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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Luk Hong Man, Hammond
(Chief Executive Officer & Financial Controller)
Mr. Zhang Xi *(Chief Investment Officer)*

Non-executive Directors

Ms. Ma Xiaoqiu *(Chairman)*
Mr. Wang Mengtao *(Vice-president of the Group)*
Mr. Leung Ka Fai

Independent Non-executive Directors

Ms. Jing Siyuan
Mr. Zhang Aimin
Mr. Zhang Qiang

COMPANY SECRETARY

Ms. Hong Lai Ping

AUDIT COMMITTEE

Ms. Jing Siyuan *(Chairman)*
Mr. Zhang Aimin
Mr. Zhang Qiang

REMUNERATION COMMITTEE

Mr. Zhang Aimin *(Chairman)*
Ms. Jing Siyuan
Mr. Zhang Xi

NOMINATION COMMITTEE

Ms. Jing Siyuan *(Chairman)*
Mr. Zhang Aimin
Mr. Luk Hong Man, Hammond

RISK MANAGEMENT COMMITTEE

Mr. Zhang Aimin *(Chairman)*
Ms. Jing Siyuan
Mr. Luk Hong Man, Hammond
Mr. Yang Ja Wah (non-Board member)

INVESTOR RELATIONS COMMITTEE

Mr. Zhang Qiang *(Chairman)*
Ms. Ma Xiaoqiu
Mr. Wang Mengtao
Mr. Leung Ka Fai

CUSTODIAN

DBS Bank Ltd. Hong Kong Branch
18/F, The Center
99 Queen's Road Central
Hong Kong

PRINCIPAL BANKER

DBS Bank (Hong Kong) Limited
G/F, The Center
99 Queen's Road Central
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Standard Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITOR

HLM CPA Limited
Certified Public Accountants
Room 1501-8
15/F, Tai Yau Building
181 Johnston Road
Wanchai, Hong Kong

LEGAL ADVISERS

Lau, Horton & Wise LLP
8/F, Nexus Building
41 Connaught Road Central
Hong Kong

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 6602-03, Level 66
International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

STOCK CODE

00612 (Listed on the Main Board of The Stock Exchange of Hong Kong Limited)

WEBSITE

www.dyf.com.hk

MANAGEMENT DISCUSSION AND ANALYSIS

I am pleased to present the annual report of China Ding Yi Feng Holdings Limited (the “Company”) and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2019.

BUSINESS REVIEW

The Group is principally engaged in investment in listed and unlisted securities.

Hong Kong’s economy has been hit hard by months of violent anti-government demonstrations in 2019. In the third quarter of 2019, slumping retail sales and declining tourism sent the Hong Kong economy into a recession for the first time in a decade. The on-going trade war between the United States and China also had a negative impact on both countries. In addition, volatile crude oil price caused by chaotic confrontations in the Middle East has put more pressure on the struggling global economy. Given such difficult investment environment, the Directors have taken prudent strategies to manage our portfolio.

FINANCIAL REVIEW

For the year ended 31 December 2019, the Group recorded a net loss of approximately HK\$250,771,000 (2018: a net gain of approximately HK\$128,556,000). The turnaround of the result with a loss for the year as compared to a gain in the previous year was primarily due to an unrealised loss on financial assets at FVTPL of approximately HK\$153,534,000 (2018: net unrealised gain on financial assets at FVTPL of approximately HK\$128,200,000) which was mainly attributable to the revaluation loss of listed securities.

SECURITIES INVESTMENTS

The Board exercised caution while actively managing its investment portfolio in accordance with the Company’s investment objective and policy for the best interests for our shareholders.

Investment in listed securities

As at 31 December 2019, the Group held listed securities classified under financial assets at FVTPL of approximately HK\$121,398,000 (2018: approximately HK\$226,127,000).

Investment in unlisted securities

As at 31 December 2019, the Group’s investment in unlisted securities classified under equity instruments at FVTOCI consisted of 9% (2018: 15%) shareholdings in China Investment Fund International Securities Limited (“CIFIS”) of approximately HK\$956,000 (2018: approximately HK\$2,302,000). CIFIS is incorporated in Hong Kong and principally engaged in the securities business.

INVESTMENT PORTFOLIO

We divide our strategy into three categories, namely long-term holding investment, mid-term private equity and venture capital and short-term trading of securities and other financial instruments. Our investments during the year 2019 were mainly in the following two sectors: e-commerce & internet services and high technology industry.

MANAGEMENT DISCUSSION AND ANALYSIS

Details of all investments of the Group as at 31 December 2019 and 31 December 2018 are summarised below:

As at 31 December 2019

Listed Securities

Name of investee companies	Place of incorporation	Particulars of issued shares held	Proportion of investee's capital owned	Cost HK\$	Market value HK\$	Accumulated unrealised gain (loss) recognised HK\$	Dividend received/receivable during the year HK\$	% of gross assets of the Group
As at 31 December 2019								
<i>Listed equity securities in Hong Kong</i>								
Smartac Group China Holdings Limited	Cayman Islands	197,000,000	3.50%	40,310,886	29,550,000	(10,760,886)	-	7.90%
AAC Technologies Holdings Inc.	Cayman Islands	150,000	0.01%	9,936,000	10,200,000	264,000	-	2.73%
Sunny Optical Technology (Group) Company Limited	Cayman Islands	70,000	Less than 0.01%	9,966,420	9,443,000	(523,420)	-	2.52%
Alibaba Group Holding Limited	Cayman Islands	48,000	Less than 0.01%	9,981,600	9,945,600	(36,000)	-	2.66%
				70,194,906	59,138,600	(11,056,306)		
<i>Listed equity securities in the People's Republic of China ("PRC")</i>								
Irico Display Devices Co., Ltd.	PRC	2,880,032	0.08%	19,245,877	13,659,212	(5,586,665)	-	3.65%
Tianma Bearing Group Co., Ltd.	PRC	15,000,001	1.26%	40,979,445	33,221,479	(7,757,966)	-	8.88%
Hainan Dadonghai Tourism Centre (Holdings) Co., Ltd.	PRC	2,080,000	0.57%	11,264,140	15,378,971	4,114,831	-	4.11%
				71,489,462	62,259,662	(9,229,800)		
				141,684,368	121,398,262	(20,286,106)		

Unlisted Securities

Name of investee company	Place of incorporation	Proportion of investee's capital owned	Cost HK\$	Fair value HK\$	Accumulated fair value adjustment HK\$	Net assets attributable to the Group HK\$'000	Dividend received/receivable during the year HK\$	% of gross assets of the Group
China Investment Fund International Securities Limited ("CIFIS")	Hong Kong	9%	1,800,000	955,590	(844,410)	571	-	0.26%

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2018

Listed Securities

Name of investee companies	Place of incorporation	Particulars of issued shares held	Proportion of investee's capital owned	Cost HK\$	Market value HK\$	Accumulated unrealised gain (loss) recognised HK\$	Dividend received/receivable during the year HK\$	% of gross assets of the Group
Listed equity securities in Hong Kong								
Smartac Group China Holdings Limited	Cayman Islands	197,000,000	3.50%	40,310,886	177,300,000	136,989,114	–	21.68%
The Hong Kong and China Gas Company Limited	Hong Kong	620,000	Less than 0.01%	9,958,940	10,044,000	85,060	–	1.23%
Hong Kong Exchanges and Clearing Limited	Hong Kong	88,000	Less than 0.01%	19,874,840	19,940,800	65,960	–	2.44%
Tencent Holdings Limited	Cayman Islands	30,000	Less than 0.01%	8,967,960	9,420,000	452,040	–	1.15%
				79,112,626	216,704,800	137,592,174		

Listed equity securities in The People's Republic of China ("PRC")

Irigo Display Devices Co., Ltd.	PRC	1,880,000	0.05%	18,797,786	9,422,099	(9,375,687)	–	1.15%
				97,910,412	226,126,899	128,216,487		

Unlisted Securities

Name of investee company	Place of incorporation	Proportion of investee's capital owned	Cost HK\$	Fair value HK\$	Accumulated fair value adjustment HK\$	Net assets attributable to the Group HK\$'000	Dividend received/receivable during the year HK\$	% of gross assets of the Group
China Investment Fund International Securities Limited ("CIFIS")	Hong Kong	15%	1,764,706	2,302,207	537,501	1,271	–	0.28%

MANAGEMENT DISCUSSION AND ANALYSIS

Smartac Group China Holdings Limited (“Smartac”) was incorporated in the Cayman Island and its shares are listed on the Main Board of Hong Kong Stock Exchange (Stock code: 395). Smartac was principally engaged in providing (i) software sales and O2O consultation services; (ii) digital advertising platform and related solutions services and (iii) marketing strategy and management services in the operation of online shops on e-commerce platform.

For the year ended 31 December 2018, the audited consolidated loss attributable to owners of Smartac was approximately RMB56,688,000 and the basic loss per share was RMB1.17 cents. As at 31 December 2018, its audited consolidated net assets value attributable to owners of Smartac was approximately RMB275,718,000. The unaudited consolidated loss attributable to the owner of Smartac for the six months ended on 30 June 2019 was approximately RMB6,106,000 and the basic loss per share was RMB0.11 cents. At 30 June 2019, the unaudited consolidated net assets value attributable to the owners of Smartac was approximately RMB269,784,000. No dividend was received during the year.

AAC Technologies Holdings Inc. (“AAC Tech”) was incorporated in the Cayman Island and its shares are listed on Main Board of Hong Kong Stock Exchange (stock code: 2018). AAC Tech is principally engaged in (i) manufacture and sales of acoustic related products; (ii) manufacture and sales of electronic components; (iii) manufacture and sales of tooling and precision components; and (iv) provision of electroplating service.

For the year ended 31 December 2018, the audited consolidated profit attributable to owners of AAC Tech was approximately RMB3,795,885,000 and the basic earnings per share was RMB3.11. As at 31 December 2018, its audited consolidated net assets value attributable to owners of AAC Tech was approximately RMB18,934,098,000. The unaudited consolidated profit attributable to the owners of AAC Tech for the six months ended 30 June 2019 was approximately RMB769,809,000 and the basic earnings per share was RMB0.64. At 30 June 2019, the unaudited consolidated net assets value attributable to the owners of AAC Tech was approximately RMB18,285,221,000. No dividend was received during the year.

Sunny Optical Technology (Group) Company Limited (“Sunny Optical”) was incorporated in the Cayman Islands and its share are listed on the Main Board of Hong Kong Stock Exchange (Stock code: 2382). Sunny Optical is principally engaged in the business of designing, researching and developing, manufacturing and selling of optical and optical related products and scientific instruments.

For the year ended 31 December 2018, the audited consolidated profit attributable to owners of Sunny Optical was approximately RMB2,490,872,000 and the basic earnings per share was RMB227.92 cents. As at 31 December 2018, its audited consolidated net assets value attributable to owners of Sunny Optical was approximately RMB9,234,097,000. The unaudited consolidated profit attributable to the owners of Sunny Optical for the six months ended 30 June 2019 was approximately RMB1,431,175,000 and basic earnings per share was RMB130.79 cents. At 30 June 2019, the unaudited consolidated net assets value attributable to the owners of Sunny Optical was approximately RMB9,991,908,000. No dividend was received during the year.

Alibaba Group Holding Limited (“Alibaba”) was incorporated in the Cayman Islands and its shares are listed on the Main Board of Hong Kong Stock Exchange (Stock code: 9988). Alibaba is principally engaged in core commerce, cloud computing, digital media and entertainment, and Innovation initiatives and others.

According to the prospectus, for the year ended 31 March 2019, net income attributable to the ordinary shareholders of Alibaba was approximately RMB87,600,000,000 and earnings per share was RMB4.24. As at 31 March 2019, the consolidated net assets value attributable to the shareholders of Alibaba was approximately RMB492,257,000,000. No dividend was received during the year.

Irico Display Devices Co., Ltd. (“Irico Display”) was incorporated in the PRC and its shares are listed on Shanghai Stock Exchange (stock code: 600707). Irico Display was principally engaged in development, production and sale of electronic information display devices in China and Internationally.

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 December 2018, the audited consolidated profit attributable to owners of Irico Display was approximately RMB61,022,000 and the basic earnings per share was RMB0.02. As at 31 December 2018, its audited consolidated net assets value attributable to owners of Irico Display was approximately RMB20,420,184,000. The unaudited consolidated loss attributable to the owners of Irico Display for the six months ended 30 June 2019 was approximately RMB241,478,000 and loss per share was RMB0.067. At 30 June 2019, the unaudited consolidated net assets value attributable to the owners of Irico Display was approximately RMB20,178,706,000. No dividend was received during the year.

Tianma Bearing Group Co., Ltd. ("Tianma") was incorporated in the PRC and its shares are listed on Shenzhen Stock Exchanges (stock code: 002122). Tianma was principally engaged in manufacture of bearing and machine tools.

For the year ended 31 December 2018, the audited consolidated loss attributable to owners of Tianma was approximately RMB634,975,000 and the basic loss per share was RMB0.53. As at 31 December 2018, its audited consolidated net assets value attributable to owners of Tianma was approximately RMB3,210,965,000. The unaudited consolidated loss attributable to the owners of Tianma for the six months ended 30 June 2019 was approximately RMB301,382,000 and loss per share was RMB0.25. At 30 June 2019, the unaudited consolidated net assets value attributable to the owners of Tianma was approximately RMB2,950,087,000. No dividend was received during the year.

Hainan Dadonghai Tourism Centre (Holdings) Co., Ltd. ("Hainan Dadonghai") was incorporated in the PRC and its shares are listed on Shenzhen Stock Exchange (stock code: 000613). Hainan Dadonghai was principally engaged in provision of tourism catering services.

For the year ended 31 December 2018, the audited consolidated profit attributable to owners of Hainan Dadonghai was approximately RMB654,000 and earnings per share was RMB0.0018. As at 31 December 2018, the audited consolidated net assets value attributable to the owners of Hainan Dadonghai was approximately RMB77,789,000. The unaudited consolidated profit attributable to the owners of Hainan Dadonghai for the six months ended 30 June 2019 was approximately RMB756,000 and earnings per share was RMB0.0021. At 30 June 2019, the unaudited consolidated net assets value attributable to the owners of Hainan Dadonghai was approximately RMB78,545,000. No dividend was received during the year.

Going forward

Given the fluctuation in the worldwide financial markets, the Board will continue to identify any investment opportunities and manage the investment portfolio in accordance with the Company's investment objective and policy with a view of gaining good investment yields for our shareholders. The Board will monitor market development closely with a view of identifying attractive and long-term investment opportunities.

SUMMARY OF MATERIAL LEGAL PROCEEDINGS INVOLVING THE COMPANY

(1) High Court Constitutional and Administrative Law Proceedings HCAL 3305 of 2019

On 8 March 2019, trading suspension of the Company's shares was directed by the Securities and Futures Commission ("SFC") pursuant to Section 8(1) of the Securities and Futures (Stock Market Listing) Rules ("SMLR").

On 15 May 2019, the Company via its legal advisers filed its representations with the SFC to initiate the procedure under Section 9 of the SMLR for trading resumption.

On 3 October 2019, the Company and its legal advisers attended a meeting with the board of directors of the SFC ("SFC Board") where the SFC Board considered the Company's application for trading resumption and heard representations made by Senior Counsel on behalf of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

By its letter dated 17 October 2019 (“SFC Board Letter”), the SFC Board delivered its written decision. The SFC Board Letter stated, among other things, that the SFC Board concluded that it would be in the interest of the investing public or the public interest, and for the protection of investors, to permit dealings in the shares of the Company to recommence, but only subject to a condition that the SFC had not instituted legal proceedings against the Company or any of its officers before 17 October 2020.

On 6 November 2019, the Company via its legal advisers filed an application for judicial review to the High Court of Hong Kong in HCAL 3305 of 2019. The Company’s application sought to quash the imposed condition on, inter alia, the grounds that the period of further suspension extended by the imposed condition was arbitrary, excessive, disproportionate, unjustified and oppressive. Prior to determination of the judicial review proceedings, on 22 January 2020, the SFC directed that the trading suspension be lifted from 23 January 2020. In view of the trading resumption, the Company via its legal advisers took steps to withdraw the judicial review proceedings against the SFC. The Court granted an order allowing the judicial review proceedings to be withdrawn on 23 January 2020.

(2) High Court Action HCA 796 of 2016

A Writ of Summons with an Indorsement of Claim was issued on 29 March 2016 in the High Court of Hong Kong in HCA 796 of 2016 by Yang Yan as plaintiff against the Company and its former subsidiary, Grand Dragon Investment Development Limited (“Grand Dragon”) as defendants whereby the plaintiff is claiming against the defendants for the forfeiture of a deposit for HK\$10,000,000 paid by the Company on behalf of Grand Dragon to the plaintiff pursuant to the written equity transfer agreement between Grand Dragon and the plaintiff in relation to the failure to commence due diligence of the target company which the plaintiff claims is a repudiatory breach of the said agreement. The defendants have counterclaimed against the plaintiff (which action has been consolidated with High Court Action 796 of 2016) for, inter alia, an order for the return of the deposit of HK\$10,000,000 to the defendants.

The parties have exchanged witness statements and a case management summons is fixed to be heard on 8 June 2020. While the parties continue to prepare the matter for trial, no hearing date has yet been fixed for the trial.

(3) High Court Action Miscellaneous Proceedings HCMP 1102 of 2019 and HCMP 719 of 2019

These two actions relate to the issuance of ten Bond Notes issued by the Company to an individual, namely, Huang Qingzhan (“Huang”) for the aggregate principal value of HK\$10 million due for repayment on 30 April 2023 (“Bond Notes”). Interest is payable on the Bond Notes on a bi-annual basis commencing 31 March 2016. The issue to be determined in HCMP 719 of 2019 relates to whether the suspension of the Company’s shares on 8 March 2019 entitled Huang to early redemption of the Bond Notes. The Company maintains that such suspension was not a breach of the terms of the Bond Notes. The issue to be determined in HCMP 1102 of 2019 relates to whether the interest payment paid by the Company on the due date of 31 March 2016 to an account disclosed by Huang was made in accordance with the terms and conditions of the Bond Notes. The Company maintains the interest payment was duly paid on time.

In view of the current public health crisis, the Court directed that the determination of the two proceedings be dealt with together on the papers alone without a hearing. On 19 March 2020, the Court delivered judgment in favour of the Company in HCMP 719 of 2019 and in favour of Huang in HCMP 1102 of 2019 with each party bearing its own costs. The Company is considering an appeal against the decision in HCMP 1102 of 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

The Group had bank balances and cash of approximately HK\$208,065,000 as at 31 December 2019 (2018: approximately HK\$304,217,000), representing approximately 55.6% (2018: approximately 37.2%) of the Group's total assets. As at 31 December 2019, the Group had long-term debts which are unsecured interest-bearing loan notes and unsecured interest-bearing bonds in an aggregate amount of approximately HK\$116,247,000 (2018: approximately HK\$200,345,000).

Apart from the long-term debts, the Group had short-term debts consisting of unsecured interest-bearing bonds and unsecured interest-bearing loans at approximately HK\$150,662,000 (2018: approximately HK\$210,945,000).

The Group's gearing ratio, being the total debts divided by equity attributable to owners of the Company, was approximately 303.5% as at 31 December 2019 (2018: approximately 111.5%).

COMMITMENTS

There were no capital commitments as at 31 December 2019 (2018: Nil).

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2019, there were no charges on the Group's assets and the Group did not have any material contingent liabilities (2018: Nil).

FOREIGN EXCHANGE EXPOSURE

Most of the business transactions of the Group are denominated in Hong Kong dollars ("HK\$"), US dollars ("USD") and Renminbi ("RMB"). The management of the Group will closely monitor fluctuations in these currencies and take appropriate actions when needed. As at 31 December 2019, the Group did not engage in currency hedging nor did it adopt any formal hedging activities. For the year ended 31 December 2019, the Group had major financial assets of approximately HK\$81,871,000 (2018: approximately HK\$16,892,000) which was denominated in RMB and major financial assets of approximately HK\$25,085,000 (2018: approximately HK\$42,894,000) which was denominated in USD. The Group currently does not have any foreign currency hedging currency policy. However, the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

Except for disclosed in note 34 to the consolidated financial statements, there was no other material acquisition or disposal of subsidiaries by the Group during the year.

CAPITAL STRUCTURE

The shares of the Company are listed on The Stock Exchange of Hong Kong Limited. During the year, there was no movements in the Company's share capital.

Following a placing in September 2018, the Company obtained gross proceeds of HK\$200.0 million. Up to the end of 2018, the Company used HK\$75.8 million (or 38% of the gross proceeds) to invest in listed securities and HK\$29.3 million (or 15% of the gross proceeds) for general working capital purposes. During the year, the Company fully utilized the balance of the gross proceeds in the amount of HK\$94.9 million, of which HK\$68.5 million was used to invest in listed securities (namely, listed equity securities in Tianma Bearing Group Co., Ltd. (HK\$41.7 million) and Irico Display Devices Co., Ltd. (HK\$26.8 million)) and HK\$26.4 million was used for general working capital purposes.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

The tentative agreement on “Phase 1” trade deal reached between the US and China in October 2019, while providing some relief to the dramatic escalation of the trade war in August 2019, has failed to settle the major differences between the two sides, suggesting that 2020 would continue to be turbulent on the trade front. The novel coronavirus outbreak in early 2020 is now a pandemic and has caused disruptions to manufacturing and trade flows resulting in turmoils in the financial market. Brexit and the coming US presidential election will provide additional sources of concern about the global economic slowdown. Under such highly uncertain economic environment, the Directors will take prudent strategies to manage our investment portfolio.

On 24 January 2020, Ms. Ma Xiaoqiu (“Ms. Ma”), a non-executive director of the Company since 27 June 2017, assumed the role as chairman of the Board. The Company believes that, under the leadership of Ms. Ma, it should be able to navigate through the challenging economic and trade situations towards future success.

COMPLIANCE WITH THE APPLICABLE LAWS AND REGULATIONS

During the year the Group has in all material respects complied with the applicable requirements under the Companies Law (Revised) under the laws of the Cayman Islands, the Rules Governing the Listing of Securities on the Stock Exchange, the Companies Ordinance and the Securities and Futures Ordinance under the laws of Hong Kong.

EMPLOYEES

As at 31 December 2019, the Company had 20 employees including executive Directors (2018: 24). The Group’s remuneration policies are in line with the prevailing market practice and are determined on the basis of the performance and experience of individual employees. During the year, the Group has generally maintained good relationship with its employees.

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

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

CORPORATE GOVERNANCE CODE

During the year ended 31 December 2019, the Company complied with all the applicable provisions of the Corporate Governance Code (the “Code Provision”) as set out in Appendix 14 to the Listing Rules, except for the deviation set out as below.

Code Provision E.1.2 stipulates that the Chairman of the Board should attend the annual general meeting. The Chairman of the Board did not attend the annual general meeting of the Company held on 15 May 2019. The Chairman of the Board will endeavour to attend all future annual general meetings of the Company unless unexpected or special circumstances prevent him from doing so.

MANAGEMENT DISCUSSION AND ANALYSIS

CLOSURE OF REGISTER OF MEMBERS

The register of member of the Company will be closed from Monday, 27 April 2020 to Tuesday, 5 May 2020, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for attending the annual general meeting (“AGM”) to be held on 5 May 2020, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar and transfer office at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 24 April 2020.

EVENTS AFTER THE REPORTING PERIOD

Following the SFC’s direction of 8 March 2019, trading in the shares of the Company was suspended from 9:00 a.m. on 8 March 2019 and the trading suspension continued until 22 January 2020 when the SFC directed that the trading suspension be lifted from 23 January 2020. From 9:00 a.m. 23 January 2020, trading in the shares of the Company has resumed.

For further details, please refer to the announcements published on the Company’s website on or around 22 January 2020 and the matters set out under the subheading “High Court Constitutional and Administrative Law Proceedings HCAL3305 of 2019” on page 7 of this annual report.

On 9 and 10 March 2020, the Company entered into a placing agreement with a placing agent whereby the placing agent agreed to on a best effort basis place an aggregate of up to 66,368,000 new shares of the Company (“Placing”). On 17 March 2020, the Placing completed and the Company issued and allotted an aggregate of 66,368,000 new shares, bringing the total number of shares of the Company in issue to 1,303,090,000.

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Luk Hong Man, Hammond (“Mr. Luk”), aged 39, was first appointed an executive Director in July 2011. Mr. Luk is the Chief Executive Officer and the Financial Controller of the Group. Mr. Luk is a member of the Chartered Professional Accountants of Canada. Mr. Luk is also a fellow member of the Institute of Chartered Secretaries and Administrators, the Hong Kong Institute of Chartered Secretaries, the Hong Kong Institute of Directors and the Association of Chartered Certified Accountants respectively. Mr. Luk has a bachelor of laws from the University of London and a bachelor of commerce from the University of Alberta. Mr. Luk has over 18 years of experience in management accounting, financial control, internal audit and compliance with different companies in Canada and Hong Kong including the Group. Through joining the Group in July 2011 as an executive Director and financial controller and taking up additional duties as chief executive officer and a member of the risk management committee in April 2016, Mr. Luk has gained experience in investment management and corporate governance. Prior to joining the Group in July 2011, Mr. Luk had worked as an executive director and compliance officer in Media Asia Group Holdings Limited (stock code: 8075) and an executive officer in charge of the accounting and finance department in China Public Procurement Limited (stock code: 1094).

Mr. Zhang Xi (“Mr. Zhang”), aged 50, has been an executive Director since February 2013. Mr. Zhang is the Chief Investment Officer of the Group. He has over 18 years of experience in the financial sector. Mr. Zhang is a Chartered Financial Analyst (CFA) charterholder. Mr. Zhang graduated with a bachelor’s degree in science (electrical engineering) from Shanghai Jiao Tong University in July 1991 and an International Master’s degree of Business Administration from York University in Canada in 1998. Mr. Zhang has been an independent non-executive director of Media Asia Group Holdings Limited (stock code: 8075) since September 2009 and was an independent non-executive director of Asia Energy Logistics Group Limited (stock code: 351) from March 2006 to July 2016.

NON-EXECUTIVE DIRECTORS

Ms. Ma Xiaoqiu (“Ms. Ma”), aged 59, has been a non-executive Director since June 2017 and the Chairman of the Board since January 2020. Ms. Ma is a general manager and a director of Shenzhen Ding Yi Feng Enterprise Management Co., Ltd.* (深圳市鼎益豐企業管理股份有限公司), a substantial shareholder of the Company.

Mr. Wang Mengtao (“Mr. Wang”), aged 45, has been a non-executive Director since October 2016 and is the Vice-president of the Group. Mr. Wang is a director of Shenzhen Ding Yi Feng Enterprise Management Co., Ltd.* (深圳市鼎益豐企業管理股份有限公司), a substantial shareholder of the Company.

* for identification only

BIOGRAPHICAL DETAILS OF DIRECTORS

Mr. Leung Ka Fai (“Mr. Leung”), aged 41, has been a non-executive Director since October 2016. Mr. Leung has been an independent non-executive Director of Progressive Path Group Holdings Limited (stock code: 1581) since 15 November 2016. Mr. Leung was an independent non-executive Director of Rui Kang Pharmaceutical Group Investments Limited (Stock Code: 8037) from 26 June 2013 to 5 December 2017. Mr. Leung was employed by a law firm in Hong Kong as community service manager. He was a business director at Beta Field Capital Limited from December 2011 to February 2012 and China business director at Beta Field Capital Limited from April 2013 to September 2015. Mr. Leung was a district council member of Sha Tin District Council from 2008 to 2019. Mr. Leung has also been a committee member of Yunfu City of the Chinese People’s Political Consultative Conference* (中國人民政治協商會議雲浮市委員會) in the PRC since January 2013. Mr. Leung is a vice-president of Sha Tin East District in New Territories East Region of District Scout Council of Scout Association of Hong Kong. Mr. Leung obtained a Master of Arts degree in Chinese Language and Literature from The Hong Kong Polytechnic University in October 2008, a Postgraduate Diploma in Education (Teaching in Chinese) from Hong Kong Baptist University in November 2012 and a Master of Arts degree in Sociology from The Chinese University of Hong Kong in November 2014.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Jing Siyuan (“Ms. Jing”), aged 43, has been an independent non-executive Director since May 2016. Ms. Jing has been general manager at Shenzhen An Ping Tai Management Consulting Co., Ltd.* (深圳市安平泰企業管理諮詢有限公司) since July 2015. Ms. Jing graduated from Lingnan University in Hong Kong with a master’s degree in international banking and finance in June 2019, Oxford Brookes University in the United Kingdom with a Bachelor of Science (Applied Accounting) in July 2008, and Henan University in the PRC with a diploma in Chinese language and literature education in July 2001. Ms. Jing was admitted as a member of the Association of Chartered Certified Accountants (“ACCA”) in October 2013. She obtained the certificate of qualified secretary of board of directors from the Shenzhen Stock Exchange in April 2013. Ms. Jing qualified as an Accounting Technician of the ACCA in May 2004.

Mr. Zhang Aimin (“Mr. Zhang AM”), aged 42, has been an independent non-executive Director since July 2016. Mr. Zhang AM is a director and chief executive officer of Zhejiang Xinyuan Education Consulting Limited* (浙江心元教育諮詢有限公司), a company principally engaged in the business of providing education consultancy and training related services. Mr. Zhang AM has over 9 years experience in the education consultation fields. Mr. Zhang AM obtained a master of business administration from China Europe International Business School in September 2010 and a bachelor’s degree in international trade and economics from Beijing University in July 1999.

Mr. Zhang Qiang (“Mr. Zhang Q”), aged 34, has been an independent non-executive Director since November 2016. Mr. Zhang Q is a practising lawyer qualified in the People’s Republic of China and has over 8 years experience in the practice of law in China. Mr. Zhang Q obtained his licence to practise law in China in February 2009 and a bachelor’s degree in law from Heilongjiang University in June 2007. Mr. Zhang Q also obtained a master’s degree in law from Renmin University of China in January 2018.

* for identification only

REPORT OF THE DIRECTORS

The Directors of the Company (the “Directors”) are pleased to present their annual report and the audited financial statements for the year ended 31 December 2019.

BUSINESS REVIEW AND PERFORMANCE

A review and outlook of the business of the Company and a discussion and analysis of the Group’s performance during the year and the material factors underlying its results and financial position are provided in the Management Discussion and Analysis and Environmental, Social and Governance Report set out on pages 3 to 11 and 30 to 51 of this annual report respectively. Description of the risks and uncertainties facing the Company can be found throughout this annual report.

PRINCIPAL ACTIVITIES

The Group is principally engaged in investing in listed and unlisted securities. The activities of the subsidiaries of the Company are set out in note 36 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2019 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 56 to 115. The Directors do not recommend the payment of a final dividend for the year.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in property, plant and equipment of the Group are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 25 to the consolidated financial statements.

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Company during the year are set out in note 26 to the consolidated financial statements. Under the Companies Law of the Cayman Islands, share premium of the Company is available for distributions or paying dividends to the shareholders subject to the provisions of its Memorandum (“Memorandum”) and Articles of Association (“Articles”) and a statutory solvency test. In accordance with Article 143 of the Articles, dividends may be declared and paid out of the profits of the Company or from any reserve set aside from profits which the Directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared or paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the applicable law of the Cayman Islands. There were no reserves available for distribution in both years ended 31 December 2019 and 2018.

REPORT OF THE DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

The Group's entire revenue is derived from the Group's investments in listed and unlisted securities and financial institutions and thus the disclosure of customers and suppliers information would not be meaningful.

DIRECTORS

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

Executive Directors

Mr. Luk Hong Man, Hammond

Mr. Zhang Xi

Non-executive Directors

Mr. Sui Guangyi (resigned with effect from close of business on 22 January 2020)

Mr. Wang Mengtao

Mr. Leung Ka Fai

Ms. Ma Xiaoqiu

Independent non-executive Directors

Ms. Jing Siyuan

Mr. Zhang Aimin

Mr. Zhang Qiang

At the forthcoming AGM, retirement and re-election of Directors will take place in accordance with the requirements in the Articles.

None of the Directors proposed for re-election at the AGM has a service contract which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES AND THE UNDERLYING SHARES OF THE COMPANY AND ANY ASSOCIATED CORPORATIONS

As at 31 December 2019, the interests and short positions of each Director and the chief executive of the Company in the shares and the underlying shares of the Company and any associated corporations (as defined in Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

(i) Long positions in shares as at 31 December 2019

Name of Director	Capacity	Notes	Number of shares	Approximate percentage of shareholding
Sui Guangyi ("Mr. Sui")	Beneficial owner		149,582,400	12.10%
Mr. Sui	Interest of controlled corporation	(1)	198,030,400	16.01%
Ma Xiaoqiu	Beneficial owner		10,520,000	0.85%

(ii) Long positions in underlying shares as at 31 December 2019

Name of Director	Capacity	Notes	Number of underlying shares	Approximate percentage of shareholding
Luk Hong Man, Hammond	Beneficial owner	(2)	6,076,597	0.49%
Zhang Xi	Beneficial owner	(2)	6,076,597	0.49%
Wang Mengtao	Beneficial owner	(3)	3,000,000	0.24%
Leung Ka Fai	Beneficial owner	(3)	3,000,000	0.24%
Jing Siyuan	Beneficial owner	(3)	800,000	0.06%
Zhang Aimin	Beneficial owner	(3)	800,000	0.06%
Zhang Qiang	Beneficial owner	(3)	800,000	0.06%
Ma Xiaoqiu	Beneficial owner	(4)	1,200,000	0.10%

Notes:

- (1) These shares are held by HK DYF Int'l Holding Group Limited, which is held as to 68.72% by Shenzhen Ding Yi Feng Enterprise Management Co., Ltd. which is in turn held as to 26% and controlled by Mr. Sui. Mr. Sui is deemed to be interested in these shares by virtue of the SFO.
- (2) 776,597 share options are at an exercise price of HK\$0.729 per share of the Company with exercise period from 17 June 2015 to 16 June 2025. 5,300,000 share options are at an exercise price of HK\$0.808 per share of the Company with exercise period from 16 November 2016 to 15 November 2026.
- (3) These share options are at an exercise price of HK\$0.808 per share of the Company with exercise period from 16 November 2016 to 15 November 2026.
- (4) These share options are at an exercise price of HK\$2.25 per share of the Company with exercise period from 30 August 2017 to 29 August 2027.

REPORT OF THE DIRECTORS

Save as disclosed above, as at 31 December 2019, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in shares, underlying shares or debentures of the Company and its associated corporations as recorded in the register required to be maintained under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 27 to the consolidated financial statements.

DIRECTORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

Other than the share option scheme as disclosed in note 27 to the consolidated financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor the executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

As at 31 December 2019, the register of substantial shareholders maintained by the Company pursuant to Section 336 of SFO shows that other than being a Director or chief executive of the Company, the following shareholders had notified the Company of the relevant interests amounting to 5% or more of the ordinary shares in issue:

Long position

Name	Number of shares	Type of interest	Approximately percentage of total issued share capital of the Company
HK DYF Int'l Holding Group Limited	198,030,400	Beneficial owner	16.01%
Shenzhen Ding Yi Feng Enterprise Management Co., Ltd. (Note 1)	198,030,400	Interest of controlled corporation	16.01%
Mr. Sui (Note 2)	347,612,800	Beneficial owner and interest of controlled corporation	28.11%

Note 1: Shenzhen Ding Yi Feng Enterprise Management Co., Ltd. is deemed to be interested in 198,030,400 shares through its controlled corporation, HK DYF Int'l Holding Group Limited.

Note 2: 198,030,400 of these shares are held by HK DYF Int'l Holding Group Limited, which is held as to 68.72% by Shenzhen Ding Yi Feng Enterprise Management Co., Ltd., which is in turn held as to 26% and controlled by Mr. Sui. Mr. Sui is deemed to be interested in these shares by virtue of the SFO.

REPORT OF THE DIRECTORS

Save as disclosed above, the Directors are not aware of any person who has an interest or short position in the shares or underlying shares of the Company (which is discloseable under Divisions 2 and 3 of the Part XV of the SFO), or is directly or is indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group (which is discloseable under the Listing Rules).

CONNECTED TRANSACTION AND DIRECTORS' INTEREST IN CONTRACT OF SIGNIFICANCE

Details are set out in note 29 to the consolidated financial statements.

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

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

For the year ended 31 December 2019, the Directors were not aware of any business or interest of the Directors and their associates that compete or may compete with the business of the Group and any conflicts of interests which any such person has or may have with the Group.

AUDIT COMMITTEE

The Audit Committee currently comprises solely of independent non-executive Directors only, namely, Ms. Jing Siyuan (chairman), Mr. Zhang Aimin and Mr. Zhang Qiang. The composition and members of the Audit Committee comply with the requirement under Rule 3.21 of the Listing Rules.

The Audit Committee is mainly responsible for overseeing the Company's financial reporting system and internal control procedures; making recommendations to the Board on the appointment, re-appointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, and any questions of the resignation or dismissal of such auditors; and reviewing the interim and annual reports and accounts of the Company.

The Audit Committee meets regularly to review the financial reporting process and internal controls of the Group. The Audit Committee has reviewed the accounting policies and practices adopted by the Group and discussed internal controls and financial reporting matters with the management of the Company including a review on the consolidated financial statements of the Group for the year ended 31 December 2019.

DIVIDEND POLICY

During the year, the Board adopted a dividend policy under which, the Board, when considering the declaration and payment of dividends, should take into account factors including but not limited to the Group's financial results, cash flow situation, investment policy and strategies, future operations and earnings, capital requirements and expenditure plans, interests of shareholders, any restrictions on payment of dividends.

REPORT OF THE DIRECTORS

CORPORATE GOVERNANCE

Details of the Company's corporate governance are set out in the Corporate Governance Report on pages 21 to 29 of this Annual Report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors by Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules. Upon enquiry by the Company of those who served as Director during the year ended 31 December 2019, all Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2019.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

PERMITTED INDEMNITY PROVISION

The Articles provide that the Directors are entitled to be indemnified out of the assets and profits of the Company against all losses or liabilities which they may sustain or incur in their respective offices. During the year, appropriate directors' and officers' liabilities insurance coverage had been arranged in respect of legal action that might be taken against the Directors and officers of the Company.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or was subsisting during the year.

REPORT OF THE DIRECTORS

FIVE YEAR SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 116.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors are independent.

AUDITOR

The consolidated financial statements for the year ended 31 December 2019 were audited by HLM CPA Limited (“HLM”) who will retire and seek for re-election at the forthcoming AGM.

On behalf of the Board

China Ding Yi Feng Holdings Limited

Ma Xiaoqiu

Chairman

Hong Kong, 28 February 2020

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board recognises the importance of corporate governance practice of a listed company and is committed to adopting the requisite standards of corporate governance. The Directors confirm, to the best of their knowledge, that the Company has complied with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules during the year ended 31 December 2019, except for the deviation set out as below. Code Provision E.1.2 stipulates that the Chairman of the Board should attend the annual general meeting. The then Chairman of the Board was prevented by special circumstances from attending the annual general meeting of the Company held on 15 May 2019. The Chairman of the Board will endeavour to attend all future annual general meetings of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules. Upon enquiry by the Company, all Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2019.

BOARD OF DIRECTORS

Composition and role

Executive Directors

Mr. Zhang Xi

Mr. Luk Hong Man, Hammond

Non-executive Directors

Mr. Sui Guangyi (resigned with effect from close of business on 22 January 2020)

Mr. Wang Mengtao

Mr. Leung Ka Fai

Ms. Ma Xiaoqiu

Independent non-executive Directors

Ms. Jing Siyuan

Mr. Zhang Aimin

Mr. Zhang Qiang

CORPORATE GOVERNANCE REPORT

There is no relationship between members of the Board as referred to in paragraph I (h) of the Corporate Governance Code.

The Board sets the Group's overall objectives and strategies, monitors and evaluates its operating and financial performance and reviews the corporate governance standard of the Company. It also decides on matters such as annual and interim results, major transactions, Director's appointments or re-appointments, and dividend and accounting policies.

The Board has delegated the authority and responsibility for implementing its business strategies and managing the daily operations of the Group's businesses to the executive Directors.

The key responsibilities of the Board include the formulation of the Group's overall strategies, setting performance targets, regulate and maintain internal controls, monitoring financial reporting process and manage day-to-day business operations. The Board is responsible to promote the success of the Company by directing and supervising its affairs in a responsible and effective manner. Each Director has a duty to act in good faith in the best interests of the Company. The Directors are aware of their collective and individual responsibilities to all shareholders for the manner which the affairs of the Company are managed, controlled and operated.

The Board comprises of two executive Directors, three non-executive Directors and three independent non-executive Directors. The biographical details of all Directors are presented on pages 12 and 13 of this annual report. At the forthcoming AGM, retirement and re-election of Directors will take place in accordance with the requirements in the Articles.

An independent non-executive Director, Ms. Jing Siyuan, possesses appropriate professional accounting qualifications and financial management expertise, which satisfies Rule 3.10(2) of the Listing Rules. Through positive contributions to the Board and committee works, the independent non-executive Directors provide independent views on important decisions in respect of strategic developments, corporate governance practices, financial reporting framework, internal controls and risk management.

During the year 2019, the Board maintained the Audit Committee, the Remuneration Committee and the Nomination Committee as required by the applicable rules. In April 2016, in order to strengthen the governance of the Company, the Board set up the Risk Management Committee and the Investor Relations Committee. The independent non-executive Directors bring independent judgement on issues of strategic direction, development, performance and risk management through their contribution at board meetings and committee work. Pursuant to Rule 3.13 of the Listing Rules, the Company has received from all the independent non-executive Directors an annual confirmation of independence, and accordingly the Company considers them to be independent.

CORPORATE GOVERNANCE REPORT

Board meetings and Directors' Attendance

The Board meets regularly and on other occasions when a Board decision is required on major issues. Details of Directors' attendance at the AGM and board meeting held in 2019 are set out in the following table:

Name of Directors	Meeting attended/held	
	Board meeting	AGM held on 15 May 2019
Executive Directors		
Mr. Zhang Xi	3/3	1/1
Mr. Luk Hong Man, Hammond	3/3	1/1
Non-executive Directors		
Mr. Sui Guangyi (resigned with effect from close of business on 22 January 2020)	3/3	0/1
Mr. Wang Mengtao	3/3	0/1
Mr. Leung Ka Fai	3/3	1/1
Ms. Ma Xiaoqiu	3/3	0/1
Independent Non-executive Directors		
Ms. Jing Siyuan	3/3	1/1
Mr. Zhang Aimin	3/3	1/1
Mr. Zhang Qiang	3/3	1/1

Directors' Training and Professional Development

During the year, all Directors participated in continuous professional development to develop and refresh their knowledge and skill by way of attending seminars, briefings or training courses and reading the relevant materials.

In addition, every newly appointed Director will receive an introduction on the first occasion of his appointment, so as to ensure that he has a proper understanding of the operations and business of the Company, and his responsibilities under the Listing Rules and relevant regulatory requirements.

CORPORATE GOVERNANCE REPORT

According to the records maintained by the Company, the training received by the Directors in compliance with the requirement of the Code on continuous professional development during the period from 1 January 2019 to 31 December 2019 are set out below:

Name of Directors	Reading materials	Attending seminars/ briefings/ training courses
Executive Directors		
Mr. Zhang Xi	✓	✓
Mr. Luk Hong Man, Hammond	✓	✓
Non-executive Directors		
Mr. Sui Guangyi (resigned with effect from close of business on 22 January 2020)	✓	✓
Mr. Wang Mengtao	✓	✓
Mr. Leung Ka Fai	✓	✓
Ms. Ma Xiaoqiu	✓	✓
Independent Non-executive Directors		
Ms. Jing Siyuan	✓	✓
Mr. Zhang Aimin	✓	✓
Mr. Zhang Qiang	✓	✓

Chairman and Chief Executive

The roles of the chairman and the chief Executive are segregated and assumed by two separate individuals who have no relationship with each other to strike a balance of power and authority so that the job responsibilities are not concentrated on any one individual.

The chairman of the Board is responsible for the leadership and effective running of the Board. The chief executive is delegated with the authorities to manage the Group's business in all aspects effectively, implement major strategies, make day-to-day decision and coordinate overall business operation.

The Board has appointed Ms. Ma Xiaoqiu as chairman with effect from 24 January 2020 while the role of chief executive rests with Mr. Luk Hong Man, Hammond when the Board appointed him as chief executive officer with effect from 22 April 2016.

CORPORATE GOVERNANCE REPORT

Appointments, Re-election and Removal

In accordance with Code Provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. Currently, all independent non-executive Directors have been appointed for a specific term of 3 years but are subject to retirement by rotation and re-election at the AGM in accordance with the Articles.

In accordance with our Articles, all Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. Every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

BOARD COMMITTEES

Pursuant to Rule 3.21, Rule 3.25 and Corporate Governance Code A.5.1, during 2019 the Board has maintained the Audit Committee, the Remuneration Committee and the Nomination Committee for overseeing relevant aspects of the affairs of our Company. These committees are established with written terms of reference are available on our website and on the website of The Stock Exchange of Hong Kong Limited.

Audit Committee

The Audit Committee currently comprises solely of independent non-executive Directors only, namely, Ms. Jing Siyuan (chairman), Mr. Zhang Aimin and Mr. Zhang Qiang. The composition and members of the Audit Committee comply with the requirements under Rule 3.21 of the Listing Rules.

The Audit Committee is mainly responsible for overseeing the Company's financial reporting system and internal control procedures; making recommendations to the Board on the appointment, re-appointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, and any questions of the resignation or dismissal of such auditors; and reviewing the interim and annual reports and accounts of the Company.

The Audit Committee meets regularly to review the financial reporting process and internal controls of the Group. The Audit Committee has reviewed the accounting policies and practices adopted by the Group and discussed internal controls and financial reporting matters with management of the Company including a review of the consolidated financial statements of the Group for the year ended 31 December 2019.

The Group's 2019 audited financial statements had been duly reviewed by the Audit Committee with the auditor and in relation to which the members of the Audit Committee unanimously recommended for approval by the Board. The Audit Committee has concluded that it is satisfied with the professional performance of HLM as the auditor of the Company and therefore recommends to the Board that HLM be reappointed as the auditor of the Company, which will be put forward for Shareholders approval at the coming annual general meeting.

With the consent of the Audit Committee, the Board hereby confirms that, in the preparation of the 2019 consolidated financial statements of the Group, the Directors, both collectively and individually applied such degree of skill, care and diligence as may reasonably be expected of them under the Rule 3.08 of the Listing Rules.

CORPORATE GOVERNANCE REPORT

HLM was appointed as auditor of the Company until conclusion of the AGM. During the year, the remuneration in respect of audit services provided by the auditor are as follows:

Audit services	HK\$750,000
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The Audit Committee held two meetings during 2019. The Committee recommended to the Board the re-appointment of HLM to act as the auditor of the Company and its subsidiaries and reviewed the accounting policies and practices adopted by the Group and discussed internal controls and financial reporting matters with management, including a review of the consolidated financial statements for the period ended 30 June 2019 and for the year ended 31 December 2019.

The attendance of the Audit Committee meetings held during 2019 of those persons who were members of the committee in 2019 is as follows:

Audit Committee members	Meetings attended/held
Independent non-executive Directors	
Ms. Jing Siyuan, <i>Chairman</i>	2/2
Mr. Zhang Aimin	2/2
Mr. Zhang Qiang	2/2

Remuneration Committee

The Remuneration Committee currently comprises of one executive Director, Mr. Zhang Xi and two independent non-executive Directors, namely, Mr. Zhang Aimin (chairman) and Ms. Jing Siyuan.

The Remuneration Committee is mainly responsible for making recommendations to the Board on the Company's policy and structure for remuneration of all the Directors and senior management of the Company and making recommendations to the Board on the remuneration packages of individual executive Director and senior management.

The Remuneration Committee held two meetings during 2019 to discuss the remuneration package of Directors and make recommendation to the Board on the amount of discretionary bonus for the Directors and senior management.

CORPORATE GOVERNANCE REPORT

The attendance of the Remuneration Committee meeting held during 2019 of those persons who were members of the committee in 2019 is as follows:

Remuneration Committee members	Meetings attended/held
Executive Director	
Mr. Zhang Xi	2/2
Independent non-executive Directors	
Mr. Zhang Aimin, <i>Chairman</i>	2/2
Ms. Jing Siyuan	2/2

Nomination Committee

The Nomination Committee currently comprises of one executive Director, Mr. Luk Hong Man, Hammond and two independent non-executive Directors, namely, Ms. Jing Siyuan (chairman) and Mr. Zhang Aimin.

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

The Nomination Committee formulated the Board diversity policy and the Company has adopted the Board diversity policy in August 2013. The Company recognises and embraces the benefits of diversity in Board members. Selection of Board members will be based on a range of diversified perspectives, including but not limited to gender, age, ethnicity, cultural and educational background, or professional experience. All Board appointments will be based on merit and the needs of the Company's business while taking into account diversity. The Nomination Committee also monitors the implementation of this policy and reports to the Board on the achievement of the measurable objectives for achieving diversity under this policy.

The Nomination Committee held two meetings during 2019 to review the structure, size and composition of the Board, assess the independence of the independent non-executive Directors and review and discuss the Board diversity policy.

CORPORATE GOVERNANCE REPORT

The attendance of the Nomination Committee meeting held during 2019 of those persons who were members of the committee in 2019 is as follows:

Nomination Committee members	Meeting attended/held
Executive Director	
Mr. Luk Hong Man, Hammond	2/2
Independent non-executive Directors	
Ms. Jing Siyuan, <i>Chairman</i>	2/2
Mr. Zhang Aimin	2/2

RISK MANAGEMENT

The Risk Management Committee is responsible for overseeing risk management matters in relation to the Group's investments and financial instruments in view of its investment objectives. Members of the Risk Management Committee meet from time to time for evaluating, determining and monitoring the possible risks associated with the investments, and advising the Board to adopt the appropriate risk mitigation measures.

INTERNAL CONTROLS AND INTERNAL AUDIT

The Board has the responsibility to maintain an effective internal control system in order to safeguard the Group's assets and protect the shareholders' interests and to enable proper accounting records to be kept for management and financial reporting purposes. The Board recognizes that the system should provide reasonable but not absolute assurances against material misstatement or loss. The Board assesses the effectiveness of the internal control system and procedures through discussions with the Directors and those responsible for internal control and internal audit. The Board believes that the existing internal control system is adequate and effective.

COMPANY SECRETARY

Ms. Hong Lai Ping was appointed as the Company Secretary of the Company on 5 February 2010. The Company Secretary reports to the Directors of the Company and is responsible for advising the Board on governance matters. According to the Rule 3.29 of the Listing Rules, the Company Secretary has taken not less than 15 hours of relevant professional training during the year.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors acknowledge their responsibility for preparing the Group's consolidated financial statements in accordance with statutory requirements and applicable accounting standards. The responsibilities of the Directors are to prepare the financial accounts for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. The Directors also acknowledge that the publication of the consolidated financial statements should be distributed to the shareholders of the Company in a timely manner. In preparing the accounts for the year ended 31 December 2019, the Directors have selected suitable accounting policies and applied them consistently; adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards; made adjustments and estimates that are prudent, fair and reasonable and prepared accounts on a going concern basis. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS

Procedures for convening an extraordinary general meeting and putting forward proposals at general meeting

Any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company at the Units 6602-03, Level 66, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

There are no provisions under the Company's Articles or the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands regarding procedures for Shareholders to put forward proposals at general meetings other than a proposal of a person for election as Director. Shareholders may follow the procedures set out above to convene an extraordinary general meeting for any business specified in such written requisition.

ENQUIRIES TO THE BOARD

The Board always welcomes shareholders' views and input. Shareholders may at any time send their enquiries and concerns to the Board by addressing them to Company Secretary of the Company and the contact details are as follows:

Company Secretary
China Ding Yi Feng Holdings Limited
Units 6602-03, Level 66, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong
Email: info@dyf.com.hk
Tel. No.: (852) 2838 9806
Fax No.: (852) 2838 6782

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2019, the Company has not made any changes to its Memorandum and Articles.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. ABOUT THE REPORT

China Ding Yi Feng Holdings Limited and its subsidiaries (together, the “Group” or “we”) are pleased to present our Environmental, Social and Governance Report (the “ESG Report”). The report presents the Group’s concern to environmental and social impacts, policies and initiatives of the Group to demonstrate our long-term commitment to ensure that our activities, at all levels, are economically, socially and environmentally sustainable development to stakeholders. Additional information in relation to the Group’s corporate governance and financial performance can be referred to our annual report for the year ended December 31, 2019.

1.1 Scope and Reporting Boundary

The scope of the ESG Report covers the environmental and social performances of the Group’s principal operating as an investment holding company. The Group principally engaged in investing in listed and unlisted securities, mainly conducting businesses in Hong Kong. The “Reporting Period” or “FY2019” is spanning over the period from January 1, 2019 to December 31, 2019. Part of the content may look back upon the performance of the Group in past years with a view to presenting the report in a more informative and comparable manner. The reporting boundary includes the operation entities in Hong Kong.

1.2 Reporting Guidelines

The “Environmental, Social and Governance Reporting Guide” (the “ESG Reporting Guide”) which is set out in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “HKEX”) serves as the reporting guidelines of this report.

1.3 Reporting Principles

The reporting principles of this ESG Report are governed by “materiality” and “quantitative”. With respect to “materiality”, we ensure that ESG issues discussed in this report are sufficiently important and material to investors and stakeholders including clients, communities, employees, institutions, governments, non-governmental organizations, shareholders, subcontractors, suppliers and industry associations. With respect to “quantitative”, Key Performance Indicators (“KPI”) required by the ESG Reporting Guide are measurable such that the effectiveness of our ESG policies and management systems can be evaluated and validated continuously.

The Group is determined to be a responsible enterprise and is committed to perfecting its business and improving the local community. In order to determine what issues are relevant and material to our business with respect to sustainability, the Group is aware that the key is to understand what issues that our stakeholders concerned most. We define our stakeholders as people who affect our business or who are affected by our business. In our daily business, we actively exchange information with our stakeholders through our transparent platform while we are devoted to continuous improvement of our communication system. In addition, we are committed to maintaining a long-term partnership with our stakeholders and are actively engaged in addressing their concerns with timely follow-up actions. The Group is working to create a sustainable growth for the benefit of all our stakeholders.

1.4 Reporting Framework

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

A complete index in compliance with the ESG Reporting Guide is also available at the end of this report for reference. Except for provisions that the Group considers are inapplicable to its operations, for which explanations have been given on the rightmost column in the said index, this report is compliant with all the “comply or explain” provisions set out in the ESG Reporting Guide.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1.5 Data Collection

Data in this report are extracted from the Group's internal management system and statistics, and part of the data collected in previous years. Unless otherwise stated, HKD is used in this report as its functional currency.

1.6 Report Availability

In addition to inclusion in the Group's Annual Report, this report is also accessible in electronic version from <http://www.dyf.com.hk>

1.7 Contact

We welcome all sorts of comments and suggestions from our stakeholders with respect to this ESG Report or our sustainability performance. Comments or views can be sent to info@dyf.com.hk.

2 OUR ESG ACHIEVEMENT

The Group contemplates that ESG is an integral part of our principal business and also our ability to succeed in a relentlessly competitive market. As such, the Group continuously spends remarkable efforts to address various aspects of ESG, including greenhouse gas reduction, development and training opportunities for employees, environmental compliance, health and safe work environment for employees.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3 ENVIRONMENTAL PROTECTION

3.1 Corporate Environmental Policy

The Earth, our precious planet, is the most valuable asset for us. The Group endeavours to protect this planet and to build a sustainable future for our next generations, wherever the Group is involved with. As such, the Group is committed to upholding high environmental standards to fulfil relevant requirements throughout our operation, and continue to devote human and financial resources for environmental conservation, reduction of carbon footprint and environmental compliance as required under applicable laws and regulations.

To achieve environmental sustainability, the Group formulated relevant rules and regulations for a sound and effective management of energy consumption, greenhouse gas (“GHG”) emission, as well as discharge of domestic waste and sewage and other pollutants, highlighted as below.

- Comply with applicable environmental protection laws and regulations;
- Continuously improve the ESG management system to set and maintain rigorous standards;
- Define appropriate goals, objectives and targets on a regular basis for our ESG management approach;
- Promote environmental awareness among the workforce with regular communication; and
- Communicate our environmental performance to stakeholders and seek their involvement wherever applicable.

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

3.2 Exhaust Gas and GHG Emissions

Given our Group’s business, by nature, we do not generate a significant amount of exhaust gas and GHG directly throughout its operation. However, our daily operation and office administration inevitably involve consumption of fossil fuel directly or indirectly, which releases Nitrogen Oxides (NO_x), Sulphur Oxides (SO_x), and Carbon Dioxide (CO₂) into the air. The Group is highly aware that such GHG emission is one of the major sources of global warming. Therefore, we strive to reduce our carbon and ecological footprint and adopt practices that are sustainable to the environment. The Group incorporated sustainable energy measures in its daily operations to properly manage our GHG emissions and address various environmental issues, including:

- Maintaining indoor temperature at an optimal level for comfort;
- Providing on-off and zoning control of lighting and ventilation system in the workplace according to the operation schedule;
- Encouraging employees to switch off machines and devices, such as computers and monitors when not in use;

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- Procuring energy efficient electrical appliances (such as those with Grade 1 energy labels, fridge with door) and systems;
- Encouraging employees to make the best use of modern telecommunication system to avoid unnecessary travel arrangement;
- Placing “Green Message” reminders on office equipment and workplace to further enhance employees’ environmental awareness;
- Organizing training sessions including case studies to improve awareness of energy efficiency and GHG saving and to engage staff to adopt the energy saving practices together; and
- Retrofitting lights to more energy efficient lights, such as LED and T5 fluorescent lamp in our offices.

In accordance with the ESG Reporting Guide set out by HKEX, our environmental performance of “Emissions” during the Reporting Period is tabulated below.

Table 1 – Emissions

	Unit	FY2019	FY2019 Intensity
GHG Emissions	CO ₂ e (kg)	57,448	2,127.7
Nitrogen Oxides	g	353,421	13,089.7
Sulphur Oxides	g	220	8.1
Particulate Matter	g	26,022	963.8

3.3 Waste Management

Waste Management Policy

The Group’s principal waste management policy endeavours to achieve a green and paperless operation and a minimal generation of waste during our operation wherever possible and practical. Through the 4-R Principles – Reduce, Reuse, Replace and Recycle, the Group strives to achieve the target of reducing the amount of waste generated and aims at waste management from the source. Our waste management practice is compliant with laws and regulations relating to environmental protection in the region where we operate.

While educating our employees and business partners the significance of sustainable development, we constantly encourage all employees to reduce paper usage by duplex printing, paper recycle and frequent use of electronic information systems for material sharing or internal administrative documents. We encourage increased use of reusable product, such as envelopes, and better separation of waste streams for recycling. We maintain 100% recycling of used toner cartridges by collecting and returning all used cartridge to recycling agents. We encourage minimal consumption of paper towels in the workplaces.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Hazardous Waste

Given our business nature, the Group does not directly produce hazardous waste throughout the operation. The Group endeavours to recycle electronic waste throughout our operation wherever practical, ultimately reducing both the monetary and environmental costs involved in disposal of these electrical parts that would otherwise be scrapped and treated as hazardous waste.

Non-hazardous Waste

The non-hazardous wastes generated by the Group are mainly domestic waste including stationery, packaging materials, paper from our operations, among which, recyclable wastes will be recycled for reuse.

Wastewater Discharge

The Group's operations do not consume a significant amount of water. Our main use of water is for sanitary purposes. Similarly, most of the wastewater discharged from our facilities is sanitary wastewater. The Group ensures all domestic sewage is properly discharged into the urban sewage pipe network for subsequent sewage treatment.

Table 2 – Waste Discharge

	Unit	FY2019
Domestic Waste	kg	6,577

In the aspect of waste management, the Group constantly strives to maintain a high standard of requirement of waste reduction, actively encouraging our employees to appreciate the significance of sustainable development through continuous development in skills and knowledge.

3.4 Use of Resources

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

Water Consumption

The Group takes a cautious approach to water stewardship, seeking to maximize efficiency and reduce wastes. We strive to engage all employees, clients, suppliers and business partners to develop a habit of conserving water consciously. Water saving devices are installed at water taps in the office wherever possible. Pantry and washrooms are posted with environmental messages to remind employee the importance and urgency of water conservation. The utility facilities are maintained regularly for service to ensure that water seepage or leaking pipelines are replaced or repaired on a timely basis. The Group also seeks to reduce water usage, reuse water and improve the quality of wastewater discharged from our working stations wherever possible.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Packaging Material

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

Environmental Performance

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

Table 3 – Energy and Resources Use

	Unit	FY2019	FY2019 Intensity
Electricity	kWh	23,408	867.0
Purchased Gas	kg	n/a	n/a
Unleaded Petrol	L	14,968	554.4
Diesel	L	n/a	n/a
Paper	kg	452	16.7
Water	m ³	n/a	n/a

3.5 Going Forward

While the impact of climate change is increasingly influential, the Group is aware that consumers are gradually becoming more sensitive to sustainability issues, such as, ecological and ethical footprints which are beginning to influence the purchasing decisions of average consumers. Where once customer would rarely question how a product was made or what it was made of, corporates are now expected to clearly state where products come from and how the ESG policies inform their choice of processes, materials and deployment of human resources.

The Group is committed to instilling the consciousness of resources conservation, deeply indoctrinated the low-carbon concept and environmental protection into the work and life of every employee. We continue to seek business partners who also share with our philosophy and commitment of environment conservation and compliance with the applicable environmental laws and regulations. We firmly believe that our commitment to environmental protection will become a part of our competitiveness, leading the Group to greater success in the future and fulfil our responsibilities as a member of the community we all live in.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

4. EMPLOYMENT AND LABOUR PRACTICES

4.1. Recruitment and Promotion

The Group fully understands that our corporate development and long-term growth are largely driven by the continued quality services delivered by our experienced and competent workforce. As such, it is of paramount importance for us to proactively manage our talent pipeline and career development for employees. The Group is determined to uphold an open, fair, just and reasonable recruitment and human resource policies, with respect to equal opportunities, diversity and anti-discrimination.

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

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

4.2. Employment

In order to attract and retain our employees, which are our most valuable assets, the Group offers competitive wages, medical insurance, disability and invalidity coverage, maternity leave and other compensation to our employees. The Group decides the remunerations payable to its staff based on their duties, work experience and the prevailing market practices. Apart from basic remuneration, share options may be granted to eligible employees by reference to the performance of the Group and individual employees.

As at 31 December 2019, all employees of the Group were based in Hong Kong. The Group complied with the Labour Law of Hong Kong and relevant employment laws and regulations throughout the Reporting Period, including the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) by participating in the Mandatory Provident Fund retirement benefit scheme (the “**MPF Scheme**”) for our eligible employees, Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong), Employment Ordinance (Chapter 57 of the Laws of Hong Kong) (the “**EO**”) and Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) (the “**ECO**”) by offering competitive wages, medical insurance, disability and invalidity coverage, maternity leave and other compensation to our employees. During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations in respect of human resources. We strictly prohibit discrimination, harassment and bullying at all workplaces.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

Table 4 – Our Workforce

Turnover Rate by Gender

Male

Female

Turnover Rate by Age

Under 30 years old

30–50 years old

over 50 years old

FY2019

24.0%

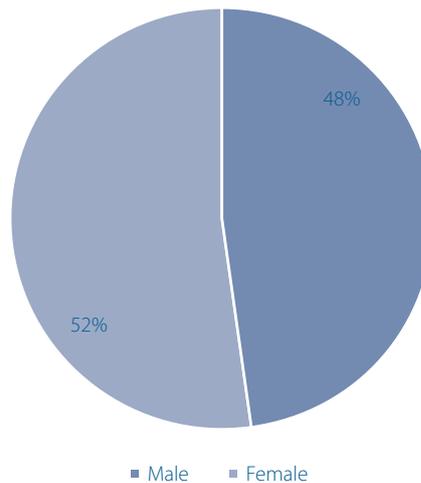
31.3%

0%

37.5%

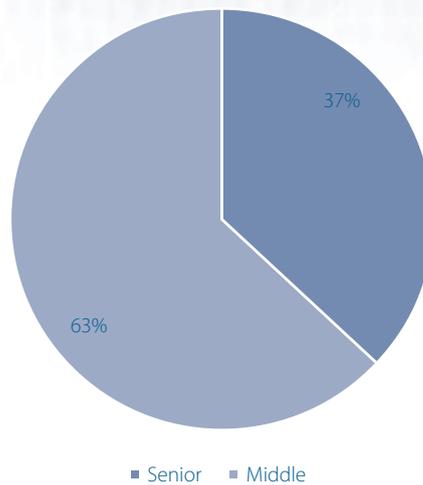
21.1%

Total Workforce by Gender as of 31 Dec 2019

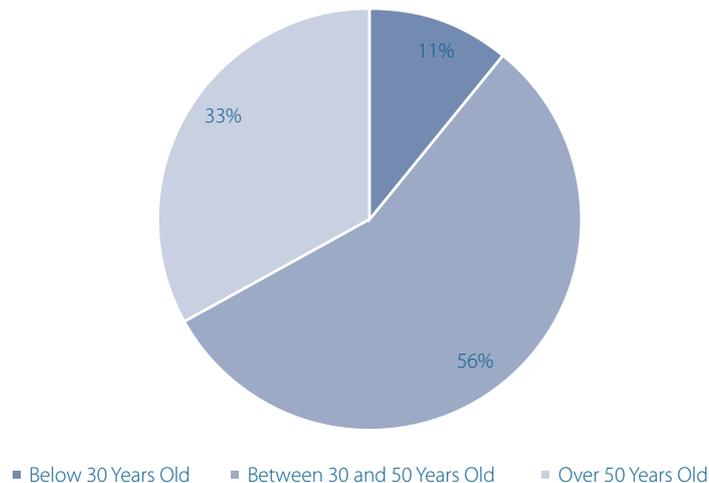


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Total Workforce by Employment Level as of 31 Dec 2019



Total Workforce by Age Group as of 31 Dec 2019



4.3. Occupational Health and Safety

The Group is highly aware that employees' health and safety is of paramount importance to our operation and therefore, the Group is determined to attaching great importance to a healthy, comfortable and safe working environment for our employees. The goals of our Occupational Safety and Health ("OSH") policy are highlighted as below.

- The OSH management system aims at identification, prevention and management of risks and hazards throughout the workplaces as well as follow-up actions for accidents or personal injuries;
- The OSH management system defines appropriate objectives and targets on a regular basis;
- Zero tolerance of accidents and injuries;

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- Promotion of safety culture among employees;
- Commitment to the provision of a safe and healthy working environment for the employees;
- Commitment to human and financial resources for to the OSH management system;
- Communication of our health and safety performance with stakeholders and seek their involvement wherever applicable;
- Regular review of the performance of various OSH measures so that their effectiveness and reliability can be maintained; and
- Compliance with applicable laws and regulations in relation to occupational safety and health.

To achieve the goals of our OSH policy, the following measures are adopted.

- Formulation of emergency response plans, risk assessment and accident investigation mechanism so as to ensure legal compliance with OSH;
- Organization of fire drills and emergency evacuation simulations to raise the employees' awareness of fire prevention and to equip employees with appropriate knowledge and skills in the event of emergency;
- Improvement of the fire evacuation plans by providing first aid kits and fire extinguishers in workplace in response to emergencies;
- Promotion of safety culture through various communication channels such as safety campaigns, discussion and sharing sessions;
- Organization of induction programs and safety training programs to new employees such that they can be familiar with our corporate policies in relation to health and safety matters as quickly as they can;
- Installation of air purifiers in relatively crowded areas such as conference and meeting rooms;
- Prohibition of smoking and abuse of alcohol and drugs in the workplace;
- Provision of clean and tidy rest area such as corridors and pantry;
- Provision of adjustable chairs and monitors for eye protection;
- Set up posters of proper working postures and lifting method accessible on the intranet and at appropriate locations in offices;

During the Reporting Period, the Group complied with the Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong), by ensuring that the employees are working in a safe environment in respect of health, hygiene, ventilation, fire evacuation plans, building structure and means of escape. During the Reporting Period, the Group did not record any accidents that resulted in death or serious physical injury. No material non-compliance with laws and regulations relevant to health and safety of employees were identified during the Reporting Period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Summary of work-related fatalities and injuries during the Reporting Period are shown in the table below.

Table 5 – Health and Safety

	FY2019
No. of Work-Related Fatalities	0
Rate of Work-Related Fatalities	0
No. of Injuries at Work	0
Lost Days due to Injury at Work	0

4.4. Development and Training

The Group envisions that empowering its people through development and training is the cornerstone of our success in the long-run. The Group listens and responds to our people, striving to create an environment of continuous learning, to facilitate development of careers and to provide knowledge and skills for better fulfilment of roles and responsibilities. Our training programmes are designed not only to meet our business vision and to provide skillset required for the operation, but also for the benefit of society as a whole wherever possible.

Considering that each of the position is of unique professional and technical needs, the Group ensures that every new joiner receives proper orientation training and mentoring in order to help them adapt to the new working environment affirmatively and quickly. Continuous training is committed by the Group in different ways including internal training programs, comprehensive training for specific skill development, and courses for continuous professional development for relevant employees so as to ensure that they possess the appropriate qualities and skill-sets. Implementation of safety training and comprehensive risk assessments are also one of the most important tasks in the Group.

During the Reporting Period, employees at all levels satisfied their needs of trainings through multiple training programs, including induction training, technical skills training and pre-post training as summarised in Table 6 below. These training programs not only facilitate the career prospect of individual employee, but also further enhance the sustainable development of the Group. We organized professional training sessions and seminars for directors and senior management with topics generally including occupational safety, corporate governance, business development and strategy in order for them to develop and refresh their knowledge and skills. We additionally provided the management with a series of thematic courses to strengthen and refresh their knowledge, leadership and management skills, which is expected to drive the team to grow for the best interest of the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Reporting Period, details of the development and training programs provided by the Group is summarized as below.

Table 6 – Employee Training

	Unit	FY2019
Average hours of training received per employee	hours	0.04
Average hours of training per employee by ranking		
Senior Staff	hours	5.5
Middle Staff	hours	0
Average hours of training per employee by gender		
Male	hours	2.31
Female	hours	1.79
Percentage of employees trained by employment level		
Senior Staff	%	100
Middle Staff	%	0
Percentage of employees trained by gender		
Male	%	53.9
Female	%	21.4

4.5. Harmonious Corporate Culture

The Group is strongly convinced that a harmonious corporate culture among the employees and management are always the key drivers to the Group's healthy and prosperous growth. To achieve this, we utilize a variety of channels, including:

- Open and honest communication platform for all employees and management to post and share multimedia news;
- Regular all-staff meetings to update on business performance and the development of key projects;
- Employee engagement such as annual employee survey which provides a confidential route for employee feedback. Follow up actions ensure that employees' voices are heard and responded to at both corporate and team levels; and
- Festive foods, such as mooncakes and fruit, were delivered to employees during certain traditional festivals (such as Lunar New Year and Mid-Autumn Festival) in recognition of their contributions and dedicated work to the Group. Regular and festival gatherings were organised during the Reporting Period to enhance the harmonious spirit of different levels of staff members throughout the Group.

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

4.6. Labour Standards

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

During the Reporting Period, the Group strictly complied with the relevant laws and regulations, including the Labour Law and the Employment Ordinance of Hong Kong (Chapter 57 of the Laws of Hong Kong). No material non-compliance with the laws and regulations related to the prevention of child labour or forced labour have been found by the Group.

5. OPERATING PRACTICES

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

5.1. Supply Chain Management

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

We developed a supplier selection mechanism based on potential suppliers' compliance with all applicable laws and regulations in relation to the safety, environment, forced labour, child labour and other social aspects. Products and services with environmentally friendly and socially responsible features will be given a higher technical score during our assessment process. Inspection and assessments may be conducted by the Group if deemed necessary. We are obliged to terminate the cooperation contract with suppliers if they fail to reach the applicable compliance standard. Every supplier is required to comply with our code of practice, which prohibits offering of gifts,, loans, hospitality, services or favour in an improper manner.

In addition, the Group encourages our business partners to adopt the best environmental and social practices and to disseminate the pursuit of sustainability into the core business, through develop energy-saving and consumption-reducing policies. For example, we recommend the suppliers to be engaged with the strategy of sustainable transport and logistics solutions such as using online carbon calculator for route planning in order to reduce carbon footprint throughout their delivery process.

We believe that, through the above review process, we can minimize the potential environmental and social risks associated with the supply chain management. During the Reporting Period, the Group had in total 10 suppliers which were located in the region where we operated.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

5.2. Product Responsibility

To be a successful business, we are committed to the highest standards of services we deliver, maintaining continuous communication with our customers to ensure that we understand and fulfil their needs and expectations. Furthermore, we keep track of emerging trends and continue to develop and optimize our services that offer the best solution to the customers.

The Group undertook a series of measures to ensure our financial product accountability during the Reporting Period. Every product will be planned, developed and supplied to meet all legal and regulations for its intended use and for circumstances of reasonably foreseeable misunderstanding. We ensured that every product is correctly labelled with sufficient information required by legislation and industry codes of practice. We also performed continuous and regular assessments of the product quality and review of opportunities for improvements and changes.

During the Reporting Period, our operation in Hong Kong complied with relevant laws and regulations, for instances, the Trade Description Ordinance (Chapter 362 of the Laws of Hong Kong). During the Reporting Period, the Group did not identify any material non-compliance of the laws and regulations related to the quality of products and services.

5.3. Customer Feedback and Handling

Realizing that our customer needs and expectations should be well addressed, the Group pays attention to the level of satisfaction of customers and their feedback. Regular communication channels and feedback systems, such as telephone hotline, emails, social media and websites, are in place to collect information on satisfaction and suggestions for improvement from our diverse portfolio of customers.

The Group consolidated and comprehensively analysed the customers' feedback in order to identify the issues. Follow-up actions, including internal evaluation and modification of training programs for employees, will be taken to address the issues identified and to continuously improve our service delivered. Feedback will additionally be provided to the customers in a timely manner.

There were no cases of product recall nor complaints received against our services due to health and safety issues during the Reporting Period.

Table 7– Product Recalls and Complaints

	FY2019
Percentage of complaints received about the products related to health and safety issues	nil

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

5.4. Privacy Protection

The Group undertakes to strictly comply with the requirements of the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong), to ensure that all data are securely kept in our internal system with access control. The Group sets out data privacy requirements in our corporate policies, under which customer and supplier data would be used exclusively for matters relating to the Group's operation only. We strive to ensure all collected data kept is free of unauthorized or accidental access, processing, erasure or other use.

5.5. Anti-Corruption

Insisting on the honesty, integrity and fairness in all aspects of our business, and upholding a high standard of business ethics and prohibition of any forms of bribery and corrupt practices, the Group has developed a series of policies of anti-fraud and anti-bribery which apply to all members of the Group. We also encourage all of our business-related parties, including customers and suppliers to observe those principles of the policies and to proactively report any suspected misconduct issues to the Group.

During the Reporting Period, the Group observed with related laws and regulations that have a significant impact on the Group relating to bribery, extortion, fraud and money laundering, such as the Prevention of Bribery Ordinance of Hong Kong (Chapter 201 of the laws of Hong Kong). No cases of anti-corruption was concluded and the Audit Committee identified no complaint from employees during the Reporting Period.

5.6. Whistle-Blowing

In order to encourage our employees to report illegality, irregularity, malpractice, unethical acts or behaviors, inappropriate conducts or actions, which may damage the Group's interests, we established whistle-blowing policy and implement procedures for our employees to report improprieties via a confidential reporting channel to the extent that is made possible to all employees.

The Group is committed to addressing the "whistle-blowers" concerns in a fair and reasonable manner and to handling the reports with due care and conducting a comprehensive and independent investigation for each reasonably established report. All "whistle-blowers" who report in good faith are reasonably protected from retaliation or adverse consequence of their employment regardless of whether the allegation is substantiated.

6. COMMUNITY INVESTMENT

The Group is dedicated to making a better society through our active involvement and partnership with local non-profit organizations to organize and take part in a variety of charitable activities and actions such as health education and action, poverty action, children, elderly, underprivileged groups, animal welfare and environmental protection. We put the best effort and resources in helping the local communities and people in needs through multiple channels including community services, and sponsorship programs.

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6.1. Community Services

As part of our community-care effort, we took part in the charitable event organized by Ronald McDonald House Charities (“RMHC”) in December 2019 during the Reporting Period. RMHC is an independent registered non-profit organization in Hong Kong with a mission to provide a ‘home away from home’ – accommodation for families such that they can stay close to their hospitalized children. We see this is in line with our belief that love and support of family is the most powerful medicine prescribed.



Our involvement with “Ronald McDonald House Charities” during the Reporting Period

6.2. Sponsorship Programs

During the Reporting Period, the Group participated in a number of meaningful charitable events and committed for a sponsorship totaling HK\$70,000. In January 2019, we participated in the project of “Cages Home and Old Private Housing” organized by the Society for Community Organization with a sponsorship of HK\$50,000 during the Reporting Period. The project was planned to improve the living conditions and strive for the realization of basic housing rights for people living in Hong Kong. The Group considers that this project is in line with our corporate policy and significantly contributes to the sustainable development of the community.

We participated in the event of “Sowers Action Charity Golf Tournament 2019” jointly organized by Sowers Action and Clearwater Bay Golf & Country Club in February 2019 with a sponsorship of HK\$10,000. The event was intended to raise fund to promote welfare and equal education opportunities to social vulnerable groups in all part of the world.

During the Reporting Period, we also participated in the project of “School Construction and Facilities” organized by Sowers Action in August 2019 with a sponsorship of HK\$10,000 to improve the education development and facilities in rural areas, help those local people improve their lives and change their destiny with knowledge.

Going forward, the Group will continue to foster the culture of active participation in community services, encouraging our staff members to be actively engaged in voluntary services and join hands together to disseminate the spirit of services in the community where we all depend on.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

7. HKEX ESG GUIDE CONTENT INDEX

Aspects, General Disclosures and KPIs	Description	Relevant sections in the ESG Report	Remarks
Aspect A1: Emissions			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	Environmental Protection	
KPI A1.1	Types of emissions and respective emissions data	Environmental Protection	
KPI A1.2	Greenhouse gas emissions in total and, where appropriate, intensity	Environmental Protection	
KPI A1.3	Total hazardous waste produced and, where appropriate, intensity	n/a	The Group has not identified any hazardous waste was produced in our core business
KPI A1.4	Total non-hazardous waste produced and intensity	Environmental Protection	
KPI A1.5	Description of measures to mitigate emissions and results achieved	Environmental Protection	
KPI A1.6	Description of how hazardous and non-hazardous waste are handled, reduction initiatives and results achieved	Environmental Protection	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General Disclosures and KPIs	Description	Relevant sections in the ESG Report	Remarks
Aspect A2: Use of Resources			
General Disclosure	Policies on efficient use of resources including energy, water and other raw materials	Environmental Protection	
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity	Environmental Protection	
KPI A2.2	Water consumption in total and intensity	Environmental Protection	
KPI A2.3	Description of energy use efficiency initiatives and results achieved	Environmental Protection	
KPI A2.4	Description of whether there is any issue in sourcing water, water efficiency initiatives and results achieved	n/a	Defined to be irrelevant to the Group's operation
KPI A2.5	Total packaging material used for finished products, and if applicable, with reference to per unit produced	n/a	Defined to be irrelevant to the Group's operation
Aspect A3: The Environment and Natural Resources			
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources	Environmental Protection	
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and actions taken to manage them	Environmental Protection	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General Disclosures and KPIs	Description	Relevant sections in the ESG Report	Remarks
Aspect B1: Employment			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti – discrimination, and other benefits and welfare	Employment and Labour Practices	
KPI B1.1	Total workforce by gender, employment type, age group and geographical region	Employment and Labour Practices	
KPI B1.2	Employee turnover rate by gender, age group and geographical region	Employment and Labour Practices	
Aspect B2: Health and Safety			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	Employment and Labour Practices	
KPI B2.1	Number and rate of work-related fatalities	Employment and Labour Practices	
KPI B2.2	Lost days due to work injury	Employment and Labour Practices	
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	Employment and Labour Practices	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General Disclosures and KPIs	Description	Relevant sections in the ESG Report	Remarks
Aspect B3: Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	Employment and Labour Practices	
KPI B3.1	The percentage of employees trained by gender and employee category	Employment and Labour Practices	
KPI B3.2	The average training hours completed per employee by gender and employee category	Employment and Labour Practices	
Aspect B4: Labour Standards			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour	Employment and Labour Practices	
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour	Employment and Labour Practices	
KPI B4.2	Description of steps taken to eliminate child and forced labour practices when discovered	n/a	No such incidents were reported during the Reporting Period.
Aspect B5: Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain	Operating Practices	
KPI B5.1	Number of suppliers by geographical region	Operating Practices	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General Disclosures and KPIs	Description	Relevant sections in the ESG Report	Remarks
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	Operating Practices	
Aspect B6: Product Responsibility			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress	Operating Practices	
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	n/a	Defined to be irrelevant to the Group's operation
KPI B6.2	Number of products and service related complaints received and how they are dealt with	Operating Practices	No products and service related complaints received during the Reporting Period.
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	n/a	The Group is working on this aspect.
KPI B6.4	Description of quality assurance process and recall procedures	-	Defined to be irrelevant to the Group's operation
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	Operating Practices	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General Disclosures and KPIs	Description	Relevant sections in the ESG Report	Remarks
Aspect B7: Anti-corruption			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering	Operating Practices	
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	Operating Practices	No concluded legal cases regarding corrupt practices during the Reporting Period.
KPI B7.2	Description of preventive measures and whistle – blowing procedures, how they are implemented and monitored	Operating Practices	
Aspect B8: Community Investment			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities takes into consideration communities' interests	Community Investment	
KPI B8.1	Focus areas of contribution	Community Investment	
KPI B8.2	Resources contributed to the focus areas	Community Investment	

INDEPENDENT AUDITOR'S REPORT

恒健會計師行有限公司

HLM CPA LIMITED

Certified Public Accountants

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TO THE MEMBERS OF CHINA DING YI FENG HOLDINGS LIMITED

中國鼎益豐控股有限公司

(Incorporated as an exempted company in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Ding Yi Feng Holdings Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 56 to 115, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, 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.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of the equity instruments at fair value through other comprehensive income ("FVTOCI")

Refer to note 17 to the consolidated financial statements

The Group's equity instruments at FVTOCI amounted to HK\$955,590 was measured at fair value as at 31 December 2019 and there was a revaluation loss of HK\$1,166,911 for the year ended 31 December 2019 recognised in consolidated statement of profit or loss and other comprehensive income. The fair value was assessed by the management based on a valuation performed by an independent valuer (the "Valuer") engaged by the Company.

INDEPENDENT AUDITOR'S REPORT

The valuation of equity instruments at FVTOCI involved significant judgements and estimates, including the determination of valuation methodology and the selection of different inputs to the valuation model.

Considering the significant judgements and estimation elements involved in the determination of fair value and the financial impact it brings to the consolidated financial statements, we have identified the valuation as a key audit matter.

How our audit addressed the key audit matter

Our procedures in relation to the valuation assessment of the unlisted equity investment included the following:

- assessing the competence, capabilities, independence and objectivity of the Valuer;
- assessing the valuation methodology used by the Valuer, validating the observable inputs using external market data, assessing the appropriateness of the key bases and assumptions used in the calculation, including a premium for licences and discount rates, and discussing these bases and assumptions with the management and the Valuer;
- challenging the reasonableness of the key assumptions used in the valuation based on our knowledge of the business and industry;
- obtaining supportive evidence for the significant judgements and estimates of the valuation and the key inputs used in the valuation model; and
- checking the mathematical accuracy of the valuation.

Based on available evidence, we consider that the bases and assumptions used by management in the valuation of the equity investments at FVTOCI as at the year-end date were reasonable.

OTHER INFORMATION

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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 objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

HLM CPA Limited

Certified Public Accountants

Wong Kam Hing

Practising Certificate Number: P05697

Hong Kong

28 February 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	Notes	2019 HK\$	2018 HK\$
Revenue	5	1,317,420	36,612,338
Other income	6	391,720	467,666
Net realised gain on disposal of equity instruments at fair value through other comprehensive income		–	14,850,118
Net realised gain on disposals of financial assets at fair value through profit or loss		3,543,114	23,660,364
Net unrealised (loss) gain on financial assets at fair value through profit or loss		(153,534,008)	128,200,059
Net realised gain on financial derivative contracts		–	2,029,668
		(148,281,754)	205,820,213
Net gain on disposals of subsidiaries	34	5,543	67,214,139
Administrative expenses		(88,934,310)	(92,848,529)
Finance costs	8	(36,262,931)	(32,164,697)
(Loss) profit before tax	9	(273,473,452)	148,021,126
Income tax credit (expense)	10	22,702,710	(19,464,832)
(Loss) profit for the year attributable to owners of the Company		(250,770,742)	128,556,294
(Loss) earnings per share	13		
– Basic (HK cents per share)		(20.28)	10.51
– Diluted (HK cents per share)		(20.28)	10.24

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019 HK\$	2018 HK\$
(Loss) profit for the year attributable to owners of the Company	(250,770,742)	128,556,294
Other comprehensive income (expense):		
<i>Item that will not be reclassified to profit or loss:</i>		
Fair value (loss) gain on equity instruments at fair value through other comprehensive income	(1,166,911)	537,501
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	(4,216,911)	2,696
Other comprehensive (expense) income for the year, net of tax	(5,383,822)	540,197
Total comprehensive (expense) income attributable to owners of the Company	(256,154,564)	129,096,491

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	2019 HK\$	2018 HK\$
Non-current assets			
Property, plant and equipment	14	6,188,680	7,487,541
Intangible assets	15	13,300,752	10,228,403
Right-of-use assets	16	6,792,081	–
Equity instruments at fair value through other comprehensive income	17	955,590	2,302,207
Deferred tax assets	24	3,237,878	–
Rental deposits	18	1,003,483	5,726,351
		31,478,464	25,744,502
Current assets			
Prepayments, deposits and other receivables	18	13,261,477	261,724,420
Financial assets at fair value through profit or loss	19	121,398,262	226,126,899
Bank balances and cash	20	208,064,749	304,217,191
		342,724,488	792,068,510
Current liabilities			
Accruals and other payables	21	12,119,759	18,236,881
Borrowings	22	150,662,438	210,944,796
Lease liabilities	23	3,605,692	–
		166,387,889	229,181,677
Net current assets		176,336,599	562,886,833
Total assets less current liabilities		207,815,063	588,631,335

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	2019 HK\$	2018 HK\$
Non-current liabilities			
Borrowings	22	116,247,147	200,345,439
Lease liabilities	23	3,635,856	–
Deferred tax liabilities	24	–	19,464,832
		119,883,003	219,810,271
Net assets			
		87,932,060	368,821,064
Capital and reserve			
Share capital	25	61,836,100	61,836,100
Reserves		26,095,960	306,984,964
Total equity			
		87,932,060	368,821,064
Net asset value per share			
	13	0.07	0.30

The consolidated financial statements on pages 56 to 115 were approved and authorised for issue by the Board of Directors on 28 February 2020 and are signed on its behalf by:

Luk Hong Man, Hammond
Director

Zhang Xi
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Share capital HK\$	Share premium HK\$	Exchange reserve HK\$	Share option reserve HK\$	Capital reserve HK\$	FVTOCI/ investment revaluation reserve HK\$	Accumulated losses HK\$	Total HK\$
At 1 January 2018	60,886,100	382,251,415	15,644	9,725,554	65,157,684	(34,949,701)	(437,537,848)	45,548,848
Profit for the year	-	-	-	-	-	-	128,556,294	128,556,294
Other comprehensive income for the year:								
Exchange differences arising on translation of foreign operations	-	-	2,696	-	-	-	-	2,696
Fair value gain on equity instruments at fair value through other comprehensive income ("FVTOCI")	-	-	-	-	-	537,501	-	537,501
Total comprehensive income for the year	-	-	2,696	-	-	537,501	128,556,294	129,096,491
Issue of shares under placement of shares	950,000	199,025,000	-	-	-	-	-	199,975,000
Share issue expenses	-	(5,799,275)	-	-	-	-	-	(5,799,275)
Reclassification of FVTOCI reserve upon disposals of subsidiaries	-	-	-	-	-	34,949,701	(34,949,701)	-
Share options lapsed	-	-	-	(115,805)	-	-	115,805	-
At 31 December 2018 and 1 January 2019	61,836,100	575,477,140	18,340	9,609,749	65,157,684	537,501	(343,815,450)	368,821,064
Loss for the year	-	-	-	-	-	-	(250,770,742)	(250,770,742)
Other comprehensive expense for the year:								
Exchange differences arising on translation of foreign operations	-	-	(4,216,911)	-	-	-	-	(4,216,911)
Fair value loss on equity instruments at FVTOCI	-	-	-	-	-	(1,166,911)	-	(1,166,911)
Total comprehensive expense for the year	-	-	(4,216,911)	-	-	(1,166,911)	(250,770,742)	(256,154,564)
Transfer of investment revaluation reserve upon disposal of equity instruments at FVTOCI	-	-	-	-	-	(215,000)	215,000	-
Dividend paid (note 12)	-	-	-	-	-	-	(24,734,440)	(24,734,440)
At 31 December 2019	61,836,100	575,477,140	(4,198,571)	9,609,749	65,157,684	(844,410)	(619,105,632)	87,932,060

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	2019 HK\$	2018 HK\$
Operating activities			
(Loss) profit for the year		(250,770,742)	128,556,294
Adjustments for:			
Income tax (credit) expense	10	(22,702,710)	19,464,832
Depreciation of property, plant and equipment	14	6,307,817	5,555,415
Depreciation of right-of-use assets	16	588,680	–
Interest income	5	(630,047)	(283,466)
Dividend income	5	(687,373)	(36,328,872)
Interest expense	8	36,262,931	32,164,697
Net gain on disposal of subsidiaries	34	(5,543)	(67,214,139)
Loss on property, plant and equipment written off		84,444	–
Net realised gain on disposals of equity instruments at FVTOCI		–	(14,850,118)
Net realised gain on disposals of financial assets at fair value through profit or loss (“FVTPL”)		(3,543,114)	(23,660,364)
Net realised gain on financial derivative contracts		–	(2,029,668)
Net unrealised loss (gain) on financial assets at FVTPL		153,534,008	(128,200,059)
Operating cash flows before movements in working capital		(81,561,649)	(86,825,448)
Decrease (increase) in prepayments, deposits and other receivables		253,181,572	(230,265,073)
(Decrease) increase in accruals and other payables		(3,104,587)	16,071,044
Proceeds on disposals of financial assets at FVTPL		92,686,503	76,579,150
Proceeds on disposals of equity instruments at FVTOCI		1,415,000	15,000,000
Purchase of financial assets at FVTPL		(138,568,099)	(110,410,742)
Purchase of equity instruments at FVTOCI		(1,235,294)	(1,764,706)
Net cash inflow from settlement of financial derivative contracts		–	2,029,668
Placement of restricted bank deposits	20	(17,047,261)	–
Cash generated from (used in) operations		105,766,185	(319,586,107)
Interest paid		(9)	–
Dividend received		687,373	36,328,872
Interest received		630,047	283,466
Net cash from (used in) operating activities		107,083,596	(282,973,769)
Investing activities			
Purchase of property, plant and equipment	14	(5,093,400)	(144,540)
Purchase of intangible assets	15	(3,072,349)	–
Net cash inflow from disposal of subsidiaries	34	9,782	100,239,438
Net cash (used in) from investing activities		(8,155,967)	100,094,898

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	2019 HK\$	2018 HK\$
Financing activities			
Interest paid	33	(26,795,453)	(22,133,827)
Dividend paid	12	(24,734,440)	–
Repayment of lease liabilities	33	(655,867)	–
Proceeds from issue of shares		–	194,175,725
Proceeds from issue of borrowings	33	113,190,000	497,832,805
Repayment of borrowings	33	(269,534,000)	(321,228,000)
Net cash (used in) from financing activities		(208,529,760)	348,646,703
Net (decrease) increase in cash and cash equivalents		(109,602,131)	165,767,832
Effect of foreign exchange rate changes		(3,597,572)	2,753
Cash and cash equivalents at the beginning of year		304,217,191	138,446,606
Cash and cash equivalents at end of the year	20	191,017,488	304,217,191

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL INFORMATION

China Ding Yi Feng Holdings Limited (the “Company”) is a public limited company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited. The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information section to the annual report.

The principal activities of the Company and its subsidiaries (the “Group”) are investing in listed and unlisted securities. The principal activities of its subsidiaries are set out in note 36 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. 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 and an interpretation issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to 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 and an interpretation in the current year have had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 16 Leases

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

New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

2. 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) HKFRS 16 Leases (Continued)

Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment as disclosed as “right-of-use assets”.

At the date of transition to HKFRS 16, the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

On transition, the Group has not made any adjustments upon application of HKFRS 16 because the Group elected not to recognise right-of-use assets and liabilities for lease with lease as the outstanding term ends within 12 months of the date of initial application of HKFRS 16.

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.

The directors of the Company anticipate that the application of above new and amendments to HKFRSs will have no material impact on the Group’s consolidated financial statements in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. 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 The Stock Exchange of Hong Kong Limited (“Listing Rules”) and by the Hong Kong Companies Ordinance.

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

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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (Continued)

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 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.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (Continued)

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 the financial assets and financial liabilities at their 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.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss.

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.

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; and
- 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.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the rights to receive payments have been established.

Property, plant and equipment

Property, plant and equipment including leasehold improvements, office equipment and motor vehicles held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (Continued)

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 estimates accounted for on a prospective basis.

An item of property, 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 property, 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.

Intangible assets acquired separately

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

Impairment on property, plant and equipment, intangible assets and right-of-use assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, intangible assets and right-of-use 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 and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is any indication that they may be impaired.

The recoverable amount of property, plant and equipment, intangible assets and right-of-use 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. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 exchange prevailing at 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 on 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 purpose 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. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expense 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 prevailing at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

On the disposal of a foreign operation (i.e. 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.

Leases

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 2)

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 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.

The Group as lessee (upon application of HKFRS 16 in accordance with transitions in note 2)

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 stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The Group as lessee (upon application of HKFRS 16 in accordance with transitions in note 2) (Continued)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of office premise 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.

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.

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.

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;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The Group as lessee (upon application of HKFRS 16 in accordance with transitions in note 2) (Continued)

Lease liabilities (Continued)

- 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.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (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.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Borrowing costs

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

Retirement benefit costs

Payments to defined contribution retirement benefit plan are recognised as an expense when employees have rendered service entitling them to the contributions.

Share-based payment

Equity-settled share-based payment transactions

Share options granted to employees (including directors)

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

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from (loss) profit 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

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.

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.

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.

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 taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions (Continued)

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).

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. 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) 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 fair value through profit or loss are recognised immediately in profit or loss.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income 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 income and dividend income which are derived from the Group's ordinary course of business are presented as revenue.

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 FVTOCI:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

- 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 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.

(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 losses.

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 revenue line item in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. 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 revenue line item in profit or loss.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including financial assets included in prepayments, deposits and other receivables and cash and cash equivalents) which are subject to impairment under HKFRS 9. 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 is 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.

For all 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.

(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;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(i) Significant increase in credit risk (Continued)

- 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.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased 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.

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 the instrument 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.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default 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:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(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, for example, 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.

(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.

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.

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.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in OCI and accumulated in equity 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 upon application of HKFRS 9, 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.

Financial liabilities and equity instruments

Classification as debit 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial liabilities and equity instruments

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 Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities (including accruals and other payables, borrowings and lease liabilities) are subsequently measured at amortised cost using the effective interest method.

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 or loss.

Due from and due to brokers

Amounts due from and to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered at the end of the reporting period respectively.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash at banks and on hand, demand deposits with banks or other financial institutions and short-term, highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and having been within three months of maturing at acquisition.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash at banks and on hand, including fixed deposits, which are not restricted to use.

Related parties

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

- (a) A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties (Continued)

- (b) An entity is related to the Group if any of the following conditions applies: (Continued)
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) both entities are joint ventures of the same third party.
 - (iv) one entity is a joint venture of a third entity and other entity is an associate of the third entity.
 - (v) the entity is a post-employment benefit plan for the benefit of employees of the Group or an entity related to the Group.
 - (vi) the entity is controlled or jointly controlled by a person identified in (a).
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the Group (or of a parent of the Group).
 - (viii) the entity or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity including:

- (i) the person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3 to the consolidated financial statements, the directors of the Company 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 associated 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 on-going 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 following 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 effects on the amounts recognised in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

Critical judgements in applying accounting policies (Continued)

Useful lives of property, plant and equipment

The Group depreciates property, plant and equipment over their estimated useful life after taking into account their estimated residual values, using the straight-line method. The estimated useful life reflects the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual values reflect the amounts that the directors estimate that the Group would currently obtain from the disposal of the assets, after deducting the estimated costs of disposal, if the assets were already of the age and in the condition expected at the end of its useful life.

Key sources of estimation uncertainty

The following 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.

Fair value measurement of unlisted equity securities

The Group's unlisted equity instruments amounting to HK\$955,590 as at 31 December 2019 (2018: HK\$2,302,207) are measured at fair values 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 32(c) to the consolidated financial statements for further disclosures.

5. REVENUE

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

	2019 HK\$	2018 HK\$
Interest income from banks and financial institutions	630,047	283,466
Dividend income from:		
— Listed investments	687,373	—
— Unlisted investments	—	36,328,872
	1,317,420	36,612,338

6. OTHER INCOME

	2019 HK\$	2018 HK\$
Sundry income (note)	391,720	467,666

Note: The amount represents incentive received from brokers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

7. SEGMENT INFORMATION

For the years ended 31 December 2019 and 2018, the Group's revenue was mainly interest income from banks and financial institutions and dividend income. The directors of the Company consider that these activities constitute one business segment since these transactions are subject to common risks and returns. Given the nature of the Group's operation is investment holding, it is not considered meaningful to provide a business segment analysis of operating profits. The Group's segment revenue, assets and liabilities for the year, analysed by geographical markets, are as follows:

	Hong Kong		PRC and others jurisdictions		Consolidated	
	2019 HK\$	2018 HK\$	2019 HK\$	2018 HK\$	2019 HK\$	2018 HK\$
Segment revenue:						
Interest income from banks and financial institutions	594,142	265,282	35,905	18,184	630,047	283,466
Dividend income	687,373	–	–	36,328,872	687,373	36,328,872
	1,281,515	265,282	35,905	36,347,056	1,317,420	36,612,338
Non-current assets*	25,348,271	17,667,249	933,242	48,695	26,281,513	17,715,944
Total assets	291,151,609	800,917,374	83,051,343	16,895,638	374,202,952	817,813,012
Total liabilities	285,248,716	448,990,608	1,022,176	1,340	286,270,892	448,991,948
Other segment information:						
Additions to property, plant and equipment	5,093,400	95,000	–	49,540	5,093,400	144,540
Additions to right-of-use assets	6,430,952	–	949,809	–	7,380,761	–
Additions to intangible assets	3,072,349	–	–	–	3,072,349	–

* The non-current assets information above is based on the locations of the assets and excluded equity instruments at FVTOCI, deferred tax assets and rental deposits.

Given that the nature of the Group's operation is investment holding, there was no information regarding major customers as determined by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

8. FINANCE COSTS

	2019 HK\$	2018 HK\$
Interest expenses on:		
Interest-bearing loan notes (note 22(a))	2,170,704	2,168,419
Interest-bearing bonds (note 22(b))	32,192,334	27,631,346
Interest-bearing loans	1,383,230	2,364,932
Lease liabilities	516,654	–
Others	9	–
	36,262,931	32,164,697

9. (LOSS) PROFIT BEFORE TAX

	2019 HK\$	2018 HK\$
The Group's (loss) profit before tax has been arrived at after charging the following items:		
Directors' emoluments (note 11(a)):		
Fees	4,380,000	4,380,000
Other emoluments	3,351,838	2,936,696
Discretionary bonuses	441,000	420,000
Retirement benefits scheme contributions	63,794	64,427
Staff costs:		
Basic salaries and allowances	9,382,153	8,967,741
Retirement benefits scheme contributions	316,400	291,576
Total staff costs (including directors' emoluments)	17,935,185	17,060,440
Auditor's remuneration	750,000	765,000
Depreciation on property, plant and equipment	6,307,817	5,555,415
Depreciation on right-of-use assets	588,680	–
Loss on property, plant and equipment written off	84,444	–
Net foreign exchange losses	662,638	666,004

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

10. INCOME TAX (CREDIT) EXPENSE

	2019 HK\$	2018 HK\$
Deferred taxation		
(Credit) charge for the year (note 24)	(22,702,710)	19,464,832

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%.

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

No Hong Kong profits tax has been provided as the Group had no assessable profits in Hong Kong for the year (2018: Nil).

Under the law of the PRC on Enterprises Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the applicable PRC EIT rate of the Group's PRC subsidiaries is 25% for both years.

The tax (credit) charge for the year can be reconciled to the (loss) profit before tax in the consolidated statement of profit or loss as follows:

	2019 HK\$	2018 HK\$
(Loss) profit before tax	(273,473,452)	148,021,126
Tax at the applicable income tax rates	(46,065,112)	22,663,090
Tax effect of income not taxable for tax purpose	(274,761)	(17,651,624)
Tax effect of expenses not deductible for tax purpose	36,873,332	10,841,988
Tax effect of temporary differences not recognised	858,371	782,768
Tax effect of tax losses not recognised	8,608,170	2,828,610
Tax effect of temporary difference recognised	(22,702,710)	-
Tax (credit) charge for the year	(22,702,710)	19,464,832

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

11. DIRECTORS' AND EMPLOYEES' REMUNERATION

(a) Directors' emoluments

Directors' remuneration for the year, disclosed pursuant to applicable Listing Rules and the Hong Kong Companies Ordinance, are as follows:

	Directors' fees HK\$	Salaries and allowances HK\$	Discretionary bonuses HK\$	Retirement benefits scheme contributions HK\$	Total HK\$
Year ended 31 December 2019					
<i>Executive Directors</i>					
Luk Hong Man, Hammond	-	1,675,919	220,500	31,615	1,928,034
Zhang Xi	-	1,675,919	220,500	32,179	1,928,598
<i>Non-Executive Directors</i>					
Sui Guangyi (Chairman) (note (i))	960,000	-	-	-	960,000
Wang Mengtao	960,000	-	-	-	960,000
Leung Ka Fai	960,000	-	-	-	960,000
Ma Xiaoqiu (Chairman) (note (ii))	960,000	-	-	-	960,000
<i>Independent non-executive Directors</i>					
Jing Siyuan	180,000	-	-	-	180,000
Zhang Aimin	180,000	-	-	-	180,000
Zhang Qiang	180,000	-	-	-	180,000
	4,380,000	3,351,838	441,000	63,794	8,236,632

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

11. DIRECTORS' AND EMPLOYEES' REMUNERATION (CONTINUED)

(a) Directors' emoluments (Continued)

	Directors' fees HK\$	Salaries and allowances HK\$	Discretionary bonuses HK\$	Retirement benefits scheme contributions HK\$	Total HK\$
Year ended 31 December 2018					
<i>Executive Directors</i>					
Luk Hong Man, Hammond	–	1,468,348	210,000	32,249	1,710,597
Zhang Xi	–	1,468,348	210,000	32,178	1,710,526
<i>Non-Executive Directors</i>					
Sui Guangyi (Chairman)	960,000	–	–	–	960,000
Wang Mengtao	960,000	–	–	–	960,000
Leung Ka Fai	960,000	–	–	–	960,000
Ma Xiaoqiu	960,000	–	–	–	960,000
<i>Independent non-executive Directors</i>					
Jing Siyuan	180,000	–	–	–	180,000
Zhang Aimin	180,000	–	–	–	180,000
Zhang Qiang	180,000	–	–	–	180,000
	4,380,000	2,936,696	420,000	64,427	7,801,123

Notes:

- (i) Resigned on 22 January 2020
- (ii) Appointed as Chairman of the Board on 24 January 2020

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

11. DIRECTORS' AND EMPLOYEES' REMUNERATION (CONTINUED)

(a) Directors' emoluments (Continued)

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

The fees paid to non-executive and independent non-executive directors shown above were mainly for their services as directors of the Company.

Mr. Luk Hong Man, Hammond is also chief executive officer and Mr. Zhang Xi is also chief investment officer of the Company and their emoluments disclosed above include those services rendered by them.

There was no arrangement under which a director or a chief executive waived or agreed to waive any remuneration during the years.

During the year, no retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors, nor any are payable (2018: Nil). No consideration was provided to or receivable by third parties for making available directors' services (2018: Nil). There are no loans, quasi-loans and other dealing arrangements in favour of the directors, their controlled body corporates and connected entities (2018: Nil).

(b) Five highest paid individuals

The five highest paid employees of the Group during the year included four (2018: four) directors, details of whose remuneration are set out in note 11(a) above. The emoluments of the remaining one (2018: one) employee were as follows:

	2019 HK\$	2018 HK\$
Salaries, allowances and other benefits	1,006,950	963,237
Discretionary bonuses	154,350	147,000
Retirement benefits scheme contributions	18,000	18,000
	1,179,300	1,128,237

The emoluments of the five individuals with the highest emoluments were within the following bands:

	Number of individuals	
	2019	2018
HK\$Nil – HK\$1,000,000	2	2
HK\$1,000,001 – HK\$3,000,000	3	3

During the years ended 31 December 2019 and 2018, no remuneration was paid by the Group to any of the directors of the Company or the one (2018: one) highest paid employee of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

12. DIVIDEND

During the year 2019, a final dividend for the year ended 31 December 2018 of HK\$0.02 per share amounting to HK\$24,734,440 in total has been paid. No dividend was proposed during the year, nor has any dividend been proposed since the end of the reporting period.

13. NET ASSET VALUE PER SHARE AND (LOSS) EARNINGS PER SHARE

Net asset value per share

The net asset value per share is calculated by dividing the net assets included in the consolidated statement of financial position of HK\$87,932,060 (2018: HK\$368,821,064) by the number of shares in issue as at 31 December 2019, being 1,236,722,000 (2018: 1,236,722,000).

(Loss) earnings per share

The calculations of basic and diluted (loss) earnings per share are based on the following data:

	2019 HK\$	2018 HK\$
(Loss) earnings		
(Loss) profit attributable to owners of the Company	(250,770,742)	128,556,294
Shares		
Weighted average number of ordinary shares in issue during the year used in basis earnings per share calculation	1,236,722,000	1,222,667,205
Effect of dilutive potential ordinary shares – share options	32,479,790	32,479,790
	1,269,201,790*	1,255,146,995

* No adjustment has been made to the basic loss per share amount for the year ended 31 December 2019 because the diluted loss per share amount is decreased when taking outstanding share options into account, so the outstanding share options had an anti-dilutive effect on the basic loss per share amount. Accordingly, the diluted loss per share is same as the basic loss per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$	Office equipment HK\$	Motor vehicles HK\$	Total HK\$
COST				
At 1 January 2018	8,084,784	7,840,513	1,556,641	17,481,938
Additions	95,000	49,540	–	144,540
At 31 December 2018 and at 1 January 2019	8,179,784	7,890,053	1,556,641	17,626,478
Additions	5,067,300	8,100	18,000	5,093,400
Written off	(95,000)	–	–	(95,000)
At 31 December 2019	13,152,084	7,898,153	1,574,641	22,624,878
DEPRECIATION AND IMPAIRMENT				
At 1 January 2018	1,981,720	2,005,066	596,736	4,583,522
Charge for the year	2,699,950	2,544,125	311,340	5,555,415
At 31 December 2018 and at 1 January 2019	4,681,670	4,549,191	908,076	10,138,937
Charge for the year	3,845,714	2,147,463	314,640	6,307,817
Eliminated on written off	(10,556)	–	–	(10,556)
At 31 December 2019	8,516,828	6,696,654	1,222,716	16,436,198
CARRYING AMOUNTS				
At 31 December 2019	4,635,256	1,201,499	351,925	6,188,680
At 31 December 2018	3,498,114	3,340,862	648,565	7,487,541

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

Leasehold improvements	33% or over the lease term
Office equipment	20%–33%
Motor vehicles	20%

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15. INTANGIBLE ASSETS

	Cross-boundary vehicle licenses HK\$	Type 9 regulated activity license HK\$	Total HK\$
COST			
At 1 January 2018, 31 December 2018 and 1 January 2019	3,612,279	6,616,124	10,228,403
Additions	3,072,349	–	3,072,349
At 31 December 2019	6,684,628	6,616,124	13,300,752
AMORTISATION AND IMPAIRMENT			
At 1 January 2018, 31 December 2018 and 1 January 2019	–	–	–
Amortisation	–	–	–
At 31 December 2019	–	–	–
CARRYING AMOUNTS			
At 31 December 2019	6,684,628	6,616,124	13,300,752
At 31 December 2018	3,612,279	6,616,124	10,228,403

The cross-boundary vehicle licences have a legal life of one year but are renewable every year at minimal costs. The directors considered the Group would renew the cross-boundary vehicle licences continuously and has the ability to do so. As a result, the cross-boundary vehicle licences are considered by the directors of the Company as having an indefinite useful life and will not be amortised.

Type 9 regulated activity licence is regarded as having indefinite useful lives and there is no foreseeable limit to the period over which they are expected to generate cash flows for the Group as it is expected that their values will not be reduced through the usage and there are no legal or similar limits on the period for their use.

16. RIGHT-OF-USE ASSETS

	Leased properties HK\$
At 1 January 2019	–
Additions	7,380,761
Depreciation charge	(588,680)
At 31 December 2019	6,792,081
Expense relating to short-term leases with lease terms end Within 12 months of the date of initial application of HKFRS 16	9,108,600
Total cash outflow for lease	9,764,467

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

16. RIGHT-OF-USE ASSETS (CONTINUED)

For both years, the Group leases offices for its operations. Lease contracts are entered into for fixed term of 6 months to 3 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.

17. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019 HK\$	2018 HK\$
Unlisted investments		
– Equity securities in Hong Kong (note 1)	955,590	2,302,207

Particulars of investments in unlisted equity securities held by the Group as at 31 December 2019 and 2018 disclosed pursuant to Chapter 21 of Listing Rules are as follows:

Note 1: Unlisted equity securities, at fair value

Name of investee company	Place of incorporation	Proportion of investee's capital owned	Cost HK\$	Fair value HK\$	Accumulated fair value adjustment HK\$	Net assets attributable to the Group HK\$'000	Dividend received/receivable during the year HK\$	% of gross assets of the Group
At 31 December 2019								
China Investment Fund International Securities Limited	Hong Kong	9%	1,800,000	955,590	(844,410)	571	–	0.26%
At 31 December 2018								
China Investment Fund International Securities Limited	Hong Kong	15%	1,764,706	2,302,207	537,501	1,271	–	0.28%

Note: China Investment Fund International Securities Limited ("CIFIS") is principally engaged in securities business in Hong Kong.

The above unlisted equity investments represent the Group's equity interest in a private entity established in Hong Kong. The directors of the Company have elected to designate these investments in equity instruments at FVTOCI as they believe 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019	2018
	HK\$	HK\$
Rental deposits and prepayments	6,631,625	5,726,351
Due from brokers (note)	3,889,966	257,179,136
Other prepayments	307,872	87,367
Other deposits and receivables	3,435,497	4,457,917
	14,264,960	267,450,771
Portion classified as non-current assets	(1,003,483)	(5,726,351)
	13,261,477	261,724,420

Note: The balances represent the cash account balances in the brokers that are used for trading of securities. The management of the Company monitors the credit risk on these brokers on a regular basis.

None of the above assets is either past due nor impaired. The financial assets included in the above balances relate to receivable for which there was no recent history of default.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019	2018
	HK\$	HK\$
Listed equity securities in Hong Kong (note)	59,138,600	216,704,800
Listed equity securities in the PRC (note)	62,259,662	9,422,099
	121,398,262	226,126,899

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Note: Particulars of investments of listed equity securities held by the Group as at 31 December 2019 and 2018 disclosed pursuant to Chapter 21 of Listing Rules are as follows:

Name of investee companies	Place of incorporation	Particulars of issued shares held	Proportion of investee's capital owned	Cost HK\$	Market value HK\$	Accumulated unrealised gain (loss) recognised HK\$	Dividend received/receivable during the year	% of gross assets of the Group
As at 31 December 2019								
Listed equity securities in Hong Kong								
Smartac Group China Holdings Limited (note a)	Cayman Islands	197,000,000	3.50%	40,310,886	29,550,000	(10,760,886)	-	7.90%
AAC Technologies Holdings Inc. (note b)	Cayman Islands	150,000	0.01%	9,936,000	10,200,000	264,000	-	2.73%
Sunny Optical Technology (Group) Company Limited (note c)	Cayman Islands	70,000	Less than 0.01%	9,966,420	9,443,000	(523,420)	-	2.52%
Alibaba Group Holding Limited (note d)	Cayman Islands	48,000	Less than 0.01%	9,981,600	9,945,600	(36,000)	-	2.66%
				70,194,906	59,138,600	(11,056,306)		
Listed equity securities in the PRC								
Irico Display Devices Co., Ltd. (note e)	PRC	2,880,032	0.08%	19,245,877	13,659,212	(5,586,665)	-	3.65%
Tianma Bearing Group Co., Ltd. (note f)	PRC	15,000,001	1.26%	40,979,445	33,221,479	(7,757,966)	-	8.88%
Hainan Dadonghai Tourism Centre (Holdings) Co., Ltd. (note g)	PRC	2,080,000	0.57%	11,264,140	15,378,971	4,114,831	-	4.11%
				71,489,462	62,259,662	(9,229,800)		
				141,684,368	121,398,262	(20,286,106)		
As at 31 December 2018								
Listed equity securities in Hong Kong								
Smartac Group China Holdings Limited	Cayman Islands	197,000,000	3.50%	40,310,886	177,300,000	136,989,114	-	21.68%
The Hong Kong and China Gas Company Limited	Hong Kong	620,000	Less than 0.01%	9,958,940	10,044,000	85,060	-	1.23%
Hong Kong Exchange and Clearing Limited	Hong Kong	88,000	Less than 0.01%	19,874,840	19,940,800	65,960	-	2.44%
Tencent Holdings Limited	Cayman Islands	30,000	Less than 0.01%	8,967,960	9,420,000	452,040	-	1.15%
				79,112,626	216,704,800	137,592,174		
Listed equity securities in the PRC								
Irico Display Devices Co., Ltd.	PRC	1,880,000	0.05%	18,797,786	9,422,099	(9,375,687)	-	1.15%
				97,910,412	226,126,899	128,216,487		

A brief description of the business and financial information of the listed investee companies extracted from their latest published annual reports and interim reports is as follows:

- (a) Smartac Group China Holdings Limited ("Smartac") was incorporated in the Cayman Island and its shares are listed on the Main Board of Hong Kong Stock Exchange (Stock code: 395). Smartac was principally engaged in providing (i) software sales and O2O consultation services; (ii) digital advertising platform and related solutions services and (iii) marketing strategy and management services in the operation of online shops on e-commerce platform.

For the year ended 31 December 2018, the audited consolidated loss attributable to owners of Smartac was approximately RMB56,688,000 and the basic loss per share was RMB1.17 cents. As at 31 December 2018, its audited consolidated net assets value attributable to owners of Smartac was approximately RMB275,718,000. The unaudited consolidated loss attributable to the owner of Smartac for the six months ended on 30 June 2019 was approximately RMB6,106,000 and the basic loss per share was RMB0.11 cents. At 30 June 2019, the unaudited consolidated net assets value attributable to the owners of Smartac was approximately RMB269,784,000. No dividend was received during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Notes: (continued)

- (b) AAC Technologies Holdings Inc. ("AAC Tech") was incorporated in the Cayman Island and its shares are listed on Main Board of Hong Kong Stock Exchange (stock code: 2018). AAC Tech is principally engaged in (i) manufacture and sales of acoustic related products; (ii) manufacture and sales of electronic components; (iii) manufacture and sales of tooling and precision components; and (iv) provision of electroplating service.

For the year ended 31 December 2018, the audited consolidated profit attributable to owners of AAC Tech was approximately RMB3,795,885,000 and the basic earnings per share was RMB3.11. As at 31 December 2018, its audited consolidated net assets value attributable to owners of AAC Tech was approximately RMB18,934,098,000. The unaudited consolidated profit attributable to the owners of AAC Tech for the six months ended 30 June 2019 was approximately RMB769,809,000 and the basic earnings per share was RMB0.64. At 30 June 2019, the unaudited consolidated net assets value attributable to the owners of AAC Tech was approximately RMB18,285,221,000. No dividend was received during the year.

- (c) Sunny Optical Technology (Group) Company Limited ("Sunny Optical") was incorporated in the Cayman Islands and its share are listed on the Main Board of Hong Kong Stock Exchange (Stock code: 2382). Sunny Optical is principally engaged in the business of designing, researching and developing, manufacturing and selling of optical and optical related products and scientific instruments.

For the year ended 31 December 2018, the audited consolidated profit attributable to owners of Sunny Optical was approximately RMB2,490,872,000 and the basic earnings per share was RMB227.92 cents. As at 31 December 2018, its audited consolidated net assets value attributable to owners of Sunny Optical was approximately RMB9,234,097,000. The unaudited consolidated profit attributable to the owners of Sunny Optical for the six months ended 30 June 2019 was approximately RMB1,431,175,000 and basic earnings per share was RMB130.79 cents. At 30 June 2019, the unaudited consolidated net assets value attributable to the owners of Sunny Optical was approximately RMB9,991,908,000. No dividend was received during the year.

- (d) Alibaba Group Holding Limited ("Alibaba") was incorporated in the Cayman Islands and its shares are listed on the Main Board of Hong Kong Stock Exchange (Stock code: 9988). Alibaba is principally engaged in core commerce, cloud computing, digital media and entertainment, and Innovation initiatives and others.

According to the prospectus, for the year ended 31 March 2019, net income attributable to the ordinary shareholders of Alibaba was approximately RMB87,600,000,000 and earnings per share was RMB4.24. As at 31 March 2019, the consolidated net assets value attributable to the shareholders of Alibaba was approximately RMB492,257,000,000. No dividend was received during the year.

- (e) Irico Display Devices Co., Ltd. ("Irico Display") was incorporated in the PRC and its shares are listed on Shanghai Stock Exchange (stock code: 600707). Irico Display was principally engaged in development, production and sale of electronic information display devices in China and Internationally.

For the year ended 31 December 2018, the audited consolidated profit attributable to owners of Irico Display was approximately RMB61,022,000 and the basic earnings per share was RMB0.02. As at 31 December 2018, its audited consolidated net assets value attributable to owners of Irico Display was approximately RMB20,420,184,000. The unaudited consolidated loss attributable to the owners of Irico Display for the six months ended 30 June 2019 was approximately RMB241,478,000 and loss per share was RMB0.067. At 30 June 2019, the unaudited consolidated net assets value attributable to the owners of Irico Display was approximately RMB20,178,706,000. No dividend was received during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Notes: (continued)

- (f) Tianma Bearing Group Co., Ltd. ("Tianma") was incorporated in the PRC and its shares are listed on Shenzhen Stock Exchange (stock code: 002122). Tianma was principally engaged in manufacture of bearing and machine tools.

For the year ended 31 December 2018, the audited consolidated loss attributable to owners of Tianma was approximately RMB634,975,000 and the basic loss per share was RMB0.53. As at 31 December 2018, its audited consolidated net assets value attributable to owners of Tianma was approximately RMB3,210,965,000. The unaudited consolidated loss attributable to the owners of Tianma for the six months ended 30 June 2019 was approximately RMB301,382,000 and loss per share was RMB0.25. At 30 June 2019, the unaudited consolidated net assets value attributable to the owners of Tianma was approximately RMB2,950,087,000. No dividend was received during the year.

- (g) Hainan Dadonghai Tourism Centre (Holdings) Co., Ltd. ("Hainan Dadonghai") was incorporated in the PRC and its shares are listed on Shenzhen Stock Exchange (stock code: 000613). Hainan Dadonghai was principally engaged in provision of tourism catering services.

For the year ended 31 December 2018, the audited consolidated profit attributable to owners of Hainan Dadonghai was approximately RMB654,000 and earnings per share was RMB0.0018. As at 31 December 2018, the audited consolidated net assets value attributable to the owners of Hainan Dadonghai was approximately RMB77,789,000. The unaudited consolidated profit attributable to the owners of Hainan Dadonghai for the six months ended 30 June 2019 was approximately RMB756,000 and earnings per share was RMB0.0021. At 30 June 2019, the unaudited consolidated net assets value attributable to the owners of Hainan Dadonghai was approximately RMB78,545,000. No dividend was received during the year.

The fair value of listed equity securities is based on their quoted closing prices in an active market.

Financial assets at FVTPL are denominated in the following currencies:

	2019 HK\$	2018 HK\$
HKD	59,138,600	216,704,800
RMB	62,259,662	9,422,099
	121,398,262	226,126,899

20. BANK BALANCES AND CASH/ CASH AND CASH EQUIVALENTS

	2019 HK\$	2018 HK\$
Cash at banks and in hand	208,064,749	304,217,191
Less: Restricted bank deposits	(17,047,261)	–
Cash and cash equivalents	191,017,488	304,217,191

As at 31 December 2019, the balances that were placed with banks in the PRC amounted to HK\$19,584,672. Remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government. As at 31 December 2019, bank deposits of RMB15,240,251 (equivalent to HK\$17,047,261) in the PRC bank were being frozen by the judicial order in the PRC up to 26 May 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

20. BANK BALANCES AND CASH/ CASH AND CASH EQUIVALENTS (CONTINUED)

At the end of the reporting period, cash and cash equivalents comprised mainly cash at banks and in hand. Bank balances carried interest at prevailing market rates ranging from 0.01% to 1.60% (2018: 0.01% to 2.50%) per annum.

Included in bank balances and cash in the consolidated statement of financial position are the following amounts denominated in currencies other than the functional currency of the group entities:

	2019	2018
USD	USD3,216,004	USD5,443,726
RMB	RMB17,521,026	RMB395,784

21. ACCRUALS AND OTHER PAYABLES

	2019 HK\$	2018 HK\$
Accruals	1,190,434	4,525,127
Interest payables	5,968,159	8,906,360
Other payables	1,017,005	4,805,394
Dividend payables	3,944,161	–
	12,119,759	18,236,881

22. BORROWINGS

	Notes	2019 HK\$	2018 HK\$
Interest-bearing loan notes, unsecured	(a)	42,323,525	42,277,817
Interest-bearing bonds, unsecured	(b)	217,586,060	346,312,418
Interest-bearing loans, unsecured	(c)	7,000,000	22,700,000
		266,909,585	411,290,235
Less: Amount classified as current liabilities		(150,662,438)	(210,944,796)
Amount classified as non-current liabilities		116,247,147	200,345,439

The carrying amounts of above borrowings are repayable:

Within one year	150,662,438	210,944,796
More than one year but not exceeding two years	25,908,970	101,075,546
More than two years but not exceeding five years	80,794,336	89,277,095
More than five years	9,543,841	9,992,798
	266,909,585	411,290,235

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

22. BORROWINGS (CONTINUED)

Notes:

(a) Interest-bearing loan notes

The Company issued unsecured interest-bearing loan notes (the "Notes") to independent private investors through a placing agent in an aggregate principal amount of HK\$30,000,000 with effective dates from 29 April 2015 and 30 April 2015 which are repayable on dates falling 8 years from the dates of issue of the Notes, which are 28 April 2023 and 29 April 2023 and a principal amount of HK\$12,500,000 with effective date from 9 September 2015 which is repayable on a date falling 8 years from the date of issue of the Notes (the "Maturity Date"). The Company has the right at any time after the second year of the issue date of the Notes to the Maturity Date to redeem the whole or part of the outstanding Notes at the redemption amount with not less than 15 business days written notice, specifying the amount to be redeemed and the date of such redemption (the "Redemption Right"). But the noteholders have no right to require the Company to redeem the Notes before the Maturity Date.

The Notes carry interest at the fixed rate of 5% per annum payable semi-annually in arrears on 31 March and 30 September in each year ("Interest Payment Date"), provided that the first Interest Payment Date shall fall on 31 March 2016 and the final repayment of the interest shall be on the Maturity Date.

The Redemption Right is regarded as embedded derivatives in the host contract. The Redemption Right is not recognised in the consolidated financial statements since the redemption is at the discretion of the Company and the Directors consider that the probability of exercise of the Redemption Right is remote. The Directors have assessed the fair values of the Redemption Right at initial recognition and at the end of the reporting period and consider that the fair values were insignificant. Accordingly, the fair values of the Redemption Right were not accounted for in the consolidated financial statements as at 31 December 2019 and 2018.

The Notes are measured at amortised cost, using the effective interest method. The effective interest rates of the Notes range from 5.08% p.a. to 5.15% p.a.

The Notes recognised in the consolidated statement of financial position of the Group are calculated as follows:

	HK\$
At 1 January 2018	42,234,394
Effective interest expenses (note 8)	2,168,419
Interest paid/payables	(2,124,996)
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At 31 December 2018 and 1 January 2019	42,277,817
Effective interest expenses (note 8)	2,170,704
Interest paid/payables	(2,124,996)
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At 31 December 2019	42,323,525

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

22. BORROWINGS (CONTINUED)

Notes: (continued)

(b) Interest-bearing bonds

During the year ended 31 December 2019, the Company has issued and repaid unsecured interest-bearing bonds with aggregate principal amounts of HK\$97,000,000 and HK\$234,334,000 (2018: HK\$469,824,284 and HK\$285,228,000) respectively, which bear interest ranging from 0.36% p.a. to 18% p.a. (2018: 0.36% p.a. to 18% p.a.) and with maturity dates from three months to eight years (2018: from three months to eight years).

The bonds recognised in the consolidated statement of financial position of the Group are calculated as follows:

	HK\$
At 1 January 2018	178,167,349
Issued during the year, at fair value	449,132,805
Repaid during the year	(285,228,000)
Effective interest expenses (note 8)	27,631,346
Interest paid/payables	(23,391,082)
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At 31 December 2018 and 1 January 2019	346,312,418
Issued during the year, at fair value	93,690,000
Repaid during the year	(234,334,000)
Effective interest expenses (note 8)	32,192,334
Interest paid/payables	(20,274,692)
<hr/>	
At 31 December 2019	217,586,060

(c) Interest-bearing loans

The Company had outstanding unsecured loans with principal amount in aggregate of HK\$7,000,000 (2018: HK\$22,700,000) from independent third parties, which bear interest at 1% per month and will mature within three months from the reporting date.

23. LEASE LIABILITIES

	2019 HK\$
Within one year	3,605,692
Within a period of more than one year but not more than two years	3,278,932
Within a period of more than two years but not more than five years	356,924
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	7,241,548
Less: Amount due for settlement within 12 months shown under current liabilities	(3,605,692)
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Amount due for settlement after 12 months shown under non-current liabilities	3,635,856

Included in lease obligations of HK\$987,429 are denominated in RMB.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

24. DEFERRED TAX ASSETS (LIABILITIES)

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2019 HK\$	2018 HK\$
Deferred tax assets	3,237,878	3,237,878
Deferred tax liabilities	–	(22,702,710)
	3,237,878	(19,464,832)

The following are the major deferred tax (liabilities) and assets recognised and movements thereon during the current and prior years.

	Unrealised gain on financial assets at FVTPL HK\$	Tax losses HK\$	Total HK\$
At 1 January 2018	–	–	–
(Charge) credit to profit or loss (note 10)	(22,702,710)	3,237,878	(19,464,832)
At 31 December 2018 and 1 January 2019	(22,702,710)	3,237,878	(19,464,832)
Credit to profit or loss (note 10)	22,702,710	–	22,702,710
At 31 December 2019	–	3,237,878	3,237,878

At the end of the reporting period, the Group has unused tax losses of approximately HK\$184,996,649 (2018: HK\$142,069,454) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$19,623,500 (2018: HK\$19,623,500) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$165,373,149 (2018: HK\$122,445,954) due to the unpredictability of future profit streams. All tax losses may be carried forward indefinitely.

25. SHARE CAPITAL

	Number of ordinary shares of HK\$0.05 each	Nominal value HK\$
Authorised:		
At 1 January 2018, 31 December 2018 and 31 December 2019	4,000,000,000	200,000,000
Issued and fully paid:		
At 1 January 2018	1,217,722,000	60,886,100
Issue of shares under the placement of shares (note)	19,000,000	950,000
At 31 December 2018, 1 January 2019 and 31 December 2019	1,236,722,000	61,836,100

Note: On 27 September 2018, the Company issued 19,000,000 new ordinary shares at a subscription price of HK\$10.525 per subscription share for a total cash consideration of HK\$199,975,000. The premium on the issue of shares amounted to approximately HK\$193,226,000, net of share issue expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

26. RESERVES OF THE COMPANY

The Company

	Share premium HK\$	Share option reserve HK\$	Capital reserve HK\$	Accumulated losses HK\$	Total HK\$
At 1 January 2018	382,251,415	9,725,554	26,318,619	(434,021,713)	(15,726,125)
Profit and total comprehensive income for the year	–	–	–	100,811,873	100,811,873
Issue of shares under placement of shares	199,025,000	–	–	–	199,025,000
Share issue expenses	(5,799,275)	–	–	–	(5,799,275)
Share options lapsed	–	(115,805)	–	115,805	–
At 31 December 2018 and at 1 January 2019	575,477,140	9,609,749	26,318,619	(333,094,035)	278,311,473
Loss and total comprehensive expenses for the year	–	–	–	(239,345,398)	(239,345,398)
Dividend paid	–	–	–	(24,734,440)	(24,734,440)
At 31 December 2019	575,477,140	9,609,749	26,318,619	(597,173,873)	14,231,635

27. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 27 June 2011. The purpose of the Scheme is to enable the Company to grant options to selected participants as incentives and/or rewards for their contribution and support to the Company. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees and executives, including all the Directors of the Company and any substantial shareholders as defined in the Listing Rules to subscribe shares in the Company.

The maximum number of shares in respect of which options may be granted under the Scheme must not in aggregate exceed 30% of the shares of the Company in issue from time to time. The number of shares in respect of which options may be granted to any individual is not permitted to exceed 1% of the shares of the Company in issue during the twelve-month period before the date of grant without prior approval from the Company's shareholders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

27. SHARE OPTION SCHEME (CONTINUED)

Share options granted must be taken up within 21 days of the date of grant, upon payment of HK\$1 on the acceptance. Options may be exercised in accordance with the terms of the Scheme at any time during a period to be notified by the Board of Directors to each grantee but must not be exercised after the expiry of ten years from the date of grant of the option. There is no minimum period for which an option must be held or a performance target that must be achieved before an option can be exercised specified in the terms of the Scheme. However, the Board of Directors may provide restrictions on the exercise of an option during the period an option may be exercised including, if appropriate, a minimum period for which an option must be held or a performance target which must be achieved before an option can be exercised.

The exercise price is determined by the Board of Directors, and should not be less than the higher of (i) the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of offer of the option which must be a business day, (ii) the average of the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of offer of the option, and (iii) the nominal value of the Share on the date of offer of the option.

The Scheme will remain in force for a period of 10 years commencing on 27 June 2011.

The following table disclosed details of the Company's options under the Scheme held by the directors, employees and other participants and the movements during the year ended 31 December 2019.

Grantee	Date of grant	Exercise price HK\$	Exercisable period up to	At 1 January 2019	Granted during the year	Exercised during the year	Expired during the year	Lapsed during the year	Outstanding at 31 December 2019
<i>Executive Directors</i>									
Luk Hong Man, Hammond	17/6/2015	0.729	16/6/2025	776,597	-	-	-	-	776,597
	15/11/2016	0.808	15/11/2026	5,300,000	-	-	-	-	5,300,000
Zhang Xi	17/6/2015	0.729	16/6/2025	776,597	-	-	-	-	776,597
	15/11/2016	0.808	15/11/2026	5,300,000	-	-	-	-	5,300,000
<i>Non-executive Directors</i>									
Leung Ka Fai	15/11/2016	0.808	15/11/2026	3,000,000	-	-	-	-	3,000,000
Wang Mengtao	15/11/2016	0.808	15/11/2026	3,000,000	-	-	-	-	3,000,000
Ma Xiaoqiu	29/8/2017	2.250	29/8/2027	1,200,000	-	-	-	-	1,200,000
<i>Independent non-executive Directors</i>									
Jing Siyuan	15/11/2016	0.808	15/11/2026	800,000	-	-	-	-	800,000
Zhang Aimin	15/11/2016	0.808	15/11/2026	800,000	-	-	-	-	800,000
Zhang Qiang	15/11/2016	0.808	15/11/2026	800,000	-	-	-	-	800,000
Subtotal				21,753,194	-	-	-	-	21,753,194
Employees and other participants	17/6/2015	0.728	16/6/2025	776,596	-	-	-	-	776,596
	15/11/2016	0.808	15/11/2026	9,950,000	-	-	-	-	9,950,000
Total				32,479,790	-	-	-	-	32,479,790

For the year ended 31 December 2019, no share options were granted, lapsed, exercised or expired under the Scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

27. SHARE OPTION SCHEME (CONTINUED)

The following table disclosed details of the Company's options under the Scheme held by the directors, employees and other participants and the movements during the year ended 31 December 2018.

Grantee	Date of grant	Exercise price HK\$	Exercisable period up to	At 1 January 2018	Granted during the year	Exercised during the year	Expired during the year	Lapsed during the year	Outstanding at 31 December 2018
<i>Executive Directors</i>									
Luk Hong Man, Hammond	17/6/2015	0.729	16/6/2025	776,597	-	-	-	-	776,597
	15/11/2016	0.808	15/11/2026	5,300,000	-	-	-	-	5,300,000
Zhang Xi	17/6/2015	0.729	16/6/2025	776,597	-	-	-	-	776,597
	15/11/2016	0.808	15/11/2026	5,300,000	-	-	-	-	5,300,000
<i>Non-executive Directors</i>									
Leung Ka Fai	15/11/2016	0.808	15/11/2026	3,000,000	-	-	-	-	3,000,000
Wang Mengtao	15/11/2016	0.808	15/11/2026	3,000,000	-	-	-	-	3,000,000
Ma Xiaoqiu	29/8/2017	2.250	29/8/2027	1,200,000	-	-	-	-	1,200,000
<i>Independent non-executive Directors</i>									
Jing Siyuan	15/11/2016	0.808	15/11/2026	800,000	-	-	-	-	800,000
Zhang Aimin	15/11/2016	0.808	15/11/2026	800,000	-	-	-	-	800,000
Zhang Qiang	15/11/2016	0.808	15/11/2026	800,000	-	-	-	-	800,000
Subtotal				21,753,194	-	-	-	-	21,753,194
Employees and other participants	17/6/2015	0.728	16/6/2025	776,596	-	-	-	-	776,596
	15/11/2016	0.808	15/11/2026	10,450,000	-	-	-	(500,000)	9,950,000
Total				32,979,790	-	-	-	(500,000)	32,479,790

For the year ended 31 December 2018, 500,000 share options lapsed, no share options were granted, exercised or expired under the Scheme.

28. RETIREMENT BENEFITS SCHEME

The Group has arranged its Hong Kong employees to join the Mandatory Provident Fund Scheme ("MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the Group (the employer) and its employees makes monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund Legislation. The contributions from each of the employer and employee are subject to a maximum contribution of HK\$1,500 per month with effect from 1 June 2014.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

29. RELATED PARTY AND CONNECTED TRANSACTIONS

(a) Compensation of key management personnel

The remuneration of key personnel during the year was as follows:

	2019 HK\$	2018 HK\$
Directors' fee	4,380,000	4,380,000
Salaries, allowances and other benefits	3,351,838	2,936,696
Discretionary bonuses	441,000	420,000
Retirement benefits scheme contributions	63,794	64,427
	8,236,632	7,801,123

The remuneration of Directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

(b) Investment management fee

On 4 July 2019, the Company and Tianhe Quant Asset Management Limited ("Tianhe"), a wholly-owned subsidiary of the Company, entered into an investment management agreement pursuant to which Tianhe shall act as the investment manager of the Company for the period up to 4 July 2021. Under the investment management agreement, the investment management fee payable to the investment manager was HK\$220,000 per month together with expenses reimbursement up to a maximum amount of HK\$1,390,000, HK\$2,840,000 and HK\$1,450,000 respectively for each of the years ending 31 December 2019, 2020 and 2021. The investment manager is defined as a connected person of the Company pursuant to the Rule 21.13 of the Listing Rules. As Tianhe (the investment manager) is a wholly-owned subsidiary of the Company, the transaction with Tianhe is eliminated on consolidation and will not be considered a connected transaction under the Listing Rules.

30. OPERATING LEASES COMMITMENTS

The Group as lessee

As at 31 December 2018, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of office premises as follows:

	2018 HK\$
Within one year	6,438,632

Operating lease payments represent rental payables by the Group for its office premises. Leases are negotiated and fixed respectively for an average term of one to three years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

31. 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 that of the previous year.

The capital structure of the Group consists of debt, which includes the borrowings, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The Directors of the Company review the capital structure on a regular basis. As part of this review, the Directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debts.

32. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The table below provided a reconciliation of the line items in the consolidated statement of financial position to the categories of financial instruments.

	2019 HK\$	2018 HK\$
Financial assets		
Financial assets at FVTPL	121,398,262	226,126,899
Financial assets at amortised cost	218,777,173	571,580,595
Equity instruments at FVTOCI	955,590	2,302,207
	341,131,025	800,009,701
Financial liabilities		
Financial liabilities at amortised cost	286,270,892	429,527,116

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

32. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies

(i) Equity price risk

The Group is exposed to equity price risk mainly through its investments in listed and unlisted equity securities and financial derivative contracts. The Group's strategy for the management of market risk is driven by the Group's investment objective. The Group's market risk is managed by the Board of Directors in accordance with policies and procedures in place. The Group's market positions are monitored on a monthly basis by the Board of Directors, and the investments in equity of other entities are Hong Kong listed financial assets. Decisions to buy or sell financial assets are based on daily monitoring of the performance of individual financial assets compared to that of the relevant stock market index and other industry indicators, as well as the Group's liquidity needs. To manage its price risk arising from the financial assets, the Group maintains a portfolio of diversified investments in terms of industry distribution such as e-commerce & internet services and financial industry. In addition, the Group's management monitors the price risk and will consider hedging the risk exposure if necessary.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to financial assets price risk at the reporting date. For sensitivity analysis purpose, the sensitivity rate remained at 15% in the current year.

If financial assets prices had been 15% higher/lower (2018: 15%), loss for the year ended 31 December 2019 would decrease/increase by HK\$18,209,739 (2018: loss for the year would decrease/increase by HK\$33,919,035) which is mainly due to the changes in fair value of financial assets designated as held for trading. Also, if the fair value of the equity instruments at FVTOCI had increased/decreased by 15% (2018: FVTOCI fair value of the equity instruments had increased/decreased by 15%) and all other variables were held constant, the FVTOCI/investment revaluation reserve would increase/decrease by HK\$143,339 (2018: HK\$345,331).

(ii) Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Group. Credit risk arises from contractual cash flows of financial assets at FVTPL, equity instrument at FVTOCI, financial assets at amortised cost and deposits with banks and financial institutions.

The Group limits its exposure to credit risk by transacting the majority of its securities and contractual commitment activities with broker-dealers, banks and regulated exchanges with high credit ratings and which the Group considers to be well established. All transactions in listed securities are settled/paid for upon delivery using approved and reputable brokers. The risk of default is considered minimal, as delivery of securities sold is only made when the broker has received payment. Payment is made on a purchase only when the securities have been received by broker. The Group reviews and monitors the credit concentration of investments on a regular basis.

The credit risk on liquid funds is limited because the counterparties are banks or financial institutions with high credit ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on liquid funds which are deposited with several banks and financial institutions with high credit ratings, the Group does not have any other significant concentration of credit risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

32. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

(iii) Liquidity risk

Liquidity risk is the risk that the Group may not be able to generate sufficient cash resources to settle its obligations in full as they fall due. Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Group's listed securities are considered readily realisable, as all such securities are listed on the Stock Exchange.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on contractual undiscounted payments, was as follows:

	On demand/ within 12 months HK\$	1-2 years HK\$	2-5 years HK\$	Over 5 years HK\$	Total undiscounted cash flow HK\$	Carrying amounts HK\$
2019						
Non-derivative financial liabilities						
Accruals and other payables	12,119,759	-	-	-	12,119,759	12,119,759
Borrowings	170,040,507	34,808,712	89,570,054	10,770,558	305,189,831	266,909,585
Lease liabilities	4,112,601	3,533,441	381,908	-	8,027,950	7,241,548
	186,272,867	38,342,153	89,951,962	10,770,558	325,337,540	286,270,892
2018						
Non-derivative financial liabilities						
Accruals and other payables	18,236,881	-	-	-	18,236,881	18,236,881
Borrowings	233,831,570	127,009,633	105,152,259	11,379,695	477,373,157	411,290,235
	252,068,451	127,009,633	105,152,259	11,379,695	495,610,038	429,527,116

(iv) Interest rate risk

The Group's income and operating cash flow are substantially independent of changes in market interest rates.

The Group's exposure to risk of changes in market interest rates primarily related to the Group's interest-bearing bank deposits with floating rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

32. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

(iv) Interest rate risk (continued)

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis points (2018: 100 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible changes in interest rates.

If interest rates had been 100 basis points (2018: 100 basis points) higher/lower and all other variables were held constant, the Group's loss for the year ended 31 December 2019 would decrease/increase by HK\$2,080,647 (2018: profit for the year would increase/decrease by HK\$3,042,172). This is mainly attributable to the Group's exposure to interest rates on its interest-bearing bank deposits.

(v) Foreign currency risk

The functional currency of the Group is HK\$ in which most of the transactions are denominated. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to RMB. Foreign currency risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group currently does not have any foreign currency hedging policy. However, the management will closely monitor foreign exchange exposure and will consider hedging its foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets at the reporting date are as follows:

	ASSETS	
	2019 HK\$	2018 HK\$
Renminbi ("RMB")	81,871,080	16,892,246
United States dollars ("USD")	25,084,806	42,894,414

Sensitivity analysis

The following table shows the sensitivity analysis of a 5% increase/decrease in RMB against HK\$ and USD against HK\$, the effects in (loss) profit for the year are as follows:

	Impact of USD		Impact of RMB	
	2019 HK\$	2018 HK\$	2019 HK\$	2018 HK\$
Increase/decrease in profit/loss for the year (2018: Decrease/increase in profit/loss for the year)	1,254,240	2,144,721	4,093,554	844,612

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

32. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value measurement of financial instruments

Some of the Group's financial assets and liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined, as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Level 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

Fair value hierarchy

	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
At 31 December 2019				
Financial assets at FVTPL (note a)				
– Listed equity securities	121,398,262	–	–	121,398,262
Equity instruments at FVTOCI (note b)	–	–	955,590	955,590
	121,398,262	–	955,590	122,353,852
	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
At 31 December 2018				
Financial assets at FVTPL (note a)				
– Listed equity securities	226,126,899	–	–	226,126,899
Equity instruments at FVTOCI (note b)	–	–	2,302,207	2,302,207
	226,126,899	–	2,302,207	228,429,106

Notes:

- (a) The fair value of listed equity securities classified as Level 1 is determined by the closing price quoted in an active market.
- (b) The fair value of unlisted equity securities classified as Level 3 is determined by management's valuation assessment with reference to the valuation report provided by the independent valuer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

32. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value measurements of financial instruments (continued)

Fair value hierarchy (continued)

The following table summarises the quantitative information about the significant unobservable input used in Level 3 fair value measurement and the valuation techniques adopted.

	2019 HK\$	2018 HK\$	Fair value hierarchy	Valuation technique(s)	Significant unobservable inputs	Range	Relationship of unobservable inputs to fair value
Equity instrument at FVTOCI							
Unlisted equity instrument	955,590	2,302,207	Level 3	Market approach	Discount for lack of marketability	52% (2018: 52%)	The higher the discount for lack of marketability, the lower the fair value

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

31 December 2019

	Equity instruments at FVTOCI	
	2019 HK\$	2018 HK\$
Opening balance	2,302,207	–
Adjustments for HKFRS 9	–	43,175,238
Purchases	1,235,294	1,764,706
Disposal	(1,415,000)	(43,175,238)
Changes in fair value	(1,166,911)	537,501
Closing balance	955,590	2,302,207

Included in other comprehensive income is an amount of HK\$1,166,911 loss (2018: HK\$537,501 gain) relating to unlisted equity securities classified as equity instruments at FVTOCI held at the end of the current reporting period and is reported as changes of 'FVTOCI reserve'.

During the years ended 31 December 2019 and 2018, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

33. 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 flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Interest payable from financing activities	Borrowings	Lease liabilities	Total
	HK\$	HK\$	HK\$	HK\$
At 1 January 2018	3,159,177	230,401,743	–	233,560,920
Changes from financing cash flows:				
Raised	–	497,832,805	–	497,832,805
Repayment	–	(321,228,000)	–	(321,228,000)
Other changes:				
Interest expenses	27,881,010	4,283,687	–	32,164,697
Interest paid	(22,133,827)	–	–	(22,133,827)
At 31 December 2018 and 1 January 2019	8,906,360	411,290,235	–	420,196,595
Changes from financing cash flows:				
Raised	–	113,190,000	7,380,761	120,570,761
Repayment	–	(269,534,000)	(655,867)	(270,189,867)
Other changes:				
Interest expenses	23,782,918	11,963,350	516,654	36,262,922
Interest paid	(26,795,453)	–	–	(26,795,453)
At 31 December 2019	5,893,825	266,909,585	7,241,548	280,044,958

34. NET GAIN ON DISPOSALS OF SUBSIDIARIES

During the year ended 31 December 2019, the Group disposed of its entire equity interest in Fill Smart Inc Limited and First Peak Investment Limited to an independent third party for an aggregate consideration of HK\$160,000, resulting in a gain on disposal of HK\$5,543.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

34. NET GAIN ON DISPOSALS OF SUBSIDIARIES (CONTINUED)

The aggregate net assets of the subsidiaries at the date of disposal were as follows:

	HK\$
Other receivables	4,239
Bank balances and cash	150,218
<hr/>	
Net assets disposal of	154,457
Total consideration	(160,000)
<hr/>	
Net gain on disposal	5,543

An analysis of net inflows of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	HK\$
Net cash inflow arising on disposal:	
Cash consideration received	160,000
Cash and cash equivalents disposed of	(150,218)
<hr/>	
	9,782

During the year ended 31 December 2018, the Group disposed of its entire equity interest in Grand Dragon Investment Development Limited together with its subsidiaries, Radiant Top Limited and China Investment Fund International Securities Limited, More Best Inc Limited, China Investment Fund International Currency Exchange Limited and China Investment Fund Financial Advisory Limited to independent third parties for an aggregate consideration of HK\$110,355,200, resulting in a gain on disposal of HK\$67,214,139.

The aggregate net assets of the subsidiaries at the date of disposal were as follows:

	HK\$
Equity instruments at FVTOCI	43,025,299
Cash and cash equivalents	10,115,762
Other payable	(10,000,000)
<hr/>	
Net assets disposal of	43,141,061
Total considerations	(110,355,200)
<hr/>	
Net gain on disposal	67,214,139

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

34. NET GAIN ON DISPOSALS OF SUBSIDIARIES (CONTINUED)

An analysis of net inflows of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	HK\$
Net cash inflow arising on disposal:	
Cash consideration received	110,355,200
Cash and cash equivalents disposed of	(10,115,762)
	<hr/>
	100,239,438

35. LITIGATIONS

High Court Action HCA 796 of 2016

A Writ of Summons with an Indorsement of Claim was issued on 29 March 2016 in the High Court of Hong Kong in HCA 796 of 2016 by Yang Yan as plaintiff against the Company and its former subsidiary, Grand Dragon Investment Development Limited ("Grand Dragon") as defendants whereby the plaintiff is claiming against the defendants for the forfeiture of a deposit for HK\$10,000,000 paid by the Company on behalf of Grand Dragon to the plaintiff pursuant to the written equity transfer agreement between Grand Dragon and the plaintiff in relation to the failure to commence due diligence of the target company which the plaintiff claims is a repudiatory breach of the said agreement. The defendants have counterclaimed against the plaintiff (which action has been consolidated with High Court Action 796 of 2016) for, inter alia, an order for the return of the deposit of HK\$10,000,000 to the defendants.

The parties have exchanged witness statements and a case management summons is fixed to be heard on 7 September 2020. While the parties continue to prepare the matter for trial, no hearing date has yet been fixed for the trial.

High Court Action Miscellaneous Proceedings HCMP 1102 of 2019 and HCMP 719 of 2019

These two actions relate to the issuance of ten Bond Notes issued by the Company to an individual, namely, Huang Qingzhan ("Huang") for the aggregate principal value of HK\$10 million due for repayment on 30 April 2023 ("Bond Notes"). Interest is payable on the Bond Notes on a bi-annual basis commencing 31 March 2016. The issue to be determined in HCMP 719 of 2019 relates to whether the suspension of the Company's shares on 8 March 2019 entitled Huang to early redemption of the Bond Notes. The Company maintains that such suspension was not a breach of the terms of the Bond Notes. The issue to be determined in HCMP 1102 of 2019 relates to whether the interest payment paid by the Company on the due date of 31 March 2016 to an account disclosed by Huang was made in accordance with the terms and conditions of the Bond Notes. The Company maintains the interest payment was duly paid on time.

In view of the current public health crisis, the Court directed that the determination of the two proceedings be dealt with together on the papers alone without a hearing. On 19 March 2020, the Court delivered judgment in favour of the Company in HCMP 719 of 2019 and in favour of Huang in HCMP 1102 of 2019 with each party bearing its own costs. The Company is considering an appeal against the decision in HCMP 1102 of 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Interests in subsidiaries

	2019 HK\$	2018 HK\$
Unlisted shares, at cost	11,763,881	8,063,101
Impairment loss recognised	–	–
	11,763,881	8,063,101
Amounts due from subsidiaries	236,459,584	280,018,676
Impairment loss recognised	(66,947,195)	(67,107,111)
	169,512,389	212,911,565
Amounts due to subsidiaries	(24,893,418)	(105,655,982)
Loans to subsidiaries	102,262,063	414,203,992
Impairment loss recognised	(102,262,063)	(1,505,288)
	–	412,698,704

Notes:

- (a) Loans to subsidiaries are unsecured and repayable on demand. Interest is charged on the outstanding balance at 8% p.a. (2018: 8% p.a.).
- (b) Amounts due from/to subsidiaries are unsecured, interest-free and have no fixed term of repayment.

Name of subsidiaries	Place of incorporation/ operation	Issued and fully paid share capital/ registered capital	Proportion ownership interest and voting power held by the Company				Principal activity
			Directly		Indirectly		
			2019	2018	2019	2018	
Ace Innovator Limited	Republic of Vanuatu	US\$100	100%	100%	–	–	Investment holdings
China Investment Fund International Financial Group Limited	Hong Kong	HK\$100	100%	100%	–	–	Investment holdings
Deluxe Century Limited	Republic of Seychelles	US\$100	100%	100%	–	–	Investment holdings
Enrich Bloom Limited	Republic of Seychelles	US\$100	–	–	100%	100%	Investment holdings
Eternity Sky Limited	British Virgin Islands	US\$100	–	–	100%	100%	Investment holdings

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name of subsidiaries	Place of incorporation/ operation	Issued and fully paid share capital/ registered capital	Proportion ownership interest and voting power held by the Company				Principal activity
			Directly		Indirectly		
			2019	2018	2019	2018	
Ever Gain Inc Limited	Hong Kong	HK\$100	100%	100%	-	-	Investment holdings
Final Destination Limited*	British Virgin Islands	US\$100	-	-	100%	100%	Investment holdings
Flying Goddess Limited	British Virgin Islands	US\$100	100%	100%	-	-	Investment holdings
Foundation Tide Limited	Hong Kong	HK\$10,000	-	-	100%	100%	Holding a cross-boundary vehicle license
Globe Golden Rich Limited	Hong Kong	HK\$100	-	-	100%	100%	Investment holdings
Golden Trend China Limited	Hong Kong	HK\$100	-	-	100%	100%	Investment holdings
Good Charm Inc Limited	Hong Kong	HK\$100	-	-	100%	100%	Holding a motor vehicle
Hong Kong Golden Day Investment Limited	Hong Kong	HK\$100	-	-	100%	100%	Inactive
Hong Kong Toprich Investment Limited	Hong Kong	HK\$100	-	-	100%	100%	Securities investment
Karlingford Dyeing & Finishing Limited	Hong Kong	HK\$500,000	-	-	100%	100%	Holding a cross-boundary vehicle license
Kingdom Stage Limited	Republic of Seychelles	US\$100	-	-	100%	100%	Investment holdings
Mass Bridge Limited	Republic of Seychelles	US\$100	100%	100%	-	-	Investment holdings
Super Star Investment Holdings Limited	Republic of Seychelles	US\$100	100%	100%	-	-	Investment holdings
Tianhe Quant Asset Management Limited	Hong Kong	HK\$2,117,602	100%	100%	-	-	Investment management
Well Shine Inc Limited	Hong Kong	HK\$100	-	-	100%	100%	Holding a motor vehicle
中投發展（深圳）投資諮詢有限公司	PRC	(Note a)	100%	100%	-	-	Investment in listed securities and financial derivative contracts
深圳華創金盛投資諮詢有限公司	PRC	(Note a)	-	-	100%	100%	Inactive
深富盛創（深圳）貿易有限公司	PRC	(Note a)	-	-	100%	100%	Inactive
金創中海（深圳）供應鏈管理有限公司	PRC	(Note a)	-	-	100%	100%	Inactive

Note a: The Companies have not fully-paid capital as at 31 December 2019 and 2018.

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

37. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2019 HK\$	2018 HK\$
Non-current assets		
Investments in subsidiaries	11,763,881	8,063,101
Property, plant and equipment	5,639,328	6,353,087
Rental deposit	940,500	5,726,351
	18,343,709	20,142,539
Current assets		
Prepayments, deposits and other receivables	9,051,007	3,494,677
Loans to subsidiaries	–	412,698,704
Amounts due from subsidiaries	169,512,389	212,911,565
Bank balances and cash	183,016,529	220,726,431
	361,579,925	849,831,377
Current liabilities		
Accrual and other payables	12,052,896	17,380,126
Amounts due to subsidiaries	24,893,418	101,155,982
Borrowings	150,662,438	210,944,796
	187,608,752	329,480,904
Net current assets	173,971,173	520,350,473
Total assets less current liabilities	192,314,882	540,493,012
Non-current liability		
Borrowings	116,247,147	200,345,439
Net assets	76,067,735	340,147,573
Capital and reserve		
Share capital (Note 25)	61,836,100	61,836,100
Reserves (Note 26)	14,231,635	278,311,473
Total equity	76,067,735	340,147,573

Luk Hong Man, Hammond
Director

Zhang Xi
Director

38. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

FIVE YEARS GROUP FINANCIAL SUMMARY

	2019 HK\$	For the year ended 31 December			
		2018 HK\$	2017 HK\$	2016 HK\$	2015 HK\$
Results					
Revenue	1,317,420	36,612,338	12,563	572,162	840,901
Profit (loss) before tax	(273,473,452)	148,021,126	(155,077,211)	(123,448,276)	(92,697,731)
Income tax credit (expense)	22,702,710	(19,464,832)	–	–	–
Profit (loss) for the year attributable to owners of the Company	(250,770,742)	128,556,294	(155,077,211)	(123,448,276)	(92,697,731)
Assets and Liabilities					
Total assets	374,202,952	817,813,012	282,369,245	149,032,730	290,251,843
Total liabilities	(286,270,892)	(448,991,948)	(236,820,397)	(73,734,435)	(45,934,840)
	87,932,060	368,821,064	45,548,848	75,298,295	244,317,003
Share capital	61,836,100	61,836,100	60,886,100	55,351,000	55,351,000
Reserves	26,095,960	306,984,964	(15,337,252)	19,947,295	188,966,003
Equity attributable to owners of the Company	87,932,060	368,821,064	45,548,848	75,298,295	244,317,003
Earnings (loss) per share					
– Basic (HK cents)	(20.28)	10.51	(13.09)	(10.99)	(10.12)
– Diluted (HK cents)	(20.28)	10.24	(13.09)	(10.99)	(10.12)