
– Impairment losses reversed	–	–	(9,217)	(9,217)
New financial assets originated	2,845	–	–	2,845
As at 31 December 2019	2,845	–	154,006	156,851

7. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Changes in the loss allowance for loan and interest receivables are mainly due to:

	2019		
	Increase/ (decrease) in 12m ECL	**Decrease in lifetime ECL**	
		Not credit-impaired	**Credit-impaired**
	HK$'000	**HK$'000**	**HK$'000**
Set-off against acquisition of a subsidiary	**–**	**–**	**(9,217)**

	2018		
	Increase/ (decrease) in 12m ECL	Increase in lifetime ECL	
		Not credit-impaired	Credit-impaired
	HK$'000	HK$'000	HK$'000
Default payment increase	–	–	5,400

The following tables show reconciliation of loss allowances that has been recognised for amount due from an associate:

	12m ECL
	HK$'000
As at 1 January 2018	–
Changes due to financial instruments recognised as at 1 January:	
– Impairment losses recognised	41
As at 31 December 2018	41
Changes due to financial instruments recognised as at 1 January:	
– Impairment losses reversed	(16)
As at 31 December 2019	25

7. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

The following tables show reconciliation of loss allowances that has been recognised for amount due from a joint venture:

	12m ECL HK$'000
As at 1 January 2018	169
Changes due to financial instruments recognised as at 1 January:	
– Impairment losses reversed	(119)
As at 31 December 2018	50
Changes due to financial instruments recognised as at 1 January:	
– Impairment losses recognised	96
As at 31 December 2019	146

7. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

The following tables show reconciliation of loss allowances that has been recognised for financial guarantee contract:

	Lifetime ECL – credit-impaired HK$'000
As at 1 January 2018	–
New financial guarantee provided	3,540
As at 31 December 2018	3,540
Impairment loss reversed	(578)
New financial guarantee provided	1,875
As at 31 December 2019	4,837

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Group monitors the utilisation of borrowings and ensures compliance with loan covenants.

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on agreed repayment dates.

7. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

At 31 December 2019

	Weighted average effective interest rate %	On demand or within one year HK$'000	More than one year but not more than two years HK$'000	More than two years but not more than five years HK$'000	More than five years HK$'000	Total undiscounted cash flows HK$'000	Carrying amounts HK$'000
Trade and other payables	N/A	70,830	–	–	–	70,830	70,830
Amount due to an associate	N/A	731	–	–	–	731	731
Amount due to a joint Venture	N/A	3,000	–	–	–	3,000	3,000
Borrowings	12.73%	107,841	–	21,747	–	129,588	114,959
Bond payables	7.6%	43,800	10,600	–	–	54,400	50,000
Lease liabilities	11.6%	3,581	3,514	971	–	8,066	7,226
Bank overdraft	6.38%	70	–	–	–	70	70
		229,853	14,114	22,718	–	266,685	246,816

At 31 December 2018

	Weighted average effective interest rate %	On demand or within one year HK$'000	More than one year but not more than two years HK$'000	More than two years but not more than five years HK$'000	More than five years HK$'000	Total undiscounted cash flows HK$'000	Carrying amounts HK$'000
Trade and other payables	N/A	50,448	–	–	–	50,448	50,448
Amount due to an associate	N/A	723	–	–	–	723	723
Amount due to a joint venture	N/A	3,000	–	–	–	3,000	3,000
Borrowings	13.09%	160,982	–	–	–	160,982	142,349
Bond payables	7.60%	13,800	43,200	–	–	57,000	50,000
Obligations under finance leases	4.38%	783	333	491	–	1,607	1,495
		229,736	43,533	491	–	273,760	248,015

7. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

Bank borrowings with a repayment on demand clause are included in the "on demand or within one year" time band in the above maturity analysis. As at 31 December 2019, the aggregate carrying amounts of these borrowings amounted to approximately HK$16,289,000 (2018: HK$16,974,000). Taking into account the Group's financial position, the Directors do not believe that it is probable that the financial institutions will exercise their discretionary right to demand immediate repayment. The Directors believe that such borrowings will be repaid by monthly installments in the next 12 years (2018: 13 years) after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements, details of which are set out in the table below.

	Maturity Analysis – Bank loans with a repayment on demand clause based on scheduled repayments					
	Less than 1 year HK$'000	1-2 years HK$'000	2-5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash outflows HK$'000	Carrying amount HK$'000
31 December 2019	2,344	2,344	7,032	17,794	29,514	16,289
31 December 2018	1,486	1,486	5,948	11,279	20,199	16,974

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

7. FINANCIAL INSTRUMENTS *(Continued)*

c. Fair value measurements of the financial instruments

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. The Directors are responsible for determining fair value and the process of determining fair value.

In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The Board works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

	Fair value hierarchy as at 31 December 2019		
	Level 1	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**
Equity instruments at FVTOCI	**–**	**1,572**	**1,572**
Financial assets at FVTPL			
– listed equity securities held for trading	**4,725**	**–**	**4,725**
	4.725	**1,572**	**6,297**

	Fair value hierarchy as at 31 December 2018		
	Level 1	Level 3	Total
	HK$'000	HK$'000	HK$'000
Equity instruments at FVTOCI	–	2,426	2,426
Financial assets at FVTPL			
– listed equity securities held for trading	33,294	–	33,294
– convertible instruments designated as financial assets at FVTPL	–	7,468	7,468
	33,294	9,894	43,188

7. FINANCIAL INSTRUMENTS *(Continued)*

c. Fair value measurements of the financial instruments *(Continued)*

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis (Continued)

Financial assets/ Financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	31.12.2019	31.12.2018			
Investments held for trading	Assets– approximately HK$4,725,000	Assets– approximately HK$33,294,000	Level 1	Quoted bid prices in an active market (2018: Quoted bid prices in an active market)	N/A
Convertible instruments designated as financial assets at FVTPL (Note (a))	Assets– approximately HK$Nil	Assets– approximately HK$7,468,000	Level 3	Recovery approach (2018: Discount rate and volatility levels determined using a Black-Scholes Model)	N/A (2018: Volatility)
Equity instruments at FVTOCI (Note (b))	Assets– approximately HK$1,572,000	Assets– approximately HK$2,426,000	Level 3	Market approach (2018: Market approach)	Price-to-book multiple (2018: Price-to-book multiple)

Note:

(a) As at 31 December 2018, an increase in the expected volatility used in valuation would result in an increase in fair value measurement of the convertible instrument, and vice versa. A 10% increase/decrease in expected volatility and holding all other variables constant would decrease/ increase the carrying amount of the convertible instrument by HK$70,000 and HK$76,000, respectively.

(b) As at 31 December 2019, an increase in price-to-book value multiple used in isolation would result in an increase in fair value measurement of the equity instruments at FVTOCI, and vice versa. For the year ended 31 December 2019, a 10% increase/decrease in price-to-book value multiple and holding all other variables constant would increase/decrease the carrying amount of the equity instruments at FVTOCI HK$246,000/HK$246,000, respectively.

There were no transfers between levels of fair value hierarchy in the current and prior year.

7. FINANCIAL INSTRUMENTS *(Continued)*

c. Fair value measurements of the financial instruments *(Continued)*

(ii) Reconciliation of Level 3 fair value measurements of financial assets and financial liabilities on recurring basis:

	Equity instruments at FVTOCI HK$'000	Convertible instruments designated as financial assets at FVTPL HK$'000
At 1 January 2018	–	27,449
Adjustment on 1 January 2018 under HKFRS 9	2,453	–
Total loss in profit or loss	–	(32)
Total loss in other comprehensive income	(27)	–
Gain on redemption	–	3,551
Expired and reclassified as other receivables	–	(23,500)
At 31 December 2018	2,426	7,468
Total loss in profit or loss	–	(7,468)
Total loss in other comprehensive income	(854)	–
At 31 December 2019	**1,572**	**–**

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

8. REVENUE

(i) Disaggregation of revenue from contracts with customers

For the year ended 31 December 2019

Segments	**HK$'000**
Sales of goods	
– Tea products	**1,991**

Geographical market	
Hong Kong	**1,991**

Timing of revenue	
At a point in time	**1,991**

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	HK$'000
Revenue from contracts with customers	
– Sales of goods	**1,991**
Leases	**1,369**
Interest under effective interest method	**774**
Dividend income from financial assets at FVTPL	**6**
Total revenue	**4,140**

8. REVENUE *(Continued)*

For the year ended 31 December 2018

Segments	HK$'000
Sales of goods	
– Tea products	20,544

Geographical market	
Hong Kong	20,544

Timing of revenue	
At a point in time	20,544

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	HK$'000
Revenue from contracts with customers	
– Sales of goods	20,544
Rental income	2,516
Interest under effective interest method	1,814
Dividend income from financial assets at FVTPL	12
Total revenue	24,886

(ii) Performance obligations for contracts with customers

Revenue from sale of tea products is recognised when control of the goods has transferred to the customers, being at the point the goods are delivered to the customers. Delivery occurs when the goods have been shipped to the customer's specific location.

8. REVENUE *(Continued)*

(iii) Leases

	2019 HK$'000
For operating lease:	
Lease payments that are fixed or depend on an index or a rate	**1,369**

9. OPERATING SEGMENTS

Information reported to the executive directors, being the chief operating decision makers ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. During the year ended 31 December 2019, the Group commenced the business in dealing in securities along with the acquisition of FT Securities Limited and it is considered as combination into advising on securities and asset management segment by the CODM.

Specifically, the Group's reportable segments under HKFRS 8 are as follows:

1. Properties investments – investment in properties for rental income purpose
2. Securities trading – trading of securities and dividend income from financial assets at FVTPL
3. Loan financing – provision of financing services
4. Trading business – sales of goods
5. Dealing in, advising on securities and asset management – dealing in, advising on securities and asset management

9. OPERATING SEGMENTS *(Continued)*

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments:

	2019 HK$'000	2018 HK$'000
Segment revenue		
– Properties investments	**1,369**	2,516
– Securities trading	**6**	12
– Loan financing	**774**	1,814
– Trading business	**1,991**	20,544
– Dealing in, advising on securities and asset management	**–**	–
	4,140	24,886
Segment profit (loss)		
– Properties investments	**(33,261)**	17,706
– Securities trading	**(14,379)**	(123,768)
– Loan financing	**(3,257)**	(2,850)
– Trading business	**306**	(1,088)
– Dealing in, advising on securities and asset management	**(15,454)**	(644)
	(66,045)	(110,644)
Unallocated corporate expenses	**(56,213)**	(66,162)
Unallocated corporate income	**2,047**	606
(Loss) gain from changes in fair value of financial assets at FVTPL, net	**(7,468)**	3,519
(Loss) gain on disposals of subsidiaries	**(1,511)**	907
Gain on deemed disposal of a subsidiary	**–**	45
Gain on disposal of plant and equipment, net	**2,626**	–
Gain on disposal of right-of-use asset	**503**	–
Impairment loss (recognised) reversed on		
– Amount due from an associate	**16**	(41)
– Amount due from a joint venture	**(96)**	119
– Other receivables	**(14,377)**	(20,899)
Impairment loss on goodwill	**–**	(389)
Impairment loss on right-of-use assets	**(15,297)**	–
Written-off of other receivables	**–**	(240)
Financial guarantee	**(1,297)**	(3,540)
Share of results of associates	**(4)**	(11)
Unallocated finance costs	**(23,328)**	(22,533)
Loss before tax	**(180,444)**	(219,263)

9. OPERATING SEGMENTS *(Continued)*

Segment revenue and results *(Continued)*

Segment revenue reported above represents revenue generated from external customers. There was no intra-segment sale in the both years.

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 4 to the consolidated financial statements. Segment profit (loss) represents the profit earned by (loss from) each segment without allocation of central administration costs, directors' emoluments, loss (gain) from changes in fair value of financial assets at FVTPL, impairment on goodwill/right-of-use assets, impairment loss (recognised) reversed on other receivables/amount due from an associate/amount due from a joint venture, (loss) gain on disposal of subsidiaries, gain on deemed disposal of a subsidiary, gain on disposal of plant and equipment, net, gain on disposal of right-of-use assets written-off of other receivables, financial guarantee, share of results of associates and certain finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

9. OPERATING SEGMENTS *(Continued)*

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

	2019 HK$'000	2018 HK$'000
Segment assets		
– Properties investments	**283,398**	350,482
– Securities trading	**4,895**	44,225
– Loan financing	**12,170**	31,174
– Trading business	**10**	1,438
– Dealing in, advising on securities and asset management	**8,258**	625
Total segment assets	**308,731**	427,944
Assets classified as held for sale	**3,557**	17,270
Unallocated corporate assets	**41,308**	79,784
Consolidated assets	**353,596**	524,998
Segment liabilities		
– Properties investments	**9,988**	17,938
– Securities trading	**581**	22,491
– Loan financing	**261**	808
– Trading business	**431**	840
– Dealing in, advising on securities and asset management	**9,816**	110
Total segment liabilities	**21,077**	42,187
Liabilities associated with assets classified as held for sale	**–**	5,719
Unallocated corporate liabilities	**241,128**	219,872
Consolidated liabilities	**262,205**	267,778

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than plant and equipment, prepaid lease payment, certain interests in associates, amount due from associates/joint venture, club debentures, certain loan and interest receivables, certain financial assets at FVTPL, right-of-use assets, assets classified as held for sale, bank balances and cash, certain prepayments, deposits and other receivables; and

- all liabilities are allocated to operating segments other than certain accruals and other payables, certain borrowings, bank overdrafts, obligations under finance leases, amount due to an associate, tax liabilities, certain liabilities associated with assets classified as held for sale, financial guarantee contract, lease liabilities, bond payables and deferred tax liabilities.

9. OPERATING SEGMENTS *(Continued)*

Segment assets and liabilities *(Continued)*

Other segment information

For the year ended 31 December 2019

	Properties investments HK$'000	Securities trading HK$'000	Loan financing HK$'000	Trading business HK$'000	Dealing in, advising on securities and asset management HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included the measure of segment profit or loss or segment assets:							
Impairment loss on interest in joint ventures	17,909	–	–	–	–	–	17,909
Gain on disposal of an investment property	(400)	–	–	–	–	–	(400)
Loss from changes in fair value of investment properties, net	19,377	–	–	–	–	–	19,377
Impairment loss on goodwill	–	–	–	–	1,660	–	1,660
Loss (gain) on disposal of subsidiaries	2,606	–	–	–	–	(1,511)	1,095
Share of results of joint ventures	11,427	–	–	–	–	–	11,427
Impairment loss reversed on loan and interest receivables	–	–	(1,944)	–	–	–	(1,944)
Finance costs	–	472	–	–	–	23,328	23,800
Loss from changes in fair value of financial assets at FVTPL, net	–	13,868	–	–	–	7,468	21,336
Written-off of other intangible assets	–	–	–	–	5,732	–	5,732
Additions of investment property	35,747	–	–	–	–	–	35,747
Addition of interest in associate	–	–	–	10	–	–	10
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:							
Additional of plant and equipment	–	–	–	–	–	2,182	2,182
Gain on disposal of plant and equipment	–	–	–	–	–	(2,626)	(2,626)
Depreciation of plant and equipment	–	–	–	–	–	1,471	1,471
Depreciation of right-of-use assets	–	–	–	–	–	3,092	3,092
Addition of right-of-use asset	–	–	–	–	–	9,197	9,197
Gain on disposal of right-of-use assets	–	–	–	–	–	503	503
Impairment loss recognised (reversed) on:							
– Other receivables	–	–	–	–	–	14,377	14,377
– Amount due from an associate	–	–	–	–	–	(16)	(16)
– Amounts due from joint venture	–	–	–	–	–	96	96
Impairment loss on right-of-use assets	–	–	–	–	–	15,297	15,297
Financial guarantee	–	–	–	–	–	1,297	1,297
Share of results of associates	–	–	–	–	–	4	4

9. OPERATING SEGMENTS *(Continued)*

Other segment information *(Continued)*

For the year ended 31 December 2018

	Properties investments HK$'000	Securities trading HK$'000	Loan financing HK$'000	Trading business HK$'000	Advising on securities and asset management HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included the measure of segment profit or loss or segment assets:							
Depreciation on plant and equipment	–	–	–	–	–	3,898	3,898
Gain on disposal of an investment property	(80)	–	–	–	–	–	(80)
Gain from changes in fair value of investment properties, net	(8,291)	–	–	–	–	–	(8,291)
Share of results of joint ventures	(12,689)	–	–	–	–	1,491	(11,198)
(Gain) loss from changes in fair value of financial assets at fair value through profit or loss	–	–	56,601	–	–	(3,519)	53,082
Impairment loss on loan and interest receivables	–	–	1,949	–	–	–	1,949
Loss on disposal of financial assets at FVTPL	–	57,074	–	–	–	–	57,074
Finance costs	–	4,704	–	–	–	22,533	27,237
Loss from changes in fair value of financial assets at FVTPL, net	–	53,082	–	–	–	–	53,082
Addition of investment property	45,749	–	–	–	–	–	45,749
Amortisation of prepaid lease payment	–	–	–	–	–	388	388
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:							
Impairment loss on goodwill	–	–	–	–	–	389	389
Gain on disposal of a subsidiary	–	–	–	–	–	(907)	(907)
Gain on deemed disposal of a subsidiary	–	–	–	–	–	(45)	(45)
Impairment loss recognised (reversed) on:							
– Other receivables	–	–	–	–	–	20,899	20,899
– Amount due from an associate	–	–	–	–	–	41	41
– Amounts due from joint venture	–	–	–	–	–	(119)	(119)
Written off of other receivables	–	–	–	–	–	240	240
Financial guarantee	–	–	–	–	–	3,540	3,540
Loss on written off of plant and equipment	–	–	–	–	–	2	2
Addition of plant and equipment	–	–	–	–	–	7,108	7,108
Share of results of associates	–	–	–	–	–	11	11

9. OPERATING SEGMENT *(Continued)*

Geographical information

The Group's operations are located in the PRC, Hong Kong and the Commonwealth of the Northern Mariana Islands ("CNMI").

Information about the Group's revenue from external customers is presented based on the location of the operations. Information about the Group's non-current assets, excluding financial instruments, is presented based on the geographical location of the assets:

	Revenue from external customers		Non-current assets	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**4,140**	24,886	**145,756**	184,182
PRC	**–**	–	**152,088**	184,518
CNMI	**–**	–	**–**	18,726
	4,140	24,886	**297,844**	387,426

Information about major customers

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

	2019	2018
	HK$'000	HK$'000
Customer A[1]	**–**	15,050
Customer B[1]	**–**	5,280
Customer C[1]	**500**	–
Customer D[1]	**500**	–
Customer E[1]	**500**	–

[1] Revenue from trading business

10a. OTHER INCOME

The analysis of the Group's other income and gains are as follow:

	2019 HK$'000	2018 HK$'000
Interest income on bank deposits	**3**	5
Interest income on other receivables (Note)	**–**	281
Interest income on financial assets at FVTPL	**320**	320
Reimbursement of interest expense from a borrower	**1,515**	–
Others	**209**	–
	2,047	606

Note: The amount represents the interest income relating to the other receivables which bearing interest rate of 5% per annum, in which the other receivables was fully settled during the year ended 31 December 2018.

10b. OTHER GAINS AND LOSSES

	Notes	2019 HK$'000	2018 HK$'000
Impairment loss on goodwill	*47*	**(1,660)**	(389)
Impairment loss on interests in joint ventures	*23*	**(17,909)**	–
Written-off of intangible assets	*25*	**(5,732)**	–
Loss on disposal of financial assets at FVTPL		**–**	(57,074)
Gain on disposal of an investment property		**400**	80
Gain on disposal of plant and equipment, net		**2,626**	–
(Loss) gain on disposal of the subsidiaries	*49*	**(1,095)**	907
Gain on disposal of right-of-use assets		**503**	–
Gain on deemed disposal of a subsidiary	*49*	**–**	45
(Loss) gain from changes in fair value of investment properties, net	*21*	**(19,377)**	8,291
Loss from changes in fair value of financial assets at FVTPL, net		**(21,336)**	(53,082)
Impairment loss on right-of-use assets	*19*	**(15,297)**	–
Written-off of other receivables		**–**	(240)
		(78,877)	(101,462)

10c. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	2019 HK$'000	2018 HK$'000
Impairment losses reversed (recognised) on:		
– Loan and interest receivables	**1,944**	(1,949)
– Other receivables	**(14,377)**	(20,899)
– Amount due from an associate	**16**	(41)
– Amount due from a joint venture	**(96)**	119
– Financial guarantee contract	**(1,297)**	(3,540)
	(13,810)	(26,310)

Details of impairment assessment are set out in Note 7(b) to the consolidated financial statements.

11. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interests on:		
Bank borrowings	**1,369**	457
Other loans	**17,399**	18,210
Bond payables	**3,800**	3,800
Interest on lease liabilities/obligations under finance leases	**760**	66
Margin accounts	**472**	4,704
	23,800	27,237

12. INCOME TAX EXPENSES

	2019 HK$'000	2018 HK$'000
Current tax – Hong Kong	**10**	–
Deferred taxation (Note 39)	**79**	167
	89	167

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%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The Directors considered the amount involved upon implementation of the two-tiered profits tax rates regime is insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years ended 31 December 2019 and 2018.

No provision for taxation in Hong Kong has been made for the year ended 31 December 2018 as the Group did not generate any assessable profits arising in Hong Kong.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years ended 31 December 2019 and 2018.

Taxation arising in other jurisdictions is calculated at the rate prevailing in the relevant jurisdictions.

12. INCOME TAX EXPENSES *(Continued)*

The income tax expenses for the years can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2019 **HK$'000**	2018 HK$'000
Loss before tax	**(180,444)**	(219,263)
Tax at the domestic income tax rate of 16.5% (2018: 16.5%)	**(29,773)**	(36,178)
Tax effect of share of results of joint ventures	**1,885**	(1,848)
Tax effect of share of results of associates	**1**	1
Tax effect of expenses not deductible for tax purpose	**28,202**	38,130
Tax effect of income not taxable for tax purpose	**(499)**	(4,065)
Tax effect on investment properties for deferred tax purpose	**79**	167
Tax effect of tax loss not recognised	**271**	3,960
Utilisation of tax loss previously not recognised	**(77)**	–
Income tax expenses for the year	**89**	167

13. LOSS FOR THE YEAR

	2019 HK$'000	2018 HK$'000
Loss for the year has been arrived at after charging (crediting):		
Staff costs including directors' emoluments (Note 14):		
Salaries and allowances	**24,042**	32,451
Contributions to retirement benefits scheme	**434**	689
	24,476	33,140
Gross rental income	**(1,369)**	(2,516)
Less: direct operating expenses incurred for investment properties that generated rental income during the year (included in cost of sales)	**153**	311
Net rental income	**(1,216)**	(2,205)
Auditor's remuneration - audit service	**1,357**	985
Cost of inventories recognised as expenses	**1,877**	20,070
Depreciation of plant and equipment	**1,471**	3,898
Depreciation of right-of-use assets	**3,092**	–
Amortisation of prepaid lease payment	**–**	388
Loss on written-off of plant and equipment	**–**	2
Minimum lease payments under operating leases	**3,343**	3,844
Legal and professional fees	**6,869**	7,012
Consultancy fees	**3,049**	7,352

14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable GEM Listing Rules and Hong Kong Companies Ordinance, is as follows:

Year ended 31 December 2019

Name of directors	Fees HK$'000	Salaries and allowances HK$'000	Contributions to retirement benefits scheme HK$'000	Total HK$'000
Executive directors				
Chan Shui Sheung Ivy	–	1,937	18	1,955
Mok Tsan San	–	1,001	18	1,019
	–	2,938	36	2,974
Non-executive director				
Lam Kwok Hing Wilfred	–	480	–	480
Independent non-executive directors				
Yuen Wai Man	331	–	–	331
Chow Fu Kit Edward	331	–	–	331
Lam Raymond Shiu Cheung	331	–	–	331
	993	–	–	993
	993	3,418	36	4,447

14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(Continued)*

Year ended 31 December 2018

Name of directors	Fees HK$'000	Salaries and allowances HK$'000	Contributions to retirement benefits scheme HK$'000	Total HK$'000
Executive directors				
Lam Kwok Hing Wilfred (Note)	–	1,907	17	1,924
Chan Shui Sheung Ivy	–	1,937	18	1,955
Mok Tsan San	–	1,001	18	1,019
	–	4,845	53	4,898
Non-executive director				
Lam Kwok Hing Wilfred (Note)	–	40	–	40
Independent non-executive directors				
Yuen Wai Man	331	–	–	331
Chow Fu Kit Edward	331	–	–	331
Lam Raymond Shiu Cheung	331	–	–	331
	993	–	–	993
	993	4,885	53	5,931

Note:

Mr. Lam Kwok Hing Wilfred was re-designated from an executive director to a non-executive director of the Company on 1 December 2018.

14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(Continued)*

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The non-executive director's emoluments shown above were for his services as a director of the Company.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the years ended 31 December 2019 and 31 December 2018. No emoluments have been paid to the directors and chief executive as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 December 2019 and 31 December 2018.

The Company did not appoint any chief executive during the years ended 31 December 2019 and 31 December 2018. The executive directors performed the duties of chief executive. Their emoluments disclosed above include those services rendered by the executive directors.

15. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included two directors (2018: two directors), details of whose emoluments are set out in Note 14 above. Details of the emoluments for the year of the remaining three (2018: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2019 **HK$'000**	2018 HK$'000
Salaries and allowances	**3,694**	4,762
Contributions to retirement benefits scheme	**48**	54
	3,742	4,816

The number of the highest paid employees who are not the Directors whose emoluments fell within the following bands is as follows:

	2019 **Number of** **employees**	2018 Number of Employees
HK$1,000,001 to HK$1,500,000	**3**	1
HK$1,500,001 to HK$2,000,000	**–**	2
	3	3

16. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2019, nor has any dividend been proposed since the end of the reporting period (2018: Nil).

17. LOSS PER SHARE

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

	2019 **HK$'000**	2018 HK$'000
Loss		
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	**(178,040)**	(221,601)

	2019 **'000**	2018 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**245,468**	206,778
Effect of dilutive potential ordinary shares:		
– Share options	**N/A**	N/A
Weighted average number of ordinary shares for the purpose of diluted loss per share	**245,468**	206,778

The computation of diluted loss per share for the years ended 31 December 2019 and 31 December 2018 does not assume the exercise of the Company's share options since it would result in a decrease in loss per share for the years which is regarded as anti-dilutive.

18. PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Vessel HK$'000	Total HK$'000
COST					
At 1 January 2018	1,197	631	4,126	14,461	20,415
Acquisition of a subsidiary	–	5	–	–	5
Additions	–	5,521	1,582	–	7,103
Written-off	–	(7)	–	–	(7)
At 31 December 2018	1,197	6,150	5,708	14,461	27,516
Adjustments upon application of HKFRS 16	–	–	(3,894)	–	(3,894)
At 1 January 2019 (restated)	1,197	6,150	1,814	14,461	23,622
Acquisition of a subsidiary	1,694	480	–	–	2,174
Additions	–	8	–	–	8
Disposal	–	–	(272)	(14,461)	(14,733)
At 31 December 2019	2,891	6,638	1,542	–	11,071
ACCUMULATED DEPRECIATION					
At 1 January 2018	1,008	590	1,862	12,938	16,398
Acquisition of a subsidiary	–	4	–	–	4
Charge for the year	189	770	1,501	1,438	3,898
Eliminated on written-off	–	(5)	–	–	(5)
A t 31 December 2018	1,197	1,359	3,363	14,376	20,295
Adjustments upon application of HKFRS 16	–	–	(2,506)	–	(2,506)
At 1 January 2019 (restated)	1,197	1,359	857	14,376	17,789
Acquisition of a subsidiary	1,694	452	–	–	2,146
Charge for the year	–	1,200	240	31	1,471
Eliminated on disposal	–	–	(155)	(14,407)	(14,562)
At 31 December 2019	2,891	3,011	942	–	6,844
CARRYING VALUES					
At 31 December 2019	–	3,627	600	–	4,227
At 31 December 2018	–	4,791	2,345	85	7,221

18. PLANT AND EQUIPMENT *(Continued)*

The above items of plant and equipment are depreciated on a straight-line method at the following rates per annum:

Leasehold improvements	20%
Furniture, fixtures and office equipment	20% – 30%
Motor vehicles	30%
Vessel	10%

As at 31 December 2018, the carrying values of motor vehicles included an amount of approximately HK$1,388,000 in respect of assets held under finance leases (Note 37).

19. RIGHT-OF-USE ASSETS

	Leasehold land HK$'000	**Leasehold properties** HK$'000	**Motor vehicles** HK$'000	**Total** HK$'000
As at 1 January 2019				
Carrying amount	19,114	–	1,388	20,502
As at 31 December 2019				
Carrying amount	–	6,998	128	7,126
For the year ended 31 December 2019				
Reclassified to assets held for sale	(3,557)	–	–	(3,557)
Impairment loss of right-of-use assets	(15,297)	–	–	(15,297)
Depreciation charge	(260)	(2,199)	(633)	(3,092)
Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of HKFRS 16				1,770
Total cash outflow for leases				3,772
Additions to right-of-use assets				9,197
Disposal of right-of-use assets				(627)

19. RIGHT-OF-USE ASSETS *(Continued)*

For both years, the Group leases various offices and motor vehicle for its operations. Lease contracts are entered into for fixed term of 2 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition to the profolio of short-term leases for office properties equipment which are regularly entered into by the Group during the year ended 31 December 2019, the Group entered into several short-term leases for storage rooms. As at 31 December 2019, there is no outstanding lease commitments relating to these premises.

The carrying amount of the relevant asset is expected to exceed the recoverable amount. Approximately HK$15,297,000 of impairment loss on right-of-use assets has been recognised for the year ended 31 December 2019.

20. PREPAID LEASE PAYMENT

	2018 HK$'000
Analysed for reporting purposes as:	
Current assets	388
Non-current assets	18,726
	19,114

The land is located at CNMI. The Group acquired the land use right through an acquisition of a subsidiary during the year ended 31 December 2014.

The management has assessed the recoverable amount of the land by reference to its fair values, which is determined by Grant Sherman Appraisal Limited ("Grant Sherman"), an independent qualified professional valuers not connected to the Group. Grant Sherman has appropriate qualifications and recent experiences in the valuation of similar premises in the relevant locations.

The valuation used market approach and made reference to the recent transactions for similar premises in the proximity. No impairment loss was recognised for the year ended 31 December 2018.

21. INVESTMENT PROPERTIES

	HK$'000
Fair value	
At 1 January 2018	117,700
Acquired on acquisition of subsidiaries (Note 48)	45,749
Disposals	(6,900)
Net increase in fair value recognised in profit or loss	8,291
At 31 December 2018	164,840
Acquired on acquisition of a subsidiary (Note 48)	35,747
Disposals	(7,900)
Disposals arising from disposal of subsidiaries (Note 49)	(42,000)
Net decrease in fair value recognised in profit or loss	(19,377)
At 31 December 2019	**131,310**

	2019 **HK$'000**	2018 HK$'000
Unrealised (loss) gain on properties revaluation included in profit or loss	**(5,530)**	8,211

The Group leases out residential apartments under operating leases with rentals payable monthly. The leases typically run for an initial period of 2 years, with unilateral rights to extend the lease beyond initial period held by lessees only. Majority of the lease contracts contain market review clauses in the event the lessee exercises the option to extend.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

21. INVESTMENT PROPERTIES *(Continued)*

The fair value of the Group's investment properties at 31 December 2019 and 31 December 2018 has been arrived at on the basis of a valuation carried out on the respective dates by Jointgoal Surveyors Limited ("Jointgoal Surveyors") and Avista Valuation Advisory Limited ("Avista"), independent qualified professional valuers not connected to the Group. Jointgoal Surveyors and Avista have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

In determining the fair value of the relevant properties, the Directors work closely with the qualified valuers to establish the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of the properties, the highest and best use of the properties is their current use. The fair value of certain investment properties have been adjusted to exclude prepaid or accrued operating lease income to avoid double accounting.

The valuation using market comparable approach was arrived at by reference to market evidence of recent transaction prices for similar properties in the similar locations and conditions if such information is available.

For properties without market transaction prices information, the fair value was determined based on the income approach, where the market rentals of all lettable units of the properties are assessed and discounted at the market yield expected by investors for this type of properties. The market rentals are assessed by reference to the rentals achieved in the lettable units of the properties as well as other lettings of similar properties in the neighbourhood. The capitalisation rate is determined by reference to the yields derived from analysing the sales transactions of similar commercial properties in related location and adjusted to take into account the market expectation from property investors to reflect factors specific to the Group's investment properties.

There has been no change in the valuation technique used in the prior year.

As at 31 December 2019, the Group's investment properties with carrying amounts of approximately HK$131,310,000 (2018: HK$164,840,000) has been pledged to secure borrowings granted to the Group (Note 34).

21. INVESTMENT PROPERTIES *(Continued)*

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2019 and 31 December 2018 are as follows:

	Level 3 HK$'000	Fair value HK$'000
2019		
Residential properties located in Hong Kong	**131,310**	**131,310**
2018		
Residential properties located in Hong Kong	164,840	164,840

There were no transfers into or out of Level 3 during the years ended 31 December 2019 and 2018.

Information about Level 3 fair value measurements of investment properties:

Valuation techniques	Key input	Significant unobservable inputs		Relationship of unobservable inputs to fair value
		2019	2018	
Market comparable approach (Note 1)	Recent sale price of comparable properties, time factor and discount or premium on quality of properties	Average rate of premium on quality of properties at 1%	Average rate of (discount) premium on quality of properties at (14%) to 0.75%	Higher premium/discount for lower quality properties would result in a significant increase/decrease in fair value, and vice versa
Income approach (Note 2)	Rental yield, time factor and capitalisation rates	Capitalisation rates at 1.6%	Capitalisation rates at 1.6%	A slight increase in capitalisation rate used would result in a significant decrease in fair value, and vice versa

Notes:

1. The fair values of certain investment properties located in Hong Kong amounting to approximately HK$31,100,000 (2018: HK$58,000,000) are determined using market comparable approach by reference to recent sales price of comparable properties on a price square foot basis using market data which is publicly available.

2. The fair value measurement of investment properties located in Hong Kong amounting to approximately HK$100,210,000 (2018: HK$106,840,000) based on income approach determined by using discounted cash flow is positively correlated to the rental yield, and negatively correlated to the capitalisation rates.

21. INVESTMENT PROPERTIES *(Continued)*

Reconciliation of Level 3 fair value measurements of investment properties on recurring basis:

	Investment properties classified as Level 3 HK$'000
At 1January 2018	117,700
Acquired on acquisition of subsidiaries (Note 48)	45,749
Disposals	(6,900)
Net increase in fair value recognised in profit or loss	8,291
At 31 December 2018	164,840
Acquired on acquisition of a subsidiary (Note 48)	35,747
Disposals	(7,900)
Disposal arising from disposal of subsidiaries (Note 49)	(42,000)
Net decrease in fair value recognised in profit or loss	(19,377)
At 31 December 2019	**131,310**

The above net increase (decrease) in fair value recognised in profit or loss in the consolidated statement of profit or loss and other comprehensive income is attributable to the change in fair values of investment properties at the end of the reporting period.

22. INTERESTS IN ASSOCIATES/AMOUNTS DUE FROM (TO) ASSOCIATES

	2019 HK$'000	2018 HK$'000
Cost of investments in unlisted associates	**18**	8
Share of post-acquisition profits and other comprehensive income – Wisdom Team Limited ("Wisdom Team")	**393**	397
Share of post-acquisition losses and other comprehensive expense – Marvel Equity Investment Limited ("Marvel Equity")	**(8)**	(8)
Share of post-acquisition losses and other comprehensive expense – China Tea (Overseas) Limited ("China Tea")	**–***	–
	403	397

* less than HK$1,000

22. INTERESTS IN ASSOCIATES/AMOUNTS DUE FROM (TO) ASSOCIATES *(Continued)*

Details of each of the Group's associates at the end of the reporting period are as follow:

Name of entity	Place of incorporation	Principal place of operations	Proportion of ownership interest held by the Group		Proportion of voting rights interest held by the Group		Principal activity
			2019	2018	**2019**	2018	
Wisdom Team	British Virgin Islands ("BVI")	BVI	**49%**	49%	**49%**	49%	Investment holding
Marvel Equity (Note)	BVI	BVI	**20%**	20%	**20%**	20%	Investment holding
China Tea	Hong Kong	Hong Kong	**25%**	N/A	**25%**	N/A	Tea trading

Note:

On 12 June 2018, Marvel Equity, an indirect wholly-owned subsidiary of the Group, allotted 4,000 shares to an independent third party of the Group, which represent 80% of the enlarged issued share capital of Marvel Equity at a consideration of USD1,000 (equivalent to HK$31,200). After the completion of allotment of shares on 12 June 2018, the percentage of equity interest attributable to the Group was diluted from 100% to 20%. Accordingly, Marvel Equity ceased to be a subsidiary of the Group and the Group has accounted for the remaining 20% equity interest as interest in an associate whose fair value at the date of deemed disposal was approximately HK$8,000. Details of the deemed disposal are set out in Note 49(g) to the consolidated financial statements.

22. INTERESTS IN ASSOCIATES/AMOUNTS DUE FROM (TO) ASSOCIATES *(Continued)*

Particulars of the amount due from an associate are as follows:

	2019 HK$'000	2018 HK$'000
Marvel Equity	**28**	45
Less: Allowance for credit losses	**(25)**	(40)
	3	5

As at 31 December 2019 and 31 December 2018, the amounts due from (to) an associate were unsecured, non-interest bearing and repayable on demand.

Summarised financial information of the associates

Summarised financial information in respect of the Group's associates are set out below.

The summarised financial information below represents amounts shown in the associates' financial statements prepared in accordance with HKFRSs.

The associates are accounted for using the equity method in these consolidated financial statements.

Wisdom Team

	2019 HK$'000	2018 HK$'000
Current assets	**809**	809
Current liabilities	**(7)**	–

	2019 HK$'000	2018 HK$'000
Revenue	**–**	–
Loss and total comprehensive expense for the year	**(7)**	(7)
Dividend received from Wisdom Team during the year	**–**	–

22. INTERESTS IN ASSOCIATES/AMOUNTS DUE FROM (TO) ASSOCIATES *(Continued)*

Summarised financial information of the associates *(Continued)*

Wisdom Team *(Continued)*

Reconciliation of the above summarised financial information to the carrying amount of the interest in Wisdom Team in the consolidated financial statements:

	2019 **HK$'000**	2018 HK$'000
Net assets of Wisdom Team	**802**	809
Proportion of the Group's ownership interest in Wisdom Team	**49%**	49%
Carrying amount of the Group's interest in Wisdom Team	**393**	397

Marvel Equity

	2019 **HK$'000**	2018 HK$'000
Current assets	**–**	31
Current liabilities	**(28)**	(45)

	Year ended **31 December** **2019** **HK$'000**	Period from 12 June 2018 to 31 December 2018 HK$'000
Revenue	**–**	–
Loss and total comprehensive expense for the year/period	**(14)**	(7)
Dividend received from Marvel Equity during the year/period	**–**	–

22. INTERESTS IN ASSOCIATES/AMOUNTS DUE FROM (TO) ASSOCIATES *(Continued)*

Summarised financial information of the associates *(Continued)*

Marvel Equity *(Continued)*

Reconciliation of the above summarised financial information to the carrying amount of the interest in Marvel Equity recognised in the consolidated financial statements:

	2019 **HK$'000**	2018 HK$'000
Net liabilities of Marvel Equity	**(28)**	(14)
Proportion of the Group's ownership interest in Marvel Equity	**20%**	20%
Carrying amount of the Group's interest in Marvel Equity	**–**	–

The Group discontinued recognising its share of further losses which exceeds its interest in Marvel Equity.

	2019 **HK$'000**	2018 HK$'000
The unrecognised share of loss for the year	**3**	2
Cumulative unrecognised share of loss of an associate	**5**	2

China Tea

	2019 **HK$'000**
Current assets	**43**
Current liabilities	**(5)**

22. INTERESTS IN ASSOCIATES/AMOUNTS DUE FROM (TO) ASSOCIATES *(Continued)*

Summarised financial information of the associates *(Continued)*

China Tea *(Continued)*

	Period from 28 May 2019 to 31 December 2019 HK$'000
Revenue	–
Loss and total comprehensive expense for the period	(2)
Dividend received from China Tea during the period	–

Reconciliation of the above summarised financial information to the carrying amount of the interest in China Tea in the consolidated financial statements:

	2019 HK$'000
Net assets of Wisdom Team	38
Proportion of the Group's ownership interest in China Tea	25%
Carrying amount of the Group's interest in China Tea	10

23. INTERESTS IN JOINT VENTURES/AMOUNT DUE FROM (TO) A JOINT VENTURE

	2019 HK$'000	2018 HK$'000
Cost of investments in unlisted joint ventures	99,719	99,719
Share of post-acquisition profits and other comprehensive income	78,857	90,284
Exchange adjustments	(8,579)	(5,485)
	169,997	184,518
Less: Accumulated impairment loss	(17,909)	–
	152,088	184,518

23. INTERESTS IN JOINT VENTURES/AMOUNT DUE FROM (TO) A JOINT VENTURE *(Continued)*

On 20 June 2017, the Group and an independent third party (collectively referred to as the "JV Investors") entered into a joint venture agreement pursuant to which the JV Investors agreed to establish a joint venture, Chinese Capital Union Financial Limited ("CCUF"). The JV Investors have an equal shareholding interest in CCUF and have joint control over CCUF as unanimous consent is required from both JV investors for all activities that significantly affect the returns of the investment. Therefore, CCUF is classified as a joint venture of the Group.

As at 31 December 2019 and 31 December 2018, the amounts due from (to) joint venture were unsecured, non-interest bearing and repayable on demand.

Details of each of the Group's joint ventures at the end of the reporting period are as follow:

Name of entity	Place of Incorporation	Principal place of operations	Issued and fully paid registered capital	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activities
				2019	2018	2019	2018	
Changsha Seg (Note (a), (d))	PRC	PRC	Registered capital of RMB35,000,000	54%	54%	54%	54%	Rental of office premises and properties investment
CCUF (Note (b))	Hong Kong	Hong Kong	HK$6,000,000	50%	50%	50%	50%	Investment holding
Chinese FT Financial Services (HK) Limited (Note (c))	Hong Kong	Hong Kong	HK$1	50%	50%	50%	50%	Inactive
Chinese Capital Union Management Limited (Note (c))	Hong Kong	Hong Kong	HK$1	50%	50%	50%	50%	Inactive
Chinese Capital Union Securities Limited (Note (c))	Hong Kong	Hong Kong	HK$1	50%	50%	50%	50%	Inactive
Chinese Capital Union Asset Management Limited (Note (c))	Hong Kong	Hong Kong	HK$1	50%	50%	50%	50%	Inactive

Notes:

(a) The Group holds 54% equity interest in Changsha Seg, however, the Group only have joint control over the composition of the board of directors of Changsha Seg which is therefore classified as a joint venture of the Group.

(b) The Group exercises joint control over CCUF because the Group appointed one out of two directors on the board of directors of CCUF which is therefore classified as a joint venture of the Group.

(c) The entities are wholly-own subsidiaries of CCUF.

(d) Sino-foreign joint venture.

23. INTERESTS IN JOINT VENTURES/AMOUNT DUE FROM (TO) A JOINT VENTURE *(Continued)*

Summarised financial information of the joint ventures

Summarised financial information in respect of the Group's joint ventures is set out below.

The summarised financial information below represents amounts shown in the joint ventures' financial statements prepared in accordance with HKFRSs.

The joint ventures are accounted for using the equity method in these consolidated financial statements.

Changsha Seg

	2019 **HK$'000**	2018 HK$'000
Current assets	**55,349**	49,430
Non-current assets	**307,691**	351,591
Current liabilities	**(81,395)**	(92,486)

The above amounts of assets and liabilities include the followings:

	2019 **HK$'000**	2018 HK$'000
Cash and cash equivalents	**17,090**	48,074
Current financial liabilities (excluding trade and other payables and provisions)	**–**	–

	2019 **HK$'000**	2018 HK$'000
Revenue	**21,160**	27,292
(Loss) profit and total comprehensive (expense) income for the year	**(26,890)**	23,499
Dividends received from Changsha Seg during the year	**–**	–

23. INTERESTS IN JOINT VENTURES/AMOUNT DUE FROM (TO) A JOINT VENTURE *(Continued)*

Summarised financial information of the joint ventures *(Continued)*

Changsha Seg *(Continued)*

The above (loss) profit for the year including the following:

	2019 HK$'000	2018 HK$'000
Depreciation and amortisation	**979**	1,220
Interest income	**(2,511)**	(77)
Interest expense	**–**	–
Income tax (credit) expense	**(7,210)**	6,596

Reconciliation of the above summarised financial information to the carrying amount of the interest in Changsha Seg recognised in the consolidated financial statements:

	2019 HK$'000	2018 HK$'000
Net assets of Changsha Seg	**281,645**	308,535
Proportion of the Group's ownership interest in Changsha Seg	**54%**	54%
The Group's share of net assets of Changsha Seg	**152,088**	166,609
Goodwill	**–**	17,909
Carrying amount of the Group's interest in Changsha Seg	**152,088**	184,518

23. INTERESTS IN JOINT VENTURES/AMOUNT DUE FROM (TO) A JOINT VENTURE *(Continued)*

Summarised financial information of the joint ventures *(Continued)*

CCUF and its subsidiaries

	2019	2018
	HK$'000	HK$'000
Current assets	**4,271**	7,155
Non-current assets	**12,021**	16,842
Current liabilities	**(33,492)**	(27,102)

The above amounts of assets and liabilities include the followings:

	2019	2018
	HK$'000	HK$'000
Cash and cash equivalents	**7**	11
Current financial liabilities (excluding trade and other payables and provisions)	**28,186**	25,287

	2019	2018
	HK$'000	HK$'000
Revenue	**–**	–
Loss and total comprehensive expense for the year	**(8,499)**	(11,741)
Dividends received from CCUF during the year	**–**	–

The above loss for the year including the following:

	2019	2018
	HK$'000	HK$'000
Depreciation and amortisation	**651**	650
Interest income	**–**	94
Interest expense	**–**	–
Income tax expense	**–**	–

23. INTERESTS IN JOINT VENTURES/AMOUNT DUE FROM (TO) A JOINT VENTURE *(Continued)*

Summarised financial information of the joint ventures *(Continued)*

CCUF and its subsidiaries *(Continued)*

Reconciliation of the above summarised financial information to the carrying amount of the interest in CCUF recognised in the consolidated financial statements:

	2019 **HK$'000**	2018 HK$'000
Net liabilities of CCUF	**(17,200)**	(3,105)
Proportion of the Group's ownership interest in CCUF	**50%**	50%
Carrying amount of the Group's interest in CCUF	**–**	–

The Group discontinued recognising its share of further losses which exceeds its interest in CCUF.

	2019 **HK$'000**	2018 HK$'000
The unrecognised share of loss of a joint venture for the year	**(4,250)**	(62)
Cumulative unrecognised share of loss of a joint venture	**(4,312)**	(62)

24. CLUB DEBENTURES

	2019 HK$'000	2018 HK$'000
Club debentures, at cost	**2,690**	2,690

Club debentures represents entrance fees paid to clubs for subscriber memberships with indefinite useful lives. The Directors consider no impairment identified with reference to market prices of the club debentures.

25. INTANGIBLE ASSETS

	Licence HK$'000
COST	
At 1 January 2018	–
Acquired on acquisition of a subsidiary (Note 48)	5,732
At 31 December 2018	5,732
Written-off for the year	(5,732)
At 31 December 2019	–
ACCUMULATED IMPAIRMENT	
At 1 January 2018, 31 December 2018 and **31 December 2019**	–
CARRYING VALUE	
At 31 December 2019	**–**
At 31 December 2018	5,732

The licence represents the licence issued by Hong Kong Securities and Futures Commission (the "SFC"), which enable Chinese Strategic Asset Management Limited ("CSAM") to operate in advising on securities (Type 4 regulated activity) and assets management (Type 9 regulated activity) in Hong Kong, under the Hong Kong Securities and Futures Ordinance ("SFO"). Under the SFO, CSAM is required to fulfill the requirements of relevant paid up share capital and liquid capital in accordance with the Securities and Futures (Financial Resources) Rules issued by SFC.

On 20 August 2019, CSAM submitted an application to SFC to surrender its licences on 30 August 2019 pursuant to Section 195(1)(d) of the SFO, due to the unfavorable business conditions and lack of business opportunities in the competitive market.

In the opinion of the Directors, in view of the relevant license has been surrendered, the entire amount of approximately HK$5,732,000 has been fully written-off during the year ended 31 December 2019.

26. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019 HK$'000	2018 HK$'000
Unlisted equity investments in Hong Kong, at fair value	**1,572**	2,426

The above unlisted equity investments represents the Group's equity interest in private entities in Hong Kong. The Directors have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

27. LOAN AND INTEREST RECEIVABLES

	2019 HK$'000	2018 HK$'000
Fixed rate loan and interest receivables arising from loan financing business (Note (a)):		
Secured loan and interest receivables	**151,048**	157,260
Unsecured loan and interest receivables	**12,833**	6,434
	163,881	163,694
Less: Allowance for credit losses	**(154,495)**	(149,578)
	9,386	14,116
Other loan and interest receivables:		
Other secured loan and interest receivable (Note (b))	**–**	20,879
Other unsecured loan and interest receivable (Note (c))	**21,685**	–
	21,685	20,879
Less: Allowance for credit losses	**(2,355)**	(9,217)
	19,330	11,662
	28,716	25,778
Analysed as		
Current	**9,386**	25,778
Non-current	**19,330**	–
	28,716	25,778

27. LOAN AND INTEREST RECEIVABLES *(Continued)*

Notes:

(a) As at 31 December 2019, the secured loan and interest receivables arising from loan financing business are secured by listed equity shares, unlisted shares properties located in Hong Kong and corporate guarantee provided by a listed company in Hong Kong and bear interest at fixed interest rate ranging from 10% to 16% (2018: 10% to 16%) per annum.

The unsecured loan and interest receivables arising from loan financing business has been fully impaired since 2016.

As at 31 December 2019, included in the Group's loan receivables balance are debtors with aggregate carrying amount of approximately HK$4,835,000 (2018: HK$5,199,000) which are past due as at the reporting date. Out of the past due balances, approximately HK$4,835,000 (2018: HK$5,199,000) has been past due 90 days or more. The Directors considers credit risks have increased significantly and those past balances due more than 90 days are considered as credit impaired unless collateral has been obtained.

The following table illustrates the contractual maturity dates of the fixed rate loan and interest receivables at the reporting date:

	2019 **HK$'000**	2018 HK$'000
Within 3 months	**5,304**	7,922
In more than 3 months but not more than 6 months	**4,082**	5,130
In more than 6 months but not more than 12 months	**–**	1,064
	9,386	14,116

The Group's loan financing customers included in the loan and interest receivables are due for settlement at the dates specified in the respective loan agreements.

27. LOAN AND INTEREST RECEIVABLES *(Continued)*

Notes: *(Continued)*

(a) *(Continued)*

Particulars of significant individual loan receivable are as follow:

	Maturity date	Collateral	Effective interest rate	Carrying amount	
				2019 HK$'000	2018 HK$'000
Approximately HK$6,689,000 fixed-rate loan receivable	26 March 2017	Property	0%	**4,835**	5,199
Approximately HK$3,500,000 fixed-rate loan receivable	15 April 2020	Property	13.07%	**3,849**	3,837
				8,684	9,036

Included in the Group's loan and interest receivables balance in amount of approximately of HK$12,057,000 as at 31 December 2017 was set-off against the partial consideration of acquisition of a subsidiary during the year ended 31 December 2018 (Note 48(c)).

(b) As at 31 December 2018, the balance represented the principal loan amount of HK$10,038,000 and interest receivable of approximately HK$10,841,000, net of accumulated impairment loss of approximately HK$9,217,000, which is secured by a property located in Hong Kong and bear fixed interest rate at 20% per annum. The total loan and interest receivable was set-off against the partial consideration of acquisition of a subsidiary during the year ended 31 December 2019 (Note 48(a)).

(c) As at 31 December 2019, the amount represented the principal loan amount of approximately HK$21,685,000, which bear interest rate at 8% per annum and repayable in 2022.

Details of impairment assessment on loan and interest receivables are set out in Note 7(b) to the consolidated financial statements.

28. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	**2019** **HK$'000**	2018 HK$'000
Financial assets mandatorily measured at FVTPL:			
Unlisted instruments issued by a private company:			
New Business Enterprises Limited ("New Business") convertible bonds	*(a)*	**–**	7,468
Listed securities held for trading:			
Equity securities listed in Hong Kong	*(b)*	**4,725**	33,294
		4,725	40,762
Analysed for reporting purpose as:			
Non-current assets		**–**	7,468
Current assets		**4,725**	33,294
		4,725	40,762

Notes:

(a) New Business Convertible Bonds

On 15 September 2017, an indirect wholly-owned subsidiary of the Company, Fair Million Asia Limited ("Fair Million"), which was incorporated in the British Virgin Islands, acted as a subscriber, entered into a subscription agreement pursuant to which Fair Million has agreed to subscribe for convertible bonds ("NB CBs") which were issued by New Business, a company incorporated in the British Virgin Islands, in the principal amount of HK$8,000,000 which will be matured on 30 September 2020. The NB CBs bears 4% coupon rate per annum. Assuming the conversion rights attaching to the NB CBs are exercised in full at the conversion price of HK$50,000 per conversion share, up to 160 conversion shares of New Business will be allotted and issued.

New Business is an investment holding company and its subsidiary is engaged in provision of corporate finance advisory service (Type 6 regulated activity). During the year ended 31 December 2019, the subsidiary of New Business submitted an application to the SFC to surrender its licences on 6 December 2019 pursuant to Section 195(1)(d) of the SFO.

28. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(Continued)

Notes: *(Continued)*

(a) New Business Convertible Bonds *(Continued)*

As at 31 December 2019, the fair value of the NB CBs is approximately HK$Nil (2018: approximately HK$7,468,000). The loss arising from the fair value change of NB CBs of approximately HK$7,468,000 (2018: HK$32,000) was recognised in profit or loss for the year ended 31 December 2019.

The fair value of the NB CBs at 31 December 2019 was valued by Valtech Valuation Advisory Limited ("Valtech Valuation"), an independent qualified professional valuer not connected with the Group, using recovery approach, in which estimating the recovery amount of financial instrument in the event of a liquidation event based on the business prospect of the obligor, financial health, liquidation preference or protection of the financial instrument, and potential external assistance. Since the obligor is operating a loss-making business with the key business license being revoked, and it has no liquid assets and has no assets with marketable value, the Group has little or no protection from the liquidation event. It is not expected any notable recoverable amount of NB CBs as at 31 December 2019.

The fair value of the NB CBs at 31 December 2018 were valued by Grant Sherman, an independent qualified professional valuer not connected with the Group, using the Black Scholes Model. The inputs into the models of NB CBs as at 31 December 2018 were as follows:

As at 31 December 2018

	NB CBs
Valuation model	**Black Scholes Model**
Stock price	**N/A**
Conversion price	**HK$50,000**
Volatility	**47.58%**
Dividend yield	**N/A**
Option life (years)	**1.75**
Risk free rate	**2.09%**

* The information are extracted from the valuation reports issued by Grant Sherman.

(b) As at 31 December 2019, the carrying amount of the listed equity securities held for trading which has been pledged as security for margin accounts (Note 34(b)), is approximately HK$79,000 (2018: HK$14,722,000).

Details of the fair value measurement for the financial assets at FVTPL are disclosed in Note 7(c) to the consolidated financial statements.

29. OTHER RECEIVABLES

	2019 HK$'000	2018 HK$'000
Deposits paid for acquisition of potential investments (Note (a))	**20,000**	20,000
Less: Allowance for credit losses	**(20,000)**	(20,000)
	–	–
Prepayments	**1,390**	2,530
Rental and utility deposits	**717**	1,063
Other receivables (Note (b))	**88,964**	271,460
	91,071	275,053
Less: Allowance for credit losses	**(80,271)**	(230,541)
	10,800	44,512
Cash balance in securities account	**12**	724
	10,812	45,236
Less: Other receivable – non-current – Deposit paid for acquisition of a subsidiary	**–**	(3,302)
Other receivables – current	**10,812**	41,934

29. OTHER RECEIVABLES *(Continued)*

Notes:

(a) During the year ended 31 December 2011, King Perfection Limited ("King Perfection"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Peak Prosper Holdings Limited ("PPH"), an independent third party, for a conditional purchase of the convertible bonds in the principal amount of HK$110,040,000, which are convertible into 70 shares in the share capital of Precise Billion Limited ("PBL"), a wholly-owned subsidiary of PPH, for a total consideration of HK$220,000,000. Deposit of HK$20,000,000 was paid by the Group to PPH in September 2011.

However, the conditions of the agreement had not been fulfilled before the long stop date and King Perfection is entitled to the refund of the deposit paid pursuant to the agreement. Management considers that the recoverability of the deposit paid was uncertain and impairment loss on the full amount of the deposit paid of HK$20,000,000 was made during the year ended 31 December 2011.

On 9 March 2012, King Perfection issued a writ of summons in the Court of First Instance against PPH, claiming for the refund of the deposit in the sum of HK$20,000,000. Judgment was arranged by the court on 22 February 2013 which PPH has to pay King Perfection (a) the sum of HK$20,000,000, (b) damages to be assessed and (c) costs to be taxed. As at the date of this report, no amount has been received. Details of the litigation are set out in Note 46(ii) to the consolidated financial statements.

The movements in provision for impairment losses of the deposit paid for acquisition of potential investments were as follows:

	2019 **HK$'000**	2018 HK$'000
At 1 January and 31 December	**20,000**	20,000

29. OTHER RECEIVABLES *(Continued)*

Notes: *(Continued)*

(b) Other receivables

(i) Included in other receivables as at 31 December 2018 is an amount of approximately HK$151,638,000 regarding an agency agreement (the "Agency Agreement") entered into between Gain Millennia Limited (the "GML"), a wholly-owned subsidiary of the Company, Hong Kong Entertainment (Overseas) Investments Limited ("HKE") and Well Target Limited ("WTL") on 17 July 2014. Pursuant to the Agency Agreement, GML, as preferred agent, would render the agency services of and for the guest rooms of and in the Dynasty Hotel in Tinian, the CNMI, and GML shall pay to HKE a refundable prepayment in the total sum of approximately HK$151,638,000 ("Rental Prepayment") which shall be settled upon the execution of the Agency Agreement. Subsequently, GML considered it is inappropriate and undesirable to continue with the Agency Agreement. On 9 December 2014, GML, WTL and HKE entered into a deed of settlement (the "Deed of Settlement"), in which both parties agree to terminate the Agency Agreement.

On 15 February 2015 and 24 March 2015, HKE and Tinian Entertainment Co., Ltd ("TEC"), an indirect wholly-owned subsidiary of the Company, entered into a provisional operating agreement and an operating agreement respectively (collectively referred to as the "Operating Agreements"). Pursuant to the Operating Agreements, HKE intended to lease to TEC the leased property comprising of the Tinian Dynasty Hotel & Casino and the relevant assets and the lease shall commence on 30 June 2015. The Group agreed to pay HK$50,000,000 to HKE, by set-off against part of the Rental Prepayment, as refundable deposit. However, the lease had not been commenced on 30 June 2015.

On 6 July 2015, HKE and TEC entered into another operating agreement ("Another Operating Agreement"). Pursuant to the Another Operating Agreement, TEC has paid a refundable deposit of USD3,000,000 (equivalent to approximately HK$23,290,000) to HKE. The Another Operating Agreement has not yet been commenced as at 31 December 2015.

On 23 February 2016, legal action has been taken by the Group in respect of claiming for the refundable deposit. Details of the litigation are set out in Note 46(v) to the consolidated financial statements.

On 7 April 2016, GML, HKE, Tinian Realty International Co., Ltd ("TRI"), a wholly-owned subsidiary of the Company, and an independent third party (collectively referred to as the "Parties") entered into an agreement, pursuant to which the Parties agreed to offset the amounts due to each other. Certain part of the refundable deposit were set-off against other payables of approximately HK$11,256,000. After the offset, the net amount due from HKE to the Group was approximately HK$164,624,000.

As at 31 December 2018, the amount due from HKE to the Group was, in aggregate, approximately HK$164,624,000.

In the opinion of the Directors, the recoverability of refundable deposit is remote and approximately of HK$164,624,000 was fully impaired since 2016.

During the year ended 31 December 2019, the other receivables with gross amount of approximately HK$164,624,000 was disposed through the disposal of the entire share capital of GML to an independent third party (Note 49(d)).

29. OTHER RECEIVABLES *(Continued)*

Notes: *(Continued)*

(b) Other receivables *(Continued)*

(ii) Included in other receivables, the Group subscribed for a promissory notes from a private company incorporated in Hong Kong, with the principal amount of HK$41,000,000 during the year ended 31 December 2015. The promissory notes were unsecured and bear fixed interest rate at 12% per annum based on the principal amount.

On 20 December 2016, the Group and the issuer have entered into a repayment schedule and the balance should be repaid. As at 31 December 2018 and 31 December 2019, the outstanding receivable including interest receivable amounting to HK$37,920,000 which was fully impaired during the year ended 31 December 2018.

(iii) Included in other receivables as at 31 December 2018 was amount of HK$21,500,000 due from China Eco-Farming Limited ("CEF"). The receivable is unsecured, non-interest bearing, and repayable on demand. On 25 January 2019, the Group entered into a deed of novation with CEF, pursuant to the deed of novation, the outstanding amount of HK$21,500,000 would be transferred to EverCare Finance Company Limited ("EverCare"), in order to set-off against the Group's partial borrowing due to EverCare.

(iv) Included in other receivables as at 31 December 2018 was amount of approximately HK$3,302,000 (net of allowance for credits loss of approximately HK$198,000) which represent deposit paid for acquisition of potential investment. The Group entered into a sale and purchase agreement with an independent third party, conditionally agreed to acquire a subsidiary. The acquisition of a subsidiary was completed during the year ended 31 December 2019 (Note 47(a)).

Details of impairment assessment on other receivables are set out in Note 7(b) to the consolidated financial statements.

30. OTHER ASSETS

	2019 HK$'000	2018 HK$'000
Non-current portion:		
Statutory and clearing house deposits	**805**	–

31. BANK BALANCES AND CASH

Bank balances carry interest at market rates ranging from 0.001% to 0.05% (2018: 0.001% to 0.05%) per annum.

For the years ended 31 December 2019 and 2018, the Group performed impairment assessment on bank balances and concluded that the probability of defaults of the counterparty banks are insignificant and accordingly, no allowance for credit losses is provided.

Included in bank balances and cash are the following amount which are subject to foreign exchange control regulations or not freely transferable:

	2019 HK$'000	2018 HK$'000
Amounts denominated in:		
RMB	**88**	90

32. ASSETS/DISPOSAL GROUP HELD FOR SALE

a) Potential disposal of a property

On 30 August 2019, the Group entered into a deed of settlement with EverCare, in relation to the assignment of a property located in CNMI (the "Property") to EverCare to settle the outstanding amount owed by the Group of approximately HK$3,557,000. The Property which is originally classified as right-of-use assets and is expected to be sold within twelve months under the deed of settlement, has been classified as assets held for sale and are presented separately in the consolidated statement of financial position as at 31 December 2019 (see below).

The transaction has not yet been completed as at year end and is still in progress.

32. ASSETS/DISPOSAL GROUP HELD FOR SALE *(Continued)*

b) Potential disposal of a subsidiary

On 27 December 2018, the Group entered into a memorandum of understanding with an independent third party, in relation to the potential disposal of entire share capital of Sina Winner Investment Limited ("Sina Winner"), an indirect wholly-owned subsidiary of the Company. The assets and liabilities attribute to the business of securities trading, which are expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the consolidated statement of financial position (see below).

The major classes of assets and liabilities of Sina Winner classified as held for sale are as follows:

	2018 HK$'000
Financial assets at fair value through profit or loss	17,237
Other receivables	30
Bank balances	3
Total assets classified as held for sale	17,270
Other payables classified liabilities associated with assets classified as held for sale	(5,719)

During the year ended 31 December 2019, as requested by the independent third party, the Group entered into a termination agreement with the independent third party for the cancellation of disposal of entire share capital of Sina Winner. After the termination, the management of the Group considered the assets and liabilities of Sina Winner are no longer classified as held for sale as at 31 December 2019.

33. TRADE AND OTHER PAYABLES

	2019 HK$'000	2018 HK$'000
Trade payable (Note (a))	**431**	520
Accruals	**51,063**	30,961
Other payables	**17,664**	16,625
Rental deposit received	**172**	231
Amounts due to directors (Note (b))	**1,500**	2,111
	70,830	50,448

Notes:

(a) The purchases of goods should be settled on delivery.

The following is an aging analysis of the Group's trade payable presented based on invoice date as at the end of the reporting period is as follows:

	2019 HK$'000	2018 HK$'000
Over 180 days	**431**	520

(b) The amounts due to directors were unsecured, non-interest bearing and repayable on demand.

(c) As at 31 December 2019, included in accruals is an amount of approximately HK$17,244,000 (2018: HK$13,443,000) is accrued interest expense payable to bond holders.

34. BORROWINGS

	2019 HK$'000	2018 HK$'000
Secured:		
Bank borrowings (Note (a))	**16,289**	16,974
Other loans (Note (a))	**74,976**	92,700
Margin accounts (Note (b))	**1**	8,253
Borrowing from a joint venture (Note (c))	**20,136**	–
	111,402	117,927
Unsecured:		
Other borrowing (Note (d))	**3,557**	24,422
	114,959	142,349
The carrying amounts of the above borrowings are repayable*:		
Within one year	**79,235**	126,429
Within a period of more than one year but not exceeding two years	**722**	1,082
Within a period of more than two years but not exceeding five years	**22,824**	3,422
Within a period of more than five years	**12,178**	11,416
	114,959	142,349
The carrying amounts of the above borrowings are repayable:		
Within one year	**79,235**	126,429
Within a period of more than two years but not exceeding five years	**20,136**	–
Within one year that are not repayable within one year from the end of reporting period but contain a repayment on demand clause and show under current liabilities (Note (e))	**15,588**	15,920
	114,959	142,349
Less: Amounts due within one year shown under current liabilities	**(94,823)**	(142,349)
Amount shown under non-current liabilities	**20,136**	–

* The amounts due are based on scheduled repayment dates set out in the respective loan agreements.

34. BORROWINGS *(Continued)*

Notes:

(a) The Group's borrowings are all denominated in HK$. As at 31 December 2019, the borrowings were secured by the Group's four (2018: seven) investment properties with the carrying amount of approximately HK$131,310,000 (2018: HK$164,840,000) (Note 21). The bank borrowings bear interest at 10.625% (2018: 2.625%) per annum. Other loans bear interest at fixed rate ranging from 13.2% to 18% (2018: 13.2% to 18%) per annum.

(b) As at 31 December 2019, approximately HK$1,000 (2018: HK$8,253,000) represented the margin value in broker's account. The Group pledged the listed securities with carrying amount of approximately HK$79,000 (2018: HK$23,773,000) which held in the margin account as collateral to the brokers. The range of interest rates on the Group's margin accounts are 9% to 11.75% per annum (2018: 9% to 11.75% per annum).

(c) On 11 January 2019, the Group entered into two loan agreements with Changsha Seg for the borrowing of approximately RMB13,000,000 and RMB4,500,000, respectively. The independent third parties (the "Pledgers") pledged certain shares of private entities which were incorporated in PRC and investment properties which located in PRC and corporate guarantee as collateral to Changsha Seg. The borrowing bears interest of 8% per annum, and repayable in 2022. The term of pledge is from the grant date of these two loans to the date falling three years after the due date.

The borrowing from joint venture was then borrowed to the Pledgers. According to the loan agreement with the Pledgers, the Pledgers have to reimburse the Group for its cost of financing.

As at 31 December 2019, the borrowing due to a joint venture is approximately HK$20,136,000 (equivalent to RMB17,500,000) (2018: HK$Nil).

(d) On 16 June 2016, the Company entered into a loan agreement with EverCare and Mr. Chen Chien Yeh ("Mr. Chen") to advance a loan in the principal sum of HK$50,000,000 for six months to the Company. The loan bears interest at fixed rate of 12% per annum and is repayable on 15 December 2016.

On 11 January 2017, the Company entered into a deed of addendum with Mr. Chen and EverCare to extend the term of the loan agreement and revise the repayment arrangement. The Company and EverCare agree that the outstanding principal and interest up to 28 February 2017 in the total sum of approximately HK$44,197,000 shall be extended for 18 months commencing from 1 March 2017 at fixed interest rate of 1.25% per month. On 28 February 2017, the Company had repaid HK$10,000,000 to EverCare for partial settlement of the loan and the accrued interests. On 1 March 2017, the Company and EverCare entered into a revised loan agreement to extend the repayment date of the outstanding balances of the loan and accrued interest in the aggregate of approximately HK$44,196,000 to 31 August 2018. The balance bears interest at fixed interest rate of 1.25% per month.

As at 31 December 2018, the aggregate outstanding loan and accrued interest was approximately HK$24,422,000.

On 25 January 2019, the Group entered into a deed of novation with CEF, pursuant to which the outstanding amount due from CEF of HK$21,500,000 was set-off against partial borrowing due to EverCare.

On 30 August 2019, the Group entered into a deed of settlement with EverCare, in relation to the assignment of a property located in CNMI to EverCare to set-off against the aggregate outstanding loan and accrued interest of approximately HK$3,557,000 owed by the Group. As at 31 December 2019, the settlement was yet to be completed.

34. BORROWINGS *(Continued)*

Notes:

(e) Included in bank borrowings of the Group are mortgage loans with an aggregate principal of approximately HK$16,289,000 (2018: HK$16,974,000) of which the respective loan agreements contain a repayment on demand clause giving the bank the unconditional right to call the loans at any time and therefore, for the purpose of the above maturity profile, the total amount is classified as current liabilities.

The Group's borrowings that are denominated in currency other than the functional currencies of the relevant group entities is set out below:

	2019 **HK$'000**	2018 HK$'000
RMB	**20,136**	–

35. BOND PAYABLES

As at 31 December 2018, the bond payables held by 1 and 4 bond holders are due in 2019 and 2020 respectively. During the year ended 31 December 2019, 1 bond holder and the Company entered into an extension agreement, and agreed that the bond which originally was due in 2019 would be extended for two years to 2021 and other terms remaining the same.

Subsequent to the reporting period, 2 bond holders and the Company entered into extension agreements respectively, and agreed that the bond which were originally due in 2020 would be extended for two years to 2022 and other terms remaining the same.

The bond payables are unsecured, transferrable and bearing interest rate ranging from 6% to 8% per annum.

36. LEASE LIABILITIES

	2019 **HK$'000**
Lease liabilities payable:	
Within one year	**3,070**
Within a period of more than one year but not more than two years	**3,210**
Within a period of more than two years but not more than five years	**946**
	7,226
Less: Amount due for settlement with 12 months shown under current liabilities	**(3,070)**
Amount due for settlement after 12 months shown under non-current liabilities	**4,156**

37. OBLIGATIONS UNDER FINANCE LEASES

Analysed for reporting purposes as:

	2018 HK'000
Current liabilities	729
Non-current liabilities	766
	1,495

It is the Group's policy to lease certain motor vehicles under finance leases. The average lease term is 4 to 5 years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 2.25% to 3.09% per annum. There are purchase options in these leases.

	Minimum lease payments 2018 HK$'000	Present value of minimum lease payments 2018 HK$'000
Obligations under finance leases payable:		
Within one year	783	729
Within a period of more than one year but not more than two years	333	302
Within a period of more than two years but not more than five years	491	464
	1,607	1,495
Less: future finance charges	(112)	N/A
Present value of lease obligations	1,495	1,495
Less: Amount due for settlement with 12 months (shown under current liabilities)		(729)
Amount due for settlement after 12 months		766

38. FINANCIAL GUARANTEE CONTRACT

During the year ended 31 December 2019, the Company provided corporate guarantees in favour of two former subsidiaries, in relation to borrowings from a financial institution. During the year ended 31 December 2018, the Company provided a corporate guarantee in favour of Fortune Park Limited, the then subsidiary of the Company, in relation to a borrowing from a financial institution. As at 31 December 2019, the carrying value of the financial guarantee contract was approximately HK$4,837,000 (2018: HK$3,540,000).

	2019	2018
	HK$'000	HK'000
Financial guarantee provided to:		
Fortune Park Limited	**2,962**	3,540
Watson China Limited	**1,875**	–
	4,837	3,540

39. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognised and movements thereon during the reporting period:

	Accelerated tax depreciation HK$'000
At 1 January 2018	1,393
Charge to profit or loss (Note 12)	167
At 31 December 2018	1,560
Charge to profit or loss (Note 12)	79
At 31 December 2019	**1,639**

No deferred tax assets attributable to tax losses of the Group have been recognised for both years due to unpredictability of future profit streams. At the end of the reporting period, the Group had unexpired estimated tax losses available for off-setting future taxable profits of approximately HK$304,748,000 (2018: HK$303,572,000).

Approximately HK$467,000 of tax loss was utilised during the year ended 31 December 2019 (2018: Nil).

40. SHARE CAPITAL

	Par value per share HK$	Number of shares '000	Amount HK$'000
Authorised:			
Ordinary shares			
At 1 January 2018, 31 December 2018 and **31 December 2019**	**0.01**	**10,000,000**	**100,000**
Issued and fully paid:			
Ordinary shares			
At 1 January 2018 and 31 December 2018	0.01	206,778	2,068
Issuance of shares upon placing (Note)	0.01	74,318	743
At 31 December 2019	**0.01**	**281,096**	**2,811**

Note:

On 4 March 2019, the Company entered into a placing agreement with two placing agents, pursuant to which the Company has conditionally agreed to place, through the placing agents, on a best effort basis to place a maximum of 41,000,000 placing shares at a placing price of HK$0.35 per placing share under general mandate. On 20 March 2019, an aggregate of 27,518,400 placing shares have been successfully placed by the placing agents. The gross proceeds from the placing are approximately HK$9,631,000. The net proceeds after deducting the placing commission and other related expenses was approximately HK$9,342,000. The net proceeds from the placing were to be used for repayment of liabilities arising from operating and financing activities, financing general working capital of the Group and expansion of business.

On 2 August 2019, the Company entered into a placing agreement with a placing agent, pursuant to which the Company has conditionally agreed to place, through the placing agent, on a best effort basis to place a maximum of 46,800,000 placing shares at a placing price of HK$0.20 per placing share under general mandate. On 21 August 2019, an aggregate of 46,800,000 placing shares have been successfully placed by the placing agent. The gross proceeds from the placing are approximately HK$9,360,000. The net proceeds after deducting the placing commission and other related expenses was approximately HK$9,079,000. The net proceeds from the placing were to be used for repayment of liabilities arising from operating and financing activities and financing general working capital of the Group.

All the shares issued during the years rank pari passu with the then existing shares in all respects.

41. SHARE OPTION SCHEME

Share option scheme adopted on 2 April 2014 (the "Share Option Scheme")

Pursuant to resolutions passed at a special general meeting of the shareholders held on 2 April 2014, the Company adopted a new share option scheme to continue to provide incentives and/or rewards to the participants by way of granting options. Under the terms of the Share Option Scheme, the Directors may, at their discretion, grant options to the participants fall within the definition prescribed in the Share Option Scheme including the employees, non-executive directors of the Company or its subsidiaries etc., to subscribe for shares in the Company at a price determined by the Company's Board of Directors, and will not be less than the highest of (i) the nominal value of the shares; (ii) the average closing price of the shares quoted on the GEM on the five trading days immediately preceding the date of grant; and (iii) the closing price of the shares quoted on the GEM on the date of grant, subject to a maximum of 10% of the issued share capital of the Company from time to time. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital in issue and with an aggregate value (based on the closing price of the shares on the date of grant) in excess of HK$5,000,000 must be approved by the Company's shareholders.

The Share Option Scheme will remain in force for 10 years from 2 April 2014, unless otherwise cancelled or amended. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

41. SHARE OPTION SCHEME *(Continued)*

Share option scheme adopted on 2 April 2014 (the "Share Option Scheme") *(Continued)*

Details of the share options outstanding during the years ended 31 December 2019 and 2018 were:

Year ended 31 December 2019

Name of category of participant	Date of grant	Exercise price after adjustment[#] HK$	Exercise period	Number of share options: Outstanding as at 1 January	Exercised during the year	Outstanding as at 31 December
Directors	23 March 2016	6.1640	23 March 2016 to 22 March 2026	893,610	–	893,610
Employees	23 March 2016	6.1640	23 March 2016 to 22 March 2026	677,157	–	677,157
Consultants	23 March 2016	6.1640	23 March 2016 to 22 March 2026	975,028	–	975,028
				2,545,795	–	2,545,795
Weighted average exercise price				6.1640		6.1640
Weighted average remaining contractual life				7.23 years		6.23 years

Year ended 31 December 2018

Name of category of participant	Date of grant	Exercise price after adjustment[#] HK$	Exercise period	Number of share options: Outstanding as at 1 January	Cancelled during the year	Outstanding as at 31 December
Directors	23 March 2016	6.1640	23 March 2016 to 22 March 2026	893,610	–	893,610
Employees	23 March 2016	6.1640	23 March 2016 to 22 March 2026	677,157	–	677,157
Consultants	23 March 2016	6.1640	23 March 2016 to 22 March 2026	1,950,056	(975,028)	975,028
				3,520,823	(975,028)	2,545,795
Weighted average exercise price				6.1640		6.1640
Weighted average remaining contractual life				8.23 years		7.23 years

[#] Following the open offer and share consolidation on 26 June 2017 and 27 June 2017, respectively, the exercise price of the outstanding share options was adjusted from HK$0.6120 to HK$6.1640.

41. SHARE OPTION SCHEME *(Continued)*

During the year ended 31 December 2018, the Group reversed the share options reserve of approximately HK$3,063,000 upon the cancellation of 975,028 share options. No share options had been exercised during the years ended 31 December 2019 and 31 December 2018. During the year ended 31 December 2019 and 31 December 2018, there was no share option granted to the directors and employees of the Company and to the consultants.

The fair value of the share options granted during the year ended 31 December 2016 were determined by the Directors at the date of grants by using the Binomial Option Pricing Model, evaluated by Grant Sherman, with the following inputs:

	23 March 2016
Share price at date of grant	HK$0.600
Exercise price	HK$0.612
Risk-free rate	1.735%
Expected dividend yield	0%
Expected life	10 years

The details of the fair value per option for options granted during the year ended 31 December 2016 were set out below:

During the year ended 31 December 2016, the fair value of total 18,820,000 share options granted to directors and employees was approximately HK$6,399,000 and was included in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016. During the year ended 31 December 2016, the Group granted 19,640,000 share options with fair value of approximately HK$6,125,000 to the consultants in exchange for cost of services provided. In the opinion of the Directors, in view of the fair value of the service received from the consultants could not be estimated reliably by the Company, the fair value of the services received from the consultants was measured indirectly by reference to the fair value of the share options granted to the consultants.

The Group recognised an expense for approximately HK$12,524,000 for the year ended 31 December 2016 in relation to share options granted by the Company.

42. RETIREMENT BENEFITS SCHEMES

The Group maintains various retirement schemes for its employees. The retirement scheme for employees of the PRC office is a mandatory central pension scheme organised by the PRC government, the assets of which are held separately from those of the Group. Contributions made are based on a percentage of the eligible employees' salaries and charged as expenses when the employees have rendered services entitling them to the contribution. The employer contributions vest fully once they are made.

The Group's Hong Kong employees are covered by the Mandatory Provident Fund, which is managed by an independent trustee. The Group and its Hong Kong employees each make monthly contributions to the scheme at 5% of the employees' income with the maximum contribution by each of the Group and the employees limited to HK$1,500.

During the year, the aggregate contributions made by the Group to the retirement schemes were approximately HK$434,000 (2018: HK$689,000). As at 31 December 2019, contributions of approximately HK$69,000 (2018: HK$126,000) due in respect of the year ended 31 December 2019 had not been paid over to the plan. The amount were paid subsequent to the end of the reporting period.

43. RELATED PARTY TRANSACTIONS

(a) Compensation of directors and key management personnel

The remuneration of Directors and other members of key management during the years were as follows:

	2019	2018
	HK$'000	HK$'000
Short-term benefits	**8,105**	10,640
Post-employment benefits	**84**	107
	8,189	10,747

The remuneration of Directors and key executives are determined by the remuneration committee having regard to the performance of individuals and market trends.

(b) Save as disclosed elsewhere in these consolidated financial statements, the Group had not entered into any significant related party transactions during the years ended 31 December 2019 and 31 December 2018.

(c) During the year ended 31 December 2019, HK$1,515,000 of finance cost represented the charge arising from the borrowing from a joint venture, Changsha Seg (2018: HK$Nil).

44. COMMITMENTS

(a) Operating lease commitment

The Group as lessor

Minimum lease payments receivables on leases are as follows:

	2019 **HK$'000**
Within one year	**1,032**
In the second year	**430**
	1,462

The Group had contracted with leasees for the following future minimum lease payments:

	2018 HK$'000
Within one year	1,309
In the second to fifth year inclusive	–
	1,309

Operating lease receipts represent rentals receivable by the Group for certain of its investment properties. They are expected to generate rental yield of 3.3% (2018: 2.2%) on an ongoing basis. All of the properties held have committed tenants for the next two years (2018: one to two years).

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments in respect of premises under various non-cancellable operating leases which fall due as follows:

	2018 HK$'000
Within one year	1,770

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated and rentals are fixed for an average of two years.

(b) Capital commitment

As at 31 December 2019, the Group did not have any material capital commitment (2018: Nil).

45. MAJOR NON-CASH TRANSACTIONS

For the year ended 31 December 2019

(a) Included in other receivables as at 31 December 2018 is an amount of HK$21,500,000 due from CEF. On 25 January 2019, the Group entered into a deed of novation with CEF, pursuant to the deed of novation, the outstanding amount of HK$21,500,000 due from CEF would be transferred to EverCare, in order to set-off against the Group's partial borrowing due to EverCare (Note 29(b)(iii)).

(b) The Group settled a borrowing of approximately HK$8,300,000, which was settled by the consideration of the disposal of an investment property with the carry amount of HK$7,900,000 (Note 21) during the year ended 31 December 2019.

(c) Included in loan and interest receivables as at 31 December 2018 is a loan of principal amount of HK$10,038,000 and interest receivable of approximately HK$10,841,000, net of accumulated impairment loss of approximately HK$9,217,000, was set-off against the partial consideration of acquisition of a subsidiary (Note 27(b)). Details of the acquisition of a subsidiary are disclosed in Note 48(a) to the consolidated financial statements.

(d) Included in other receivables as at 31 December 2018 is an amount of HK$3,302,000, net of allowance for credit loss of approximately HK$198,000, was set-off against the partial consideration of acquisition of FT Securities Limited during the year ended 31 December 2019 (Note 29(b)(iv)). Details of the acquisition of FT Securities Limited are disclosed in Note 47(a) to the consolidated financial statements.

(e) Included in loan and interest receivables as at 31 December 2019 is a loan of principal amount of approximately HK$20,136,000, which represents the amount received by the loan debtor from the borrowing from a joint venture on behalf of the Group during the year.

(f) Included in borrowings as at 31 December 2019 is a borrowing of approximately HK$1,787,000, which was reclassified from interest payable as at 31 December 2018.

For the year ended 31 December 2018

(g) Included in other receivables as at 31 December 2017 is an amount of HK$10,000,000 due from an independent third party. During the year ended 31 December 2018, the other receivables was settled through the consideration of disposal of entire issued shares of Selected Team Limited. Details of disposal of Selected Team are disclosed in Note 49(f) to the consolidated financial statements.

(h) Included in Group's loan and interest receivables as at 31 December 2017 in amount of HK$12,057,000 was set-off against the partial consideration of acquisition of Hong Kong Newrich Limited ("Hong Kong Newrich") (Note 27(a)). Details of the acquisition of Hong Kong Newrich are disclosed in Note 48(c) to the consolidated financial statements.

(i) Included in Group's other receivables as at 31 December 2017 in amount of HK$4,500,000 was set-off against the partial consideration of acquisition of Hong Kong Newrich. Details of the acquisition of Hong Kong Newrich are disclosed in Note 48(c) to the consolidated financial statements.

(j) The Group settled a borrowing of approximately HK$6,000,000, which was partially settled by the consideration of the disposal of an investment property during the year ended 31 December 2018.

(k) Included in the Group's other receivables as at 31 December 2017 is an amount of approximately HK$5,500,000 which was transferred to property, plant and equipment during the year ended 31 December 2018.

46. LITIGATIONS

(i) On 28 March 2012, 7 September 2012 and 23 May 2013, Fameway Finance Limited ("Fameway"), a wholly-owned subsidiary of the Group, issued writ of summons in the High Court of Hong Kong against certain borrowers, claiming for repayment of the loan receivables of HK$218,529,000 and HK$226,709,000 as at 31 December 2014 and 31 December 2013, respectively. Management considers that the recoverability of the loan receivables was uncertain and impairment loss of HK$Nil and HK$11,238,000 was recognised in profit and loss for the year ended 31 December 2014 and 31 December 2013, respectively.

Fameway issued amended writ of summons in the High Court of Hong Kong against certain borrowers on 4 December 2012, 24 December 2012 and 28 December 2012 in relation to the above loan receivable balances except for the litigation case which got court judgments on 23 November 2012 and 19 February 2013. Both judgments were in favour of the Group. The defendants were ordered to pay the outstanding amount of loan receivables of total HK$110,544,000 and the relative interest and the costs of the action incurred by the Group. Securities of HK$2,015,000 were received as part of the settlement of the loan. Due to the uncertainty of the recoverability of the remaining loan receivables, the management considered that no reversal of impairment loss should be made for the remaining loan receivable for the year ended 31 December 2013.

Fameway succeeds in enforcing partial payment of the judgment debt against some of such borrowers on 2 September 2015. Fameway is able to enforce the share charge granted by the defendants and in favour of Fameway over certain shares in Singapore and the shares in which are listed on Singapore Exchange Limited. To carry out such enforcement, Fameway has retained lawyers in Singapore. No further update in 2019 and Fameway will rely on legal advice for the conduct of enforcement procedures.

(ii) On 9 March 2012, King Perfection Limited ("King Perfection"), an indirect wholly-own subsidiary, issued a writ of summons in the Court of First Instance against PPH, claiming for the refund of the deposit paid in the sum of HK$20,000,000. Judgment was issued by the court on 22 February 2013 which PPH has to pay King Perfection (a) the sum of HK$20,000,000; (b) damages to be assessed; and (c) costs to be taxed.

A separate hearing regarding the above case was heard on 2 March 2016 since the Company and King Perfection had not received any refund of deposit from PPH, the Judge reserved judgment to a later date. In the opinion of legal advisor, the proof of debt of King Perfection and the Group be admitted in full in the sum of approximately HK$20,011,000. As at the date of this report, no amount has been received. The Company and King Perfection would rely on legal advice for further conduct and for protection of their interest.

46. LITIGATIONS *(Continued)*

(iii) On 6 May 2013, a writ of summons has been served to the Company, claiming for payment for the loss of the plaintiff of approximately RMB5,188,732,000. The legal case is related to the breach of contracts in respect of the investment in a joint venture which will conduct railway cargo transportation services in the PRC. On 13 May 2014, the plaintiff had completely crossed out its statement of claim and replaced the same with a new one and the amount of monetary claim was reduced from approximately RMB5,188,732,000 to HK$100,000,000. The Company has taken out the relevant applications to disallow such amendments of the statement of claim by the plaintiff and to strike out the amended statement of claim if such amendments are allowed by the Court.

The plaintiff's amendments to its statement of claim in so far as it relates to the cause of action against the Company were struck out by the order of Master Hui on 3 June 2015 ("the Said Order") with costs in favour of the Company. The plaintiff then filed the notice of appeal on 17 June 2015 (the "Said Appeal") to appeal against the Said Order. The Said Appeal was heard on 9 December 2015 and had been dismissed by the Court with costs in favour of the Company on indemnity basis.

Since the plaintiff has taken out application to amend its statement of claim, the Company also taken out the relevant application to dismiss such amended statement of claim. Both pleadings have been filed and the pleadings stage has closed. The Court has directed the plaintiff and the Company to file and serve their respective lists of documents and arrange and attend mediation thereafter.

The Company attempted mediation with a view to amicably settle the disputes with the plaintiff. After consultation with the legal advisor during the year ended 31 December 2019, the management considered that the Company has good case to defend the amended statement of claim which depends on the performance of witnesses during the trial.

(iv) The claimant, Chan Yu Yiu Henry, against Onway Logistics Limited (the "1st Defendant"), China Railway Investments Group (HK) Limited (the "2nd Defendant") and the Company (the "3rd Defendant") claiming director's fee in the aggregate sum of HK$4,146,666.66 allegedly due and owing since June 2008 (the "Claim"). It was the 2nd Defendant appointed the claimant as director of the 1st Defendant and the 2nd Defendant was the former joint venturer of 1st Defendant, which is the former joint venture of the Company on 13 October 2008.

46. LITIGATIONS *(Continued)*

(iv) *(Continued)*

The entire proceedings start afresh in the Court of First Instance. The claimant's application for legal aid failed, and due to his alleged impecuniosity, the claimant is not legally represented. The claimant has not yet to serve his statement of claim and no further update in 2019.

In the opinion of the legal advisor, it will be meritorious to apply for striking out the Claim, and the legal advisor are preparing the summons and the affirmation in report of such striking out application.

(v) On 23 February 2016, GML has filed complaint for breach of contract in the Superior Court in CNMI against HKE for claiming the refundable deposit of approximately HK$174,928,000. On 28 March 2016, GML has obtained default judgement from the Superior Court in CNMI against HKE. GML is waiting for the legal advice for further conduct of the proceedings in CNMI.

During the year ended 31 December 2019, the entire of share capital of GML was disposed to an independent third party. The outstanding deposit was disposed through the disposal of GML.

(vi) On 29 July 2016, Magic Red Limited ("Magic Red"), an indirect wholly-owned subsidiary of the Company, issued a writ of summon to Homely Manufacturing Limited ("HML") to claim the sum of HK$4,200,000 being the principal amount of convertible bonds issued by HML and subscribed by Magic Red. Judgement was issued on 1 February 2017 which HML has to pay Magic Red (a) the sum of HK$4,200,000, and (b) fixed cost in the sum of HK$11,045.

No further update in 2019 and Magic Red will rely on legal advice for further and possible enforcement.

(vii) On 21 June 2019, a writ of summons has been served to the Company by EverCare, claiming for payment for a debt in the amount of approximately HK$11,297,000, together with the interest accrued and costs. The Company therefore commenced discussions with EverCare with a view to (i) seek clarification on the debt amount referred to in the claim; and (ii) reach an amicable out-of-court settlement with EverCare as imminently as possible.

On 30 August 2019, the Company and EverCare entered into a deed of settlement in relation to the assignment of a property located in CNMI to EverCare to set-off against the actual outstanding amount owed by the Company.

46. LITIGATIONS *(Continued)*

(viii) During the year ended 31 December 2019, an mortgagee action has been instituted to the Company and Sun Famous Investment Limited ("Sun Famous"), an indirect wholly-owned subsidiary of the Company, by Nanyang Commercial Bank Limited ("Nanyang Bank"), claiming for the non-repayment of certain loan facilities that have been obtained by Sun Famous from the Nanyang Bank.

The Nanyang Bank claimed for vacant possession of the charged property namely, which was charged to and in favour of the Nanyang Bank under the mortgage, as well as all money due by the Company and Sun Famous to the Nanyang Bank thereunder, and both the Company and Sun Famous have instructed legal advisers to act on their behalf on this matter whilst simultaneously pursuing direct discussions and negotiations with the Nanyang Bank with a view to resolving this matter.

(ix) During the year ended 31 December 2019, Easy Champ Corporation Limited ("Easy Champ"), an indirect wholly-owned subsidiary of the Company, has been sued by a landlord of the office premises occupied by Easy Champ.

On 27 December 2019, a judgment has already been entered against Easy Champ, and it is judged that Easy Champ do pay the landlord (a) the sum of HK$1,350,000 being arrears of rent; (b) mesne profits at the rate of HK$150,000 per month from 10 August 2019 to the date when vacant possession of the premises is delivered up to the landlord; (c) the sum of approximately of HK$26,000 being interest accumulated on arrears of rent as at 19 August 2019; (d) interest on the sum of HK$1,350,000 at the rate of 5.125 per cent per annum from 1 September 2019 to the date of the judgement and thereafter at the judgment rate to the date of full payment; and (e) costs, to be taxed if not agreed.

As at the date of this report, Easy Champ is in the process of being wound up by the High Court of Hong Kong.

(x) FT Securities was disciplined by the SFC on 16 November 2018 and as a result of which FT Securities was fined of HK$3,500,000. FT Securities appealed to the Securities and Futures Appeals Tribunal. The appeal was dismissed, and SFC enforced against FT Securities for a total amount of approximately HK$3,806,000, including the said fine of HK$3,500,000 together with SFC's costs.

On 10 October 2019, the SFC obtained a garnishee order to show cause from the cost of First Instance of the High Court of Hong Kong Special Administrative Region against FT Securities, with The Hongkong and Shanghai Banking Corporation Limited being the garnishee (the "Garnishee"), and with the said Garnishee order to show cause being made absolute on 13 December 2019, an amount of approximately HK$2,261,000 was deducted from FT Securities' bank account with the Garnishee for purported part payment of the fine.

The remaining outstanding balance has been included in other payables as at 31 December 2019.

46. LITIGATIONS *(Continued)*

(xi) On 18 November 2019, the Company received a statutory demand issued by the legal representative of a purported creditor demanding the Company to settle a sum of approximately HK$1,443,000 plus interest (the "Relevant Sum"). The statutory demand was issued pursuant to section 178(1)(a) or 327(4)(a) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong. If the Company fails to repay the Relevant Sum within 3 weeks after the service of the Statutory Demand, a winding-up order may be made in respect of the Company.

In the opinion of the Directors, the Company will negotiate with the creditor for the settlement of debt in order to avoid winding up order made.

47. ACQUISITION OF BUSINESS

For the year ended 31 December 2019

(a) Acquisition of FT Securities Limited ("FT Securities")

On 30 November 2018, the Group entered into a sale and purchase agreement with an independent third party pursuant to which the Group has acquired the entire issued share capital of FT Securities, a company incorporated in Hong Kong, at a consideration of approximately HK$7,000,000. The acquisition was completed on 24 April 2019.

FT Securities was licensed to carry out dealing in securities (Type 1 regulated activity) and advising on securities (Type 4 regulated activity) under the SFO.

Consideration

	HK$'000
Consideration transferred:	
Deposit paid	**3,500**
Cash	**2,950**
Consideration payable	**550**
	7,000

47. ACQUISITION OF BUSINESS *(Continued)*

For the year ended 31 December 2019 *(Continued)*

(a) ***Acquisition of FT Securities*** *(Continued)*

Consideration *(Continued)*

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Property, plant and equipment	**28**
Other assets	**855**
Trade and other receivables	**2,297**
Bank balances and cash	**5,738**
Trade and other payables	**(3,578)**
Net assets acquired of	**5,340**
Goodwill	**1,660**
Total consideration	**7,000**

Net cash inflow on the acquisition of FT Securities:

	HK$'000
Cash paid	**2,950**
Less: Bank balances and cash acquisition of	**(5,738)**
	(2,788)

47. ACQUISITION OF BUSINESS *(Continued)*

For the year ended 31 December 2019 *(Continued)*

(a) Acquisition of FT Securities (Continued)

Consideration (Continued)

Upon the date of acquisition, FT Securities had suspended all settlement and clearance transactions with its clients since 2 March 2018, in which the Company relied on to carry out its major business operation of dealing in securities (Type 1 regulated activity) and advising on securities (Type 4 regulated activity).

Therefore, the Directors have determined full impairment loss of the goodwill of approximately HK$1,660,000 should be provided. The impairment loss has been included in profit or loss in the other gains and losses line item.

No acquisition-related costs was incurred from the acquisition.

Included in the loss for the year ended 31 December 2019 is approximately HK$13,271,000 attributable to the additional operating loss from FT Securities. No revenue for the year ended 31 December 2019 was generated from FT Securities.

Had the acquisition been completed on 1 January 2019, total group revenue for the year would have been approximately HK$4,140,000, and loss for the year would have been approximately HK$183,475,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2019, nor is it intended to be a projection of future results.

47. ACQUISITION OF BUSINESS *(Continued)*

For the year ended 31 December 2018

(b) Acquisition of Goal Set Investments Limited ("Goal Set")

On 16 May 2018, the Group entered into a sale and purchase agreement with an independent third party pursuant to which the Group has agreed to acquire the entire share capital of Goal Set, a company incorporated in BVI, at a consideration of HK$3,390,000. The acquisition was completed on 16 May 2018. Goal Set is principally engaged in investment holding.

	HK$'000
Consideration transferred:	
Cash	3,390

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Other receivables	3,000
Bank balances and cash	1
Amount due to former shareholder's loan	(15,309)
Net assets acquired of	(12,308)
Add: Assignment of shareholder's loan	15,309
Goodwill	389
Total consideration	3,390

Net cash outflow on the acquisition of Goal Set:

	HK$'000
Cash consideration	3,390
Less: Bank balances and cash acquisition of	(1)
	3,389

47. ACQUISITION OF BUSINESS *(Continued)*

For the year ended 31 December 2018 *(Continued)*

(b) Acquisition of Goal Set Investments Limited ("Goal Set") *(Continued)*

No acquisition-related costs was incurred from the acquisition.

Included in the loss for the year ended 31 December 2018 is approximately HK$42,000 attributable to the additional operating loss from Goal Set. No revenue for the year ended 31 December 2018 was generated from Goal Set.

Had the acquisition been completed on 1 January 2018, total group revenue for the year would have been approximately HK$24,886,000, and loss for the year would have been approximately HK$219,430,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2018, nor is it intended to be a projection of future results.

48. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

For the year ended 31 December 2019

(a) Acquisition of Fortune Park Limited ("Fortune Park")

On 6 December 2018, the Group and Fortune Park entered into a deed of settlement, pursuant to which, Fortune Park will settle the loan and interest receivables due to the Group of approximately HK$20,879,000 by issue and allot of 9,999 new ordinary shares, representing 99.99% of the enlarged issued share capital of Fortune Park, at HK$1 each to the Group. Upon the completion of acquisition on 14 May 2019, Fortune Park become a non-wholly owned subsidiary of the Group. Fortune Park is mainly holding an investment property in Hong Kong. Therefore, it has been accounted for as acquisition of assets.

48. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2019 *(Continued)*

(a) Acquisition of Fortune Park Limited ("Fortune Park") *(Continued)*

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Investment property (Note 21)	35,747
Other receivables	3
Bank balances	4
Other borrowings	(14,168)
Other payables and accrual	(707)
Amount due to the former director	(2,110)
Amount due to the Group	(20,879)
Net liabilities acquired of	(2,110)
Add: Waiver of the amount due to the former director	2,110
Settlement of amount due to the Group	20,879
Adjusted net assets acquired of	20,879

	HK$'000
Consideration transferred	20,879
Add: Non-controlling interest (0.01% of Fortune Park)	–
	20,879

Total consideration satisfied by:

	HK$'000
Loan and interest receivables	20,879

Net cash inflow on acquisition of assets through acquisition of Fortune Park:

	HK$'000
Cash consideration paid	–
Add: Bank balance acquired	4
	4

48. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2018

(b) Acquisition of CSAM

On 8 January 2018, the Group entered into a sale and purchase agreement with an independent third party pursuant to which the Group has acquired the entire issued share capital of CSAM, a company incorporated in Hong Kong, at a consideration of approximately HK$5,937,000. The acquisition was completed on 5 September 2018.

CSAM is mainly holding the licenses for advising on securities (Type 4 regulated activity) and assets management (Type 9 regulated activity) under the Hong Kong Securities and Futures Ordinance. The acquisition has been accounted for as acquisition of assets.

	HK$'000
Consideration transferred:	
Cash	5,937

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Property, plant and equipment	1
Intangible assets (Note 25)	5,732
Trade and other receivables	8
Bank balances and cash	253
Trade and other payables	(57)
Net assets acquired of	5,937
Total consideration satisfied by:	
Cash	5,937

48. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2018 *(Continued)*

(b) Acquisition of CSAM (Continued)

Net cash outflow on the acquisition of CSAM:

	HK$'000
Cash consideration	5,937
Less: Bank balances and cash acquisition of	(253)
	5,684

(c) Acquisition of Hong Kong Newrich

On 15 January 2018, Unique Jade International Limited ("Unique Jade"), an indirect wholly-owned subsidiary of the Company, entered into a share subscription agreement with an independent third party, Hong Kong Newrich, which is incorporated in Hong Kong, and its then sole beneficial owner of Hong Kong Newrich and pursuant to which Hong Kong Newrich allotted and issued 990,000 new ordinary shares, representing 99% of the enlarged issued capital of Hong Kong Newrich, to Unique Jade, at a consideration of HK$16,830,000. After the completion of the subscription of the new issued shares, Hong Kong Newrich became a non-wholly owned subsidiary of the Group. Hong Kong Newrich is mainly holding an investment property in Hong Kong. The acquisition has been accounted for an acquisition of assets.

48. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2018 *(Continued)*

(c) Acquisition of Hong Kong Newrich *(Continued)*

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Investment property (Note 21)	45,749
Other borrowings	(28,000)
Other payables and accrual	(14)
Amount due to the former director	(17,721)
Amount due to the Group	(16,557)
Net liabilities acquired of	(16,543)
Add: Waiver of the amount due to the former director	16,713
Settlement of amount due to the Group by deduction from the consideration	16,830
Adjusted net assets acquired of	17,000

	HK$'000
Consideration transferred	16,830
Add: Non-controlling interest (1% of Hong Kong Newrich)	170
	17,000

Total consideration satisfied by:

	HK$'000
Other receivables	4,500
Loan and interest receivables	12,057
Other payable	273
	16,830

Net cash outflow on acquisition of assets through acquisition of Hong Kong Newrich:

	HK$'000
Cash consideration paid	–

49. DISPOSAL OF SUBSIDIARIES

For the year ended 31 December 2019

(a) Disposal of Watson China Limited ("Watson China")

On 6 November 2019, the Group entered into a sale and purchase agreement with an independent third party (the "Vendor 1") pursuant to which the Group has agreed to sell 89.99% of issued share capital of Watson China and the shareholder's loan at a consideration of HK$2,402,001. The disposal was completed on 6 November 2019.

	HK$'000
Consideration transferred:	
Cash	**410**
Other receivables	**1,992**
	2,402

On the date of completion of the disposal of Watson China, in view of the unsettled consideration, the entire issued share capital of Watson China has been pledged to the Group by the Vendor 1. If the outstanding consideration (including settlement of the mortgage loan and hence the guarantee provided by the Group is released) has not yet been settled by 29 May 2020, the Group shall execute the share mortgage.

Analysis of assets and liabilities over which control was lost:

	HK$'000
Investment property	**8,800**
Other receivables	**141**
Other payables	**(545)**
Other borrowing	**(6,578)**
Deferred tax	**(40)**
Amount due to the Group	**(3,930)**
Net liabilities disposal of	**(2,152)**
Waiver of amount due to the Group	**3,930**
Non-controlling interest	**233**
Gain on disposal of a subsidiary	**391**
Total consideration received	**2,402**

Net cash inflow arising on the disposal:

	HK$'000
Cash consideration	**410**

49. DISPOSAL OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2019 *(Continued)*

(b) Disposal of Fortune Park Limited ("Fortune Park")

On 6 November 2019, the Group entered into a sale and purchase agreement with an independent third party (the "Vendor 2") pursuant to which the Group has agreed to sell 99.99% of issued share capital of Fortune Park at a consideration of approximately HK$4,052,000. The disposal was completed on 28 November 2019.

	HK$'000
Consideration transferred:	
Cash	220
Other receivables	3,832
	4,052

On the date of completion of the disposal of Fortune Park, in view of the unsettled consideration, the entire issued share capital of Fortune Park has been pledged to the Group by the Vendor 2. If the outstanding consideration (including settlement of the mortgage loan and hence the guarantee provided by the Group is released) has not yet been settled by 29 May 2020, the Group shall execute the share mortgage.

Analysis of assets and liabilities over which control was lost:

	HK$'000
Investment property	21,300
Other receivables	4
Bank balances and cash	9
Other payables	(1,428)
Other borrowing	(14,168)
Amount due to the Group	(524)
Net liabilities disposal of	5,193
Loss on disposal of a subsidiary	(1,141)
Total consideration received	4,052

Net cash inflow arising on the disposal:

	HK$'000
Cash consideration	220
Less: Bank and cash disposed of	(9)
	211

49. DISPOSAL OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2019 *(Continued)*

(c) Disposal of Alpaco Company Limited ("Alpaco")

On 6 November 2019, the Group entered into a sale and purchase agreement with an independent third party (the "Vendor 3") pursuant to which the Group has agreed to sell the entire issued share capital of Alpaco and the shareholder's loan at a consideration of approximately HK$1,184,001. The disposal was completed on 28 November 2019.

	HK$'000
Consideration transferred:	
Cash	**100**
Other receivables	**1,084**
	1,184

On the date of completion of the disposal of Alpaco, in view of the unsettled consideration, the entire issued share capital of Alpaco has been pledged to the Group by the Vendor 3. If the outstanding consideration has not yet been settled by 29 May 2020, the Group shall execute the share mortgage.

Analysis of assets and liabilities over which control was lost:

	HK$'000
Investment property	**11,900**
Other receivables	**3**
Other payables	**(767)**
Other borrowing	**(8,096)**
Amount due to the Group	**(5,765)**
Net liabilities disposal of	**(2,725)**
Waiver of amount due to the Group	**5,765**
Loss on disposal of a subsidiary	**(1,856)**
Total consideration received	**1,184**

Net cash inflow arising on the disposal:

	HK$'000
Cash consideration	**100**

49. DISPOSAL OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2019 *(Continued)*

(d) Disposal of Gain Millennia Limited ("Gain Millennia")

On 12 April 2019, the Group entered into a sale and purchase agreement with an independent third party pursuant to which the Group has agreed to sell the entire of issued share capital of Gain Millennia and the shareholder's loan at a consideration of approximately HK$2,200,001. The disposal was completed on 12 April 2019.

	HK$'000
Consideration transferred:	
Cash	1,480
Other receivables	720
	2,200

Analysis of assets and liabilities over which control was lost:

	HK$'000
Other receivables	689
Amount due to the Group	(182,112)
Net liabilities disposal of	(181,423)
Waiver of amount due to the Group	182,112
Gain on disposal of a subsidiary	1,511
Total consideration received	2,200

Net cash inflow arising on the disposal:

	HK$'000
Cash consideration	1,480

49. DISPOSAL OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2018

(e) Disposal of First Champion Worldwide Limited ("First Champion")

On 12 January 2018, the Group entered into a sale and purchase agreement with an independent third party pursuant to which the Group has agreed to sell the entire issued share capital of First Champion at a consideration of HK$100,000. The disposal was completed on 12 January 2018.

	HK$'000
Consideration transferred:	
Cash	100

Analysis of assets and liabilities over which control was lost:

	HK$'000
Investments held for trading	28,453
Prepayments, deposits and other receivables	197
Bank balances and cash	51
Other payables	(149)
Tax liabilities	(2,559)
Amount due to the Group	(33,870)
Net liabilities disposal of	(7,877)
Waiver of amount due to the Group	7,070
Gain on disposal of a subsidiary	907
Total consideration received	100

Net cash inflow arising on the disposal:

	HK$'000
Cash consideration	100
Less: Bank balances and cash disposed of	(51)
	49

49. DISPOSAL OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2018 *(Continued)*

(f) Disposal of Selected Team

On 15 January 2018, the Group entered into a sale and purchase agreement with an independent third party pursuant to which the Group has agreed to sell the entire issued share capital of Selected Team at a consideration of HK$10,000,000. The disposal was completed on 15 January 2018.

	HK$'000
Consideration transferred:	
Cash	10,000

Analysis of assets and liabilities over which control was lost:

	HK$'000
Prepayments, deposits and other receivables	10,000
Amount due to the Group	(12,639)
Net liabilities disposal of	(2,639)
Waiver of amount due to the Group	12,639
Total consideration received	10,000

Net cash inflow arising on the disposal:

	HK$'000
Cash	10,000

(g) Disposal of Marvel Equity

As disclosed in Note 22 to the consolidated financial statements, the equity interest of the Group was diluted from 100% to 20% as a result of the allotment of 4,000 ordinary shares to an independent third party. Accordingly, there was lost of control in Marvel Equity and hence being regarded a deemed disposal of a subsidiary.

49. DISPOSAL OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2018 *(Continued)*

(g) Disposal of Marvel Equity *(Continued)*

Analysis of assets and liabilities over which control was lost:

	HK$'000
Amount due to the Group	(37)
Gain on deemed disposal of a subsidiary	45
Fair value of interest retained	8

Net cash inflow arising on the disposal:

	HK$'000
Cash	–

After the completion of the deemed disposal, the Group owns 20% issued share capital of Marvel Equity and Marvel Equity became as an associate of the Group (Note 22).

50. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2019 HK$'000	2018 HK$'000
Non-current asset		
Unlisted investments in subsidiaries	**31**	31
Current assets		
Prepayments, deposits and other receivables	**302**	868
Amounts due from subsidiaries	**111,377**	319,063
Amount due from an associate	**27**	5
Amount due from a joint venture	**1,196**	–
Bank balances and cash	**–**	1,191
	112,902	321,127
Current liabilities		
Other payables and accruals	**29,560**	35,481
Amounts due to subsidiaries	**86,462**	76,245
Amount due to an associate	**715**	715
Borrowings	**4,357**	24,422
Bond payables	**40,000**	10,000
Financial guarantee contracts – current portion	**5,815**	6,888
Bank overdrafts	**70**	–
	166,979	153,751
Net current (liabilities) assets	**(54,077)**	167,376
Total assets less current liabilities	**(54,046)**	167,407
Non-current liabilities		
Bond payables	**10,000**	40,000
Financial guarantee contracts – non-current portion	**6,841**	–
	16,841	40,000
Net (liabilities) assets	**(70,887)**	127,407
Capital and reserves		
Share capital	**2,811**	2,068
Reserves (Note)	**(73,698)**	125,339
Total equity	**(70,887)**	127,407

The Company's statement of financial position was approved and authorised for issue by the board of directors on 12 May 2020 and are signed on its behalf by:

Lam Kwok Hing Wilfred
Director

Chan Shui Sheung Ivy
Director

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

Note: Movements of reserves during the years are as follows:

	Share premium	Contributed surplus	Share options reserve	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2018	3,168,665	16,500	11,547	(3,011,951)	184,761
Loss for the year	–	–	–	(59,422)	(59,422)
Cancellation of share option (Note 41)	–	–	(3,063)	3,063	–
At 31 December 2018	3,168,665	16,500	8,484	(3,068,310)	125,339
Loss for the year	–	–	–	(216,715)	(216,715)
Issuance of shares upon placing (Note 40)	18,248	–	–	–	18,248
Transaction cost attributable to issuance of shares upon placing (Note 40)	(570)	–	–	–	(570)
At 31 December 2019	3,186,343	16,500	8,484	(3,285,025)	(73,698)

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries of the Group as at 31 December 2019 and 2018 are as follows:

Name of subsidiaries	Place of incorporation/ operations	Class of shares held	Issued and fully paid share capital	Proportion of ownership interest held by the Company				Proportion of voting power held by the Company				Principal activities
				Directly		Indirectly		Directly		Indirectly		
				2019 %	2018 %	2019 %	2018 %	2019 %	2018 %	2019 %	2018 %	
Amazed Craft Limited	BVI	Ordinary	USD1,000	–	–	100%	100%	–	–	100%	100%	Investment Holding
Alpaco (Note (a))	BVI	Ordinary	USD10,000	–	–	–	100%	–	–	–	100%	Holding of investment properties
Asiaciti Management Limited	Hong Kong	Ordinary	HK$100	–	–	100%	100%	–	–	100%	100%	Investment holdings
Best Core Investment Limited	BVI	Ordinary	USD1,000	–	–	100%	100%	–	–	100%	100%	Holding of investment properties
Bright Amazing Limited	BVI	Ordinary	USD1,000	–	–	100%	100%	–	–	100%	100%	Provision of financing services
Charm State International Limited	Hong Kong	Ordinary	HK$1	–	–	100%	100%	–	–	100%	100%	Office administration
Chinese Tea Limited	Hong Kong	Ordinary	HK$10,000	–	–	100%	100%	–	–	100%	100%	Tea leaves trading
Chinese Travel (Holdings) Limited	BVI	Ordinary	USD1,000	–	–	100%	100%	–	–	100%	100%	Investment holdings
CSAM (Note (b))	Hong Kong	Ordinary	HK$52,325,100 (2018: HK$49,845,000)	–	–	100%	100%	–	–	100%	100%	Advising on securities and assets management

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Details of the principal subsidiaries of the Group as at 31 December 2019 and 2018 are as follows: *(Continued)*

Name of subsidiaries	Place of incorporation/ operations	Class of shares held	Issued and fully paid share capital	Proportion of ownership interest held by the Company				Proportion of voting power held by the Company				Principal activities
				Directly		Indirectly		Directly		Indirectly		
				2019 %	2018 %	**2019 %**	2018 %	**2019 %**	2018 %	**2019 %**	2018 %	
Deluxe Charm Limited	BVI	Ordinary	USD1,000	**–**	–	**100%**	100%	**–**	–	**100%**	100%	Investment holdings
Dragon Billion Limited	Hong Kong	Ordinary	HK$1	**100%**	100%	**–**	–	**100%**	100%	**–**	–	Investment holdings
Ease Power Investment Limited	Hong Kong	Ordinary	HK$1	**–**	–	**100%**	100%	**–**	–	**100%**	100%	Office administration
Easy Champ Corporation Limited	Hong Kong	Ordinary	HK$1	**–**	–	**100%**	100%	**–**	–	**100%**	100%	Office administration
Excel Return Enterprises Limited	BVI	Ordinary	USD1	**–**	–	**100%**	100%	**–**	–	**100%**	100%	Trading of securities
Fameway Finance Limited	Hong Kong	Ordinary	HK$1	**–**	–	**100%**	100%	**–**	–	**100%**	100%	Provision of financing services
Forever Success International Limited	Hong Kong	Ordinary	HK$1	**–**	–	**100%**	100%	**–**	–	**100%**	100%	Office administration
Fortune Park (Note (c))	Hong Kong	Ordinary	HK$10,000	**–**	–	**–**	–	**–**	–	**–**	–	Holding of investment properties
FT Securities (Note (e))	Hong Kong	Ordinary	HK$63,126,650	**–**	–	**100%**	–	**–**	–	**100%**	–	Dealing in and advising on securities
Gain Millennia (Note (a))	BVI	Ordinary	USD1,000	**–**	–	**–**	100%	**–**	–	**–**	100%	Investment holdings
Gold Wide Holdings Limited	Hong Kong	Ordinary	HK$160,000	**–**	–	**75%**	75%	**–**	–	**75%**	75%	Investment holdings

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Details of the principal subsidiaries of the Group as at 31 December 2019 and 2018 are as follows: *(Continued)*

Name of subsidiaries	Place of incorporation/ operations	Class of shares held	Issued and fully paid share capital	Proportion of ownership interest held by the Company				Proportion of voting power held by the Company				Principal activities
				Directly		Indirectly		Directly		Indirectly		
				2019 %	2018 %	**2019 %**	2018 %	**2019 %**	2018 %	**2019 %**	2018 %	
Hong Kong Newrich (Note (d))	Hong Kong	Ordinary	HK$16,840,000	**–**	–	**99%**	99%	**–**	–	**99%**	99%	Holding of investment properties
Host Luck Limited	Hong Kong	Ordinary	HK$10,000	**–**	–	**99.9%**	99.9%	**–**	–	**99.9%**	99.9%	Inactive
Kenbo Trading Company Limited	Hong Kong	Ordinary	HK$10,000	**–**	–	**100%**	100%	**–**	–	**100%**	100%	Inactive
Magic Red Limited	BVI	Ordinary	USD1	**–**	–	**100%**	100%	**–**	–	**100%**	100%	Investment holdings
Master Premium Limited	BVI	Ordinary	USD1,000	**–**	–	**100%**	100%	**–**	–	**100%**	100%	Investment holdings
Rich Best Asia Limited	BVI	Ordinary	USD1,000	**100%**	100%	**–**	–	**100%**	100%	**–**	–	Investment holdings
Richmax Corporation Limited	Hong Kong	Ordinary	HK$1	**–**	–	**100%**	100%	**–**	–	**100%**	100%	Office administration
Right Magic Limited	BVI	Ordinary	USD1,000	**–**	–	**100%**	100%	**–**	–	**100%**	100%	Trading of securities
Sina Winner Investment Limited	BVI	Ordinary	USD1,000	**–**	–	**100%**	100%	**–**	–	**100%**	100%	Trading of securities
Sino Apex International Limited	BVI	Ordinary	USD1,000	**–**	–	**100%**	100%	**–**	–	**100%**	100%	Investment holdings

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Details of the principal subsidiaries of the Group as at 31 December 2019 and 2018 are as follows: *(Continued)*

Name of subsidiaries	Place of incorporation/ operations	Class of shares held	Issued and fully paid share capital	Proportion of ownership interest held by the Company				Proportion of voting power held by the Company				Principal activities
				Directly		Indirectly		Directly		Indirectly		
				2019 %	2018 %	**2019 %**	2018 %	**2019 %**	2018 %	**2019 %**	2018 %	
Sun Famous Investment Limited	Hong Kong	Ordinary	HK$1,000	**–**	–	**100%**	100%	**–**	–	**100%**	100%	Holding of investment properties
Sure Progress Investment Limited	Hong Kong	Ordinary	HK$10,000	**–**	–	**100%**	100%	**–**	–	**100%**	100%	Tea leaves trading
Sure Venture Investment Limited	BVI	Ordinary	USD1,000	**–**	–	**100%**	100%	**–**	–	**100%**	100%	Trading of securities
Tack On Limited	BVI	Ordinary	USD1	**–**	–	**100%**	100%	**–**	–	**100%**	100%	Trading of securities
Tinian Realty International Co.	CNMI	Common Stock	USD1	**–**	–	**100%**	100%	**–**	–	**100%**	100%	Investment holdings
Top Galaxy (Asia) Limited	Hong Kong	Ordinary	HK$1	**–**	–	**100%**	100%	**–**	–	**100%**	100%	Office administration
Top Status International Limited	BVI	Ordinary	USD1	**–**	–	**100%**	100%	**–**	–	**100%**	100%	Trading of securities
Victory Time Global Limited	BVI	Ordinary	USD1	**–**	–	**100%**	100%	**–**	–	**100%**	100%	Trading of securities
Victory Global (Hong Kong) Investment Limited	Hong Kong	Ordinary	HK$10,000	**–**	–	**100%**	100%	**–**	–	**100%**	100%	Office administration

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Details of the principal subsidiaries of the Group as at 31 December 2019 and 2018 are as follows: *(Continued)*

Name of subsidiaries	Place of incorporation/ operations	Class of shares held	Issued and fully paid share capital	Proportion of ownership interest held by the Company				Proportion of voting power held by the Company				Principal activities
				Directly		Indirectly		Directly		Indirectly		
				2019 %	2018 %	**2019** %	2018 %	**2019** %	2018 %	**2019** %	2018 %	
Watson China (Note (a))	Hong Kong	Ordinary	HK$900,000	**–**	–	**–**	88.89%	**–**	–	**–**	88.89%	Holding of investment properties
Winner Performance Limited	BVI	Ordinary	USD1,000	**–**	–	**100%**	100%	**–**	–	**100%**	100%	Trading of securities

Notes:

(a) Alpaco, Watson China and Gain Millennia were disposed of during the year ended 31 December 2019. Details are disclosed in Note 49 to the consolidated financial statements.

(b) CSAM was acquired during the year ended 31 December 2018. Details are disclosed in Note 48(b) to the consolidated financial statements.

(c) Fortune Park was acquired and disposed of during the year ended 31 December 2019. Details are disclosed in Notes 48(a) and 49(b), respectively, to the consolidated financial statements.

(d) Hong Kong Newrich was acquired during the year ended 31 December 2018. Details are disclosed in Note 48(c) to the consolidated financial statements.

(e) FT Securities was acquired during the year ended 31 December 2019. Details are disclosed in Note 47(a) to the consolidated financial statements.

The above table lists the subsidiaries of the Group which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities at the end of both years.

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. These subsidiaries operate in different countries and are inactive. Detail are summarised as follows:

Principal activity	Principal place of business	Number of subsidiaries 2019	2018
Inactive	BVI	**32**	34
	Hong Kong	**9**	11
	PRC	**1**	1
	Macau	**1**	1
		43	47

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2019	2018	**2019**	2018	**2019**	2018
				HK$'000	HK$'000	**HK$'000**	HK$'000
Gold Wide Holdings Limited ("Gold Wide")	Hong Kong	**25.00%**	25.00%	**(2,409)**	2,344	**30,654**	33,063
Watson China	Hong Kong	**–**	11.11%	**–**	(148)	**–**	(233)
Individually immaterial subsidiaries with non-controlling interests				**(84)**	(25)	**67**	151
				(2,493)	2,171	**30,721**	32,981

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Gold Wide

	2019 HK$'000	2018 HK$'000
Current assets	**55**	19
Non-current assets	**191,717**	185,324
Current liabilities	**(1,498)**	(295)
Non-current liabilities	**(14,862)**	–
Equity attributable to owners of Gold Wide	**144,758**	151,985
Non-controlling interests	**30,654**	33,063
Revenue	**–**	9,400
Expenses	**(9,636)**	(24)
(Loss) profit attributable to owners of Gold Wide	**(7,227)**	7,032
(Loss) profit attributable to non-controlling interests of Gold Wide	**(2,409)**	2,344
(Loss) profit for the year	**(9,636)**	9,376
Other comprehensive income attributable to owners of Gold Wide	**–**	–
Other comprehensive income attributable to non-controlling interests of Gold Wide	**–**	–
Other comprehensive expense for the year	**–**	–

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Gold Wide *(Continued)*

	2019 HK$'000	2018 HK$'000
Total comprehensive (expense) income attributable to owners of Gold Wide	**(7,227)**	7,032
Total comprehensive (expense) income attributable to non-controlling interests of Gold Wide	**(2,409)**	2,344
Total comprehensive (expense) income for the year	**(9,636)**	9,376
Dividends paid to non-controlling interests	**–**	–
Net cash inflow (outflow) from operating activities	**38**	(4)
Net cash inflow from investing activities	**–**	–
Net cash inflow from financing activities	**–**	–
Net cash inflow (outflow)	**38**	(4)

Watson China

	2018 HK$'000
Current assets	119
Non-current assets	8,200
Current liabilities	(10,419)
Equity attributable to owners of Watson China	(1,867)
Non-controlling interests	(233)

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Watson China *(Continued)*

	2018 HK$'000
Revenue	240
Expenses	(1,577)
Loss attributable to owners of Watson China	(1,189)
Loss attributable to non-controlling interests of Watson China	(148)
Loss for the year	(1,337)
Other comprehensive expense attributable to owners of Watson China	–
Other comprehensive expense attributable to non-controlling interests of Watson China	–
Other comprehensive expense for the year	–

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Watson China *(Continued)*

	2018 HK$'000
Total comprehensive expense attributable to owners of the Company	(1,189)
Total comprehensive expense attributable to non-controlling interests	(148)
Total comprehensive expense for the year	(1,337)
Dividends paid to non-controlling interests	–
Net cash inflow from operating activities	–
Net cash inflow from investing activities	–
Net cash inflow from financing activities	–
Net cash inflow	–

52. PLEDGE OF ASSETS

As at 31 December 2019, investment properties and certain investments held for trading with an aggregate carrying value of approximately HK$131,389,000 (2018: HK$179,562,000) have been pledged to banks and other financial institutions to secure the credit facilities granted to the Group.

53. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flow were, or future cashflows will be classified in the Group's consolidated statement of cash flows from financing activities.

	Interest payables (included in other payables) HK$'000	Borrowings HK$'000	Obligation under finance lease HK$'000	Bond payables HK$'000	Total HK$'000
At 1 January 2018	9,644	139,226	1,499	50,000	200,369
Changes from cash flows:					
– Proceeds from interest-bearing borrowings	–	14,877	–	–	14,877
– Repayment of interest-bearing borrowings	–	(33,754)	–	–	(33,754)
– Repayment of interest expenses	(17,272)	–	–	–	(17,272)
– Payment of finance lease liabilities	–	–	(1,222)	–	(1,222)
	(17,272)	(18,877)	(1,222)	–	(37,371)
Non-cash changes:					
Other changes					
– New leases	–	–	1,152	–	1,152
– Repayment through borrowing arised	(5,283)	–	–	–	(5,283)
– Addition through acquisition of a subsidiary	–	28,000	–	–	28,000
– Repayment through sales of investment property	–	(6,000)	–	–	(6,000)
– Finance charges on obligations under finance leases	–	–	66	–	66
– Interest expenses	27,171	–	–	–	27,171
	21,888	22,000	1,218	–	45,106
At 31 December 2018	14,260	142,349	1,495	50,000	208,104

53. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES *(Continued)*

	Interest payables (included in other payables HK$'000	Borrowings HK$'000	Obligation under finance lease HK$'000	Lease liabilities HK$'000	Bond payables HK$'000	Total HK$'000
At 31 December 2018	14,260	142,349	1,495	–	50,000	208,104
Adjustment upon application of HKFRS 16	–	–	(1,495)	1,495	–	–
At 1 January 2019	14,260	142,349	–	1,495	50,000	208,104
Changes from cash flows:						
– Proceeds from borrowings	–	5,444	–	–	–	5,444
– Repayment of borrowings	–	(10,283)	–	–	–	(10,283)
– Repayment of interest expenses	(13,772)	–	–	–	–	(13,772)
– Repayment of lease liabilities	–	–	–	(3,891)	–	(3,891)
	(13,772)	(4,839)	–	(3,891)	–	(22,502)
Non-cash changes:						
– New leases entered	–	–	–	8,888	–	8,888
– Reclassification	(1,787)	1,787	–	–	–	–
– Addition through acquisition of a subsidiary	–	14,168	–	–	–	14,168
– Settlement through other receivables	–	(21,500)	–	–	–	(21,500)
– Settlement by disposal of investment property	–	(8,300)	–	–	–	(8,300)
– Disposal through disposals of subsidiaries	(1,168)	(28,842)	–	–	–	(30,010)
– Receipt of new borrowing by a loan debtor on behalf of the Group	–	20,136	–	–	–	20,136
– Finance cost on lease liabilities	–	–	–	760	–	760
– Interest expenses	23,040	–	–	–	–	23,040
– Unsettled finance cost on lease liabilities	26	–	–	(26)	–	–
	20,111	(22,551)	–	9,622	–	7,182
At 31 December 2019	**20,599**	**114,959**	**–**	**7,226**	**50,000**	**192,784**

54. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following events after the reporting period.

(a) On 29 January 2020, the Company issued a bond in amount of HK$10,000,000, which will be due on 29 October 2020, to an independent third party. The bond is secured and bearing interest rate at 13.5% per annum.

2 deeds of mortgage was made on the same day (the "Deed of Mortgage I" & the "Deed of Mortgage II"). Under and pursuant to the Deed of Mortgage I and Deed of Mortgage II, Sun Famous Investment Limited ("Sun Famous") and Hong Kong Newrich Limited ("Hong Kong Newrich"), the indirect wholly-owned subsidiaries of the Company, are the registered and beneficial owners and are otherwise in possession of investment properties, charged the properties as securities for the due payment of all sums of money payable or which may at any time thereafter or from time to time become payable to the bondholder by Sun Famous and Hong Kong Newrich and/or by the Company whether or not under or pursuant to the Bond or under or pursuant to any other agreement, or pursuant to any covenant or condition contained in the Deed of Mortgage I and Deed of Mortgage II.

(b) The outbreak of COVID-19 ("COVID-19") in early 2020 has affected the Group's business segment adversely. The Group has closely monitored on the development of the COVID-19 and taken a number of cost control measures to mitigate the impact of this challenging situation. The Group will pay close attention to the change of situation and evaluate its impact on the financial position and operating results of the Group.

(c) On 5 February 2020, Magic Red entered into a memorandum of understanding with two independent third parties in relation to a possible acquisition of the entire equity interest in a target company, which is incorporated in Hong Kong and principally engaged in business of inbound tour and travel related services in Hong Kong and the Greater China region.

(d) Best Marvel Investment Limited, an indirect wholly-owned subsidiary of the Company and the holding company of Sun Famous Investment Limited, issued on 25 March 2020 a non-redeemable convertible bond in the principal amount of HK$4,000,000 at 9% coupon rate which maturing on 25 March 2021 and extendable to 25 September 2021 by Best Marvel Investment Limited issuing notice in writing to the bondholder(s), and any exercising of conversion rights attached thereto shall be subject to approval by shareholders of the Company as well as such other conditions precedent as set out in the relevant bond instrument, and upon exercising of the conversion rights attached thereto, the bondholder(s) may convert the principal amount, excess of HK$4,000,000 or a part thereof into up to 200 ordinary shares in Sun Famous Investment Limited held by Best Marvel Investment Limited at the conversion price of HK$40,000.

54. EVENTS AFTER THE REPORTING PERIOD *(Continued)*

(e) Unique Jade, also an indirect wholly-owned subsidiary of the Company and the holding company of Hong Kong Newrich, issued on 25 March 2020 a non-redeemable convertible bond in the principal amount of HK$4,000,000 at 9% coupon rate which maturing on 25 March 2021 and extendable to 25 September 2021 by Unique Jade issuing notice in writing to the bondholder(s) and any exercising of conversion rights attached thereto shall be subject to approval by shareholders of the Company as well as such other conditions precedent as set out in the relevant bond instrument, and upon exercising of the conversion rights attached thereto, the bondholder(s) may convert the principal amount, excess of HK$4,000,000 or a part thereof into up to 200,000 ordinary shares in Hong Kong Newrich held by Unique Jade Investment at the conversion price of HK$30.

(f) On 21 February 2020, Best Marvel, and the Company entered into a non-legally binding framework agreement (the "Framework Agreement I") with the purchaser (the "Purchaser") in relation to the possible disposal of the entire issued share capital of Sun Famous.

On 21 February 2020, Unique Jade and the Company entered into a non-legally binding framework agreement (the "Framework Agreement II") with the Purchaser in relation to the possible disposal of the entire issued share capital of Hong Kong Newrich.

As of the date hereof, the Framework Agreement I and the Framework Agreement II have lapsed.

55. COMPARATIVE FIGURES

During the year ended 31 December 2019, for enhancing the relevance of the presentation of the consolidated financial statements, reclassifications have been made to certain comparative figures presented in the consolidated financial statements in respect of the prior year to achieve comparability with the current year's presentation. As a result, the following line items regarding comparative figures have been amended and adjusted, together with the related notes to conform to the current year's presentation:

	Previous reported HK$'000	Reclassification HK$'000	As restated HK$'000
Consolidated statement of profit or loss			
Other gains and losses	(105,002)	3,540	(101,462)
Impairment losses under expected credit loss model, net of reversal	(22,770)	(3,540)	(26,310)

RESULTS

	For the year ended 31 December				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**4,140**	24,886	10,267	8,738	10,191
(Loss) profit before tax	**(180,444)**	(219,263)	(85,842)	(348,701)	(121,859)
Income tax	**(89)**	(167)	(213)	(213)	(2,467)
(Loss) profit for the year	**(180,533)**	(219,430)	(86,055)	(348,914)	(124,326)
Attributable to:					
– Owners of the Company	**(178,040)**	(221,601)	(86,462)	(350,928)	(126,304)
– Non-controlling interest	**(2,493)**	2,171	407	2,014	1,978
(Loss) profit for the year	**(180,533)**	(219,430)	(86,055)	(348,914)	(124,326)

ASSETS AND LIABILITIES

	For the year ended 31 December				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total non-current assets	**319,551**	397,320	337,067	368,116	380,378
Total current assets	**34,045**	127,678	440,690	431,729	792,710
Total current liabilities	**226,274**	225,452	186,187	191,649	264,269
Total non-current liabilities	**35,931**	42,326	52,284	52,334	51,973
Equity attributable to owners of the Company	**60,670**	224,239	508,646	525,629	828,627
Non-controlling interest	**30,721**	32,981	30,640	30,233	28,219

RESULTS

Address	Lot number	Tenure	Existing use
Flat A on 12th Floor with Car Parking Space No. 11 on 2nd Basement Floor, The Colonnade, No. 152 Tai Hang Road, Hong Kong	174/10359th shares of and section A Inland Lot No. 2478	Medium-term lease	Residential and residential car parking