東銀國際 INTERNATIONAL HOLDINGS

DOYEN INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability) Stock Code: 668

Annual Report 2019

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive directors

Mr. Lo Siu Yu, *Chairman*
Mr. Tai Xing, *Chief Executive Officer*
Mr. Cho Chun Wai

Non-executive directors

Ms. Luo Shaoying, *Vice Chairman*
Mr. Pan Chuan
Mr. Qin Hong

Independent non-executive directors

Mr. Chan Ying Kay
Mr. Leung Kin Hong (appointed on 5 July 2019)
Dr. Zhu Wenhui (resigned on 5 July 2019)
Mr. Wang Jin Ling

AUDIT COMMITTEE

Mr. Chan Ying Kay, *Committee Chairman*
Mr. Leung Kin Hong (appointed on 5 July 2019)
Dr. Zhu Wenhui (resigned on 5 July 2019)
Mr. Wang Jin Ling

REMUNERATION COMMITTEE

Mr. Leung Kin Hong, *Committee Chairman* (appointed on 5 July 2019)
Dr. Zhu Wenhui, *Committee Chairman* (resigned on 5 July 2019)
Mr. Chan Ying Kay
Mr. Wang Jin Ling

NOMINATION COMMITTEE

Mr. Lo Siu Yu, *Committee Chairman*
Mr. Chan Ying Kay
Mr. Leung Kin Hong (appointed on 5 July 2019)
Dr. Zhu Wenhui (resigned on 5 July 2019)

COMPANY SECRETARY

Mr. Cho Chun Wai

AUTHORISED REPRESENTATIVES

Mr. Lo Siu Yu
Mr. Cho Chun Wai

REGISTERED OFFICE

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SHARE REGISTRAR

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46/F, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

SHARE TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-16, 17/F, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Bank of Communications Co., Ltd.
China Everbright Bank Hong Kong Branch

SOLICITORS

Mason Ching & Associates

AUDITOR

Baker Tilly Hong Kong Limited

STOCK CODE

668

WEBSITE

http://www.doyenintl.com

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the board (the "Board") of directors ("Director"), I hereby present the annual report of Doyen International Holdings Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31 December 2019.

MARKET AND BUSINESS REVIEW

In 2019, the global economy remained sluggish. Worldwide economic activities had yet to recover since the stagnation in last three quarters of 2018. Following the spreads of COVID-19, investors worried that the global economy will suffer from a hard hit. Various countries have already implemented preventive measures, such as immigration control or travel bans in severely affected areas and cancellation of large-scale events, etc.. Enterprise production and residents' lives have been affected. The epidemic has affected the global economy, meanwhile, the capital market, the commodity market and the foreign exchange market have shown varying degrees of turmoil. In addition, the development of the China-US trade war, Brexit, the Japan-Korea trade war and global geopolitical tensions have caused certain adverse effects on business development, investment decisions and global trade. The prospect of global economy and trade development are considerably uncertain. Under the challenges of global and Chinese economic downturn, the Group will continue to uphold stable operations and seize appropriate investment and business opportunities in a timely manner on the basis of focusing on the Group's existing businesses and industries for further expansion of its business scope so as to enhance the Group's overall competitiveness, maintain prudent financial management, strengthen capital operation and fully utilize the advantages of Hong Kong listing platform.

According to the 2019 China's lease industry development report, the balance of domestic finance lease contract amounted to approximately RMB6.654 trillion in 2019, representing an increase of 0.06% from 2018, among which, financial lease accounted for approximately RMB2.503 trillion, increased by 0.12%; domestic lease accounted for approximately RMB2.081 trillion, increased by 0.05%. Financial lease industry generated stable income with overall stronger pressure bearing capacity, thus economic cycle has less impact on its profitability. The Group's東葵融資租賃(上海)有限公司(for identification purpose, Dongkui Financial Leasing (Shanghai) Co. Ltd. ("Shanghai Dongkui")) is committed to developing loan financing business and will continue to actively select projects with reliable ratings, adequate guarantees and controllable risks while expanding business network for more development opportunities in the future.

For investment business, in view of the severe outbreak of COVID-19 caused by novel coronavirus resulted in operating hardship for various industries, the impact on China's economy has become visible. To help stabilize the economy and safeguard the employment, the Group has tried to understand the operating conditions of the merchants of Dong Dong Mall ("Dong Dong Mall", held by the Group's重慶寶旭商業管理有限公司(for identification purpose, Chongqing Baoxu Commercial Property Management Ltd. ("Chongqing Baoxu"))) and adopted corresponding measures at once. In 2019, Dong Dong Mall's letting rate and rental growth rate reached 93% and 6.1% respectively. It is expected that the rental income and return growth rate of Dong Dong Mall will climb healthily after the improvement of business condition.

Moreover, the Group is planning to develop a broader range of value-added services in Dong Dong Mall, of which, the sales of flowers and plants project not only meets the national agricultural policy and the industrial development plan, but is also in line with the civilization plan of Chongqing city. It is expected to be further confirmed and implemented this year.

CHAIRMAN'S STATEMENT

From November 2016 to March 2017, the Group granted a loan in the principal amount of RMB420 million (equivalent to approximately HK$470 million) to重慶東銀控股集團有限公司(for identification purpose, Chongqing Doyen Holdings Group Co., Ltd. ("Chongqing Doyen")). As Chongqing Doyen had not repaid the loan on the maturity date, the Company attached considerable importance to this event of default. The Group is still in active negotiation with Chongqing Doyen regarding repayment arrangement of the outstanding balance and hopes to recover the loan as soon as possible so that the benefits of shareholders can be better safeguarded.

Looking forward to the year of 2020, leveraging its solid management foundation and development strategies over the years, the Group is confident to take on new challenges and actively adapt to the market changes and adjustments with its capability. The Group is strived to create greater value for the shareholders while achieving greater development for the Company.

APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to all of our staff for their invaluable efforts and dedication. I would also like to thank our clients and business partners for their continued trust, as well as our shareholders for their constant support. In 2020, the Group will steadily develop the existing business at a new starting point to further identify appropriate investment opportunities and create greater value for our shareholders, partners, staff members and stakeholders.

Lo Siu Yu
Chairman

Hong Kong, 26 March 2020

MANAGEMENT DISCUSSION AND ANALYSIS OF THE OPERATIONS

FINANCIAL HIGHLIGHT

The results of the Group are summarized as follows:

	For the year ended 31 December 2019 HK$'000	For the year ended 31 December 2018 HK$'000
Revenue	**33,202**	30,959
Loss from operations	**(69,381)**	(7,027)
Finance (costs)/income – net	**(18,788)**	52,782
(Loss)/profit before tax	**(88,169)**	45,755
Income tax credit/(expense)	**4,764**	(17,774)
(Loss)/profit for the year	**(83,405)**	27,981

The assets and liabilities as at 31 December of the Group are summarized as follows:

	2019 HK$'000	2018 HK$'000
Non-current assets	**373,434**	398,017
Current assets	**651,708**	809,545
Current liabilities	**199,376**	266,692
Non-current liabilities	**35,505**	52,549
Equity attributable to owners of the Company	**605,467**	694,114

BUSINESS REVIEW

For the year ended 31 December 2019, the Group recorded revenue of approximately HK$33.2 million (2018: approximately HK$31.0 million), representing an increase of 7.10%. The Group recorded loss from operations of approximately HK$69.4 million (2018: loss approximately HK$7.0 million). The loss were mainly attributable to the impairment losses on amounts due from a related company of approximately HK$49.7 million (2018: Nil) and impairment losses on loan receivables of approximately HK$23.3 million (2018: approximately HK$0.1 million) in relation to secured loans. The fair values from the 51% equity interest in 重慶東銀殼牌石化有限公司 (for identification purpose, Chongqing Doyen Shell Petrochemical Co., Ltd. ("Doyen Shell")) owned by重慶東銀碩潤石化集團有限公司 (for identification purpose, Chongqing Doyen Shuorun Petrochemical Group Ltd. ("Shuorun Petrochemical")) (the "Pledged Collateral") of the aforesaid amounts exceeded the outstanding balances, such impairment represented non-cash accounting charges resulted from the adoption of the HKFRS 9. The loss attributable to owners of the Company for the year ended 31 December 2019 was approximately HK$79.7 million (2018: profit approximately HK$17.1 million).

Dongkui Business

Shanghai Dongkui, a subsidiary of which 77.58% equity interest is owned by the Company, is mainly engaged in provision of loan financing. Shanghai Dongkui will continue to select projects with relatively reliable grading, sufficient security and controllable risks through assessment of profit, financial and credit status of enterprises. The registered capital of Shanghai Dongkui amounted to US$51.3 million (equivalent to approximately HK$400.1 million).

On 25 January 2019, the Shanghai Dongkui entered into the loan financing agreement with the Lessee (the "Lessee"), an independent third party, pursuant to which Shanghai Dongkui agreed to purchase the machinery and equipment from the Lessee at a total consideration of Renminbi ("RMB") RMB40 million (equivalent to approximately HK$44.8 million). At the same time, Shanghai Dongkui entered into the finance lease agreement and entered into the consultancy agreement with the Lessee, pursuant to which the machinery and equipment would be leased back to the Lessee for a term of three years. The obligation of the Lessee under the finance lease agreement is secured by the guarantee provided by the guarantor. And Shanghai Dongkui provides the consultancy service to the Lessee, the Lessee has agreed to pay a fee of RMB1.8 million (equivalent to approximately HK$2.0 million).

On 28 October 2019, 陝西太白山投資集團有限公司 (for identification purpose, Shaanxi Taibai Mountain Investment Group Co., Ltd.* ("Shaanxi Taibai")) has not yet paid the lease rent of RMB3,704,424 (equivalent to approximately HK$4.15 million) which was due in on 25 October 2019. The Company expects that there are material uncertainties regarding the performance of the payment of lease rent obligation by Shaanxi Taibai according to the finance lease agreement. The Company has sought legal advice and is considering the available legal actions, including but not limited to enforcing the guarantee agreement dated 25 October 2018 against the Guarantor, namely 寶雞市文化旅遊產業發展集團有限公司 (for identification purpose, Baoji City Cultural Tourism Industry Development Group Company Ltd.) ("Baoji City Cultural Tourism"). For the year ended 31 December 2019, the impairment losses on Shaanxi Taibai is approximately HK$23.1 million (2018: Nil).

Shanghai Dongkui is now providing loan financing to six hospitals, namely 桃江縣人民醫院 (for identification purpose, Taojiang County People's Hospital) with project amount of RMB40 million (equivalent to approximately HK$44.8 million); 射洪縣人民醫院 (for identification purpose, Shehong People's Hospital) with project amount of RMB35 million (equivalent to approximately HK$39.2 million); 祿豐縣人民醫院 (for identification purpose, Lufeng People's Hospital) with project amount of RMB12 million (equivalent to approximately HK$13.4 million); 泗縣人民醫院 (for identification purpose, Sixian People's Hospital) with project amount of RMB30 million (equivalent to approximately HK$33.6 million); an independent third hospital with project amount of RMB40 million (equivalent to approximately HK$44.8 million) and 淮安市洪澤區人民醫院 (for identification purpose, Hongze Huaian District People's Hospital) with project amount of RMB30 million (equivalent to approximately HK$33.6 million). And Shanghai Dongkui granted a loan financing to Shaanxi Taibai in the amount of RMB40 million (equivalent to approximately HK$44.8 million) for a term of three years.

The effective interest rate of Shanghai Dongkui's loan financing ranged from 11.0% to 12.9% (2018: 11.3% to 13.9%). Among the loan financing of the above hospitals, two will expire in 2020 and three will expire in 2021, one will expire in 2022. During the year, all the customers have excellent repayment records and each project amount and interest are collected on time. Decrease in loan financing income was mainly attributable to increasingly severe regulatory environment in the People's Republic of China ("PRC") financial market which resulted in difficulties of the Group in securing bank factoring finance for potential loan financing project. As such, the number of completed sizeable loan financing project reduced this year. Strict regulatory policy also led to temporary insufficient liquidity so the Group reduced its reliance on bank factoring and raised the overall market interest cost.

Short-term Loan Business

On 21 October 2019, Shanghai Dongkui entered into a loan agreement with 儋州中誠裝修有限公司 (for identification purpose, Dan Zhou Zhongcheng Decoration Co., Ltd.* ("Dan Zhou Zhongcheng")), a company established with limited liability under the laws of the PRC, an independent third party. Shanghai Dongkui has agreed to grant a loan in the amount of RMB30 million (equivalent to approximately HK$33.6 million) to Dan Zhou Zhongcheng for a term of 12 months at the interest rate of 11% per annum. At the same time, Dan Zhou Zhongcheng entered into the guarantee and security agreement with the guarantor. As security for the obligations of Dan Zhou Zhongcheng under the loan agreement, the guarantor has agreed to pledge the real estate registration certificate of its property with a valuation of RMB35 million (equivalent to approximately HK$39.2 million) in Sanya City, the PRC. The ultimate beneficial owner of the Dan Zhou Zhongcheng is Li Nianfeng.

Shanghai Dongkui is now providing loan financing to three companies, namely Shaanxi Taibai with project amount of RMB40 million (equivalent to approximately HK$44.8 million); Taian Huayang Redian Company Limited with amount of RMB20 million (equivalent to approximately HK$22.4 million) and Dan Zhou Zhongcheng with project amount of RMB30 million (equivalent to approximately HK$33.6 million), among which, the loans of two companies are due in 2020 while the financing loan of a hospital is due in 2021.

For the year ended 31 December 2019, the Group's loan financing segment recorded revenue of approximately HK$19.0 million (2018: approximately HK$16.8 million) and loss after tax of approximately HK$15.4 million (2018: approximately HK$26.4 million).

Property Investment Holding

Chongqing Baoxu, a subsidiary of which 70% equity interest is owned by the Company, is principally engaged in the investment holding of Dong Dong Mall, a shopping arcade for commercial use and located at No. 2, Second Lane, Nanping East Road, Nanan District, Chongqing in the PRC with a total gross floor area of 18,043.45 square meters. Dong Dong Mall is adjacent to a main pedestrian street and a number of shopping malls, where is a hot-spot of fashion, shopping, entertainment and business for residents around south Chongqing due to its convenient public transportation.

In 2016, Dong Dong Mall carried out reform and re-tender works and finished the preliminary adjustment in 2017. Between 2017 and 2019, Dong Dong Mall recorded an overall rising rental trend in three consecutive years. In 2017, the average monthly rent of Dong Dong Mall was RMB59/m^2. In 2018, as some of the new tenants were still enjoying rental waiver, the average monthly rent of Dong Dong Mall was RMB61/m^2. In 2019, the average monthly rent of Dong Dong Mall reached RMB65/m^2 with its rental growth rate recorded at 6.1%. Its project rent per unit outperformed other similar commercial properties.

For the year ended 31 December 2019, the Group's property investment segment has contributed revenue of approximately HK$14.0 million (2018: approximately HK$14.1 million), representing a loss of 0.71%. Meanwhile, this segment has recorded a loss after tax of approximately HK$0.9 million for the year ended 31 December 2019 (2018: profit approximately HK$16.7 million). And the Group's sales of flowers and plants segment has contributed revenue of approximately HK$ 0.5 million (2018: Nil). Meanwhile, this segment has recorded a profit after tax of approximately HK$ 0.02 million for the year ended 31 December 2019 (2018: Nil).

Advancement of the Loans

On 8 November 2016, the Company granted a loan ("Doyen Loan") with a principal amount of RMB80 million (equivalent to approximately HK$89.5 million) to Chongqing Doyen. On the same date, Chongqing Baoxu granted a loan ("Baoxu Loan") with a principal amount of RMB80 million (equivalent to approximately HK$89.5 million) to Chongqing Doyen.

On 11 November 2016, Shanghai Dongkui granted a loan ("Shanghai Dongkui Loan") with a principal amount of RMB110 million (equivalent to approximately HK$123.1 million) to Chongqing Doyen.

On 6 March 2017, the Company granted a loan ("Doyen 2nd Loan") with a principal amount of RMB150 million (equivalent to approximately HK$167.9 million) to Chongqing Doyen.

The aggregate amount of the Doyen Loan, the Baoxu Loan, the Shanghai Dongkui Loan and the Doyen 2nd Loan (collectively, the "Loans") granted to Chongqing Doyen amount to RMB420 million (equivalent to approximately HK$470.0 million).

Pursuant to the terms of relevant loan agreements, the maturity date of the Loans falls on 18 January 2018 (or such later date as shall be agreed by Chongqing Doyen and the respective lenders prior to the maturity date). The maturity date of the Loans has not been extended and accordingly, on 18 January 2018, each of the Loans has become due and payable by Chongqing Doyen.

Very Substantial Acquisition and Connected Transaction and Very Substantial Disposal and Connected Transaction

on 28 December 2018, the Company, Chongqing Baoxu, Shanghai Dongkui, Chongqing Doyen and Shuorun Petrochemical entered into equity interest transfer agreements (the "Equity Interest Transfer Agreement"). Shuorun Petrochemical has conditionally agreed to transfer the equity interest of Doyen Shell (the "Equity Interest") to Chongqing Baoxu and Shanghai Dongkui as settlement of the outstanding loan amount (the "Transfer"). The value of the Equity Interest to be transferred shall be equivalent to the outstanding loan amount as at the reference date, being approximately RMB477.6 million (equivalent to approximately HK$534.4 million), of which approximately 74% and 26% shall be transferred to Chongqing Baoxu and Shanghai Dongkui, respectively. The actual percentage of the registered capital in Doyen Shell which the Equity Interest would represent shall be determined based on the valuation of Doyen Shell by an independent professional valuer appointed by the Company.

Shuorun Petrochemical is under an obligation to, subject to Completion (the "Completion"), repurchase the Equity Interest on or before 31 December 2019 at the repurchase price (the "Repurchase"). The Repurchase price shall be equivalent to the sum of (i) the transfer price; (ii) an amount representing a notional interest calculated at an interest rate of 15.5% per annum for the period from the reference date to the date of Completion; (iii) an amount representing a notional interest calculated at an interest rate per annum of 10.5% for the period from the next day following the date of Completion to the date of payment of the Repurchase price; and (iv) the relevant cost incurred by the Group in relation to the Repurchase, less the aggregate amount of dividend declared and distributed by Doyen Shell to Chongqing Baoxu and Shanghai Dongkui.

On 15 February 2019, the Company, Chongqing Baoxu, Shanghai Dongkui, Chongqing Doyen and Shuorun Petrochemical entered into a supplemental agreement to the Equity Interest Transfer Agreement to, among others, extend (i) the deadline of fulfillment of each of the conditions to 30 June 2019 or such later date otherwise unanimously agreed by the parties to the Equity Interest Transfer Agreement in writing and (ii) the Completion deadline to 31 August 2019 or such later date otherwise unanimously agreed by the parties to the Equity Interest Transfer Agreement.

On 28 June 2019, as the parties to the Equity Interest Transfer Agreement expect that more time would be required for fulfilling all the conditions, the Company, Chongqing Baoxu, Shanghai Dongkui, the Chongqing Doyen and Shuorun Petrochemical entered into a second supplemental agreement to, among others, extend both (i) the deadline of fulfillment of each of the conditions; and (ii) the Completion deadline to 30 September 2019 or such later date otherwise unanimously agreed by the parties to the Equity Interest Transfer Agreement.

On 2 October 2019, as the conditions have not been fulfilled by 30 September 2019 and parties to the agreement have not agreed on any further extension of the deadline for fulfillment of the conditions, the agreement has lapsed on 30 September 2019. The Company has engaged a PRC lawyer to advise on the claim and the Property Preservation. The Company will make further announcement(s) to update its shareholders and investors as and when appropriate if there are any actions taken by the Company or any material updates.

Status of the Loans

On 2 July 2019, the Company received a notice (the "Notice") from the Chongqing Doyen which stated that 中國華融資產管理股份有限公司重慶市分公司 (for identification purpose, China Huarong Asset Management Co., Ltd. Chongqing City Branch, ("Huarong")) has applied to the relevant PRC court such that the 51% Equity Interest in Doyen Shell owned by Shuorun Petrochemical, the Pledged Collateral be judicially preserved before litigation ("訴前財產保全") (the "Property Preservation"). Based on the public information, the Pledged Collateral owned by Shuorun Petrochemical has been preserved since 27 June 2019. The Notice further stated that subsequent to the Property Preservation, one of the following scenarios will occur: (1) within 30 days from the commencement of the Property Preservation (i.e. on or before 26 July 2019), Chongqing Doyen and Huarong reach a consensus such that Huarong applies to the PRC court to withdraw the Property Preservation; (2) Huarong files a claim or applies for arbitration to the PRC court within 30 days from the commencement of the Property Preservation (i.e.. on or before 26 July 2019), subsequent to which Chongqing Doyen and Huarong can still reach a consensus under which Huarong would apply to the PRC court to withdraw the Property Preservation; or (3) where the Property Preservation is not withdrawn, and no claim or arbitration is filed or applied for by Huarong within 30 days from the commencement (i.e.. on or before 26 July 2019), the Property Preservation shall lapse after 30 days from its commencement.

On 12 August 2019, the Company received a further notice (the "Further Notice") from the Chongqing Doyen which stated that, based on Chongqing Doyen's understanding from the committee of creditors of the Chongqing Doyen (the "Creditors' Committee"), a claim against the Chongqing Doyen was filed by Huarong, yet the Chongqing Doyen has not received any court documents. In addition, according to the Further Notice, the Creditors' Committee has demanded Huarong to withdraw its claim against the Chongqing Doyen.

However, on 9 September 2019, the Company was informed that, among others, Chongqing Doyen, Mr. Lo Siu Yu ("Mr. Lo") and Shuorun Petrochemical were served with a summons in relation to a legal claim brought by Huarong in relation to a debt of a principal amount of RMB100 million (equivalent to approximately HK$111.9 million), together with relevant interests and penalties (the "Claim"). As advised by the PRC legal adviser of the Company on 9 September 2019, the Claim was filed with the PRC court on 22 July 2019 and the Property Preservation will continue to be in effect up to 26 June 2022. Therefore, the Company sought legal advice from the PRC lawyer. Assuming the Company, Shanghai Dongkui and Chongqing Baoxu have obtained a legal basis for their rights, no matter the Company, Shanghai Dongkui and Chongqing Baoxu or Huarong whoever applied for the enforcement at first, it will not affect the Company and its subsidiaries to realize their priority of compensation.

According to the opinion issued by the PRC lawyer on 10 September 2019, as required by the laws, 重慶市第一中級人民法院 (for identification purpose, Chongqing First Intermediate People's Court (the "First Intermediate Court")) will pass the pre-litigation preservation procedure of Huarong to 重慶市第五中級人民法院 (for identification purpose, Chongqing Fifth Intermediate People's Court (the "Fifth Intermediate Court")). The Company, Shanghai Dongkui and Chongqing Baoxu file a lawsuit at the Fifth Intermediate Court, after they have obtained a legal basis for rights and entered the enforcement procedure before Huarong through the Fifth Intermediate Court, the executive court may begin the disposal of the Pledged Collateral. Upon the valuation, auction or sale of the Pledged Collateral and the buyer has paid the transfer price, the executive court will issue an execution judgment (《執行裁定書》) and a supplementary execution notice (《協助執行通知書》) to discharge the freezing order and pledge over the Pledged Collateral. Buyer may process the transfer registration of the Pledged Collateral with the execution judgment and the supplementary execution notice at relevant authority of industry and commerce. If Huarong has entered the enforcement procedure before the Company, Shanghai Dongkui and Chongqing Baoxu, as the Pledged Collateral has already gone through the registration of pledge, the acting judge of Huarong's case will also reserve corresponding amount for the pledgee to safeguard the priority compensation of the pledgee. After the Company , Shanghai Dongkui and Chongqing Baoxu have obtained a legal basis for rights, they may also apply for the enforcement through the Fifth Intermediate Court and submit the application form for participation in allocation to claim the priority compensation. As such, the order of application for enforcement will not affect the Company, Shanghai Dongkui and Chongqing Baoxu to realize their priority compensation. However, the Company, Shanghai Dongkui and Chongqing Baoxu can only activate or participate in the disposal procedure of the Pledged Collateral and realize the priority compensation after obtaining the legal basis for rights.

In October 2019, Chongqing Doyen proposed to the Company that it intended to settle its debts to the Company, Shanghai Dongkui and Chongqing Baoxu by way of disposal of the Pledged Collateral, and the proceeds from the disposal of the Pledged Collateral will be first used for the repayment of the debt and release of the pledge. Chongqing Doyen was seeking for a grace period of three months from the Company, Shanghai Dongkui and Chongqing Baoxu and to stay the proceedings against Chongqing Doyen and Shuorun Petrochemical. In this regard, according to the legal opinion (the "Legal Opinion") issued by the PRC lawyer on 30 October 2019 and 10 March 2019, which set out the legal advice on stay of the proceedings against Chongqing Doyen and Shuorun Petrochemical. Firstly, the settlement of the debt by way of disposal of the Pledged Collateral can expedite the process, thus avoid the risk of impairment loss, i.e. the time needed for the settlement of the debt will be shortened if the debt is to be settled by way of the Pledged Collateral, the Company, Shanghai Dongkui and Chongqing Baoxu receive the repayment of the debt of by way of disposal of the Pledged Collateral within the three-month period, and this way can avoid the risk of impairment due to the disposal of the Pledged Collateral by way of auction or sale of the Pledged Collateral during the execution of the proceedings. Secondly, the stay of the proceedings will not affect the enforcement of priority of claims, and will only result in a delay for the claim, i.e. if the disposal of the Pledged Collateral and the settlement of the debt are not completed, the parties can subsequently request Chongqing Doyen and Shuorun Petrochemical to repay the loan by way of litigation, and the stay of proceedings will not affect the priority of claims of the Company, Shanghai Dongkui and Chongqing Baoxu to the Pledged Collateral, and will only result in a delay in the enforcement of their rights. Thirdly, the proceedings procedures applicable to the Company, Shanghai Dongkui, Chongqing Baoxu and Huarong: Huarong has filed a lawsuit against Chongqing Doyen and Shuorun Petrochemical in the Fifth Intermediate Court. According to the government agreement entered by the Company, Shanghai Dongkui and Chongqing Baoxu with Chongqing Doyen and Shuorun Petrochemical, the court of first instance shall also be the Fifth Intermediate Court. If during the litigation at the court of first instance, an extension is required under special circumstances, the period can be extended to six months with the approval from the president of the court seised of the case, and if further extension is needed, it will be submitted for the approval of a higher court, and can be further extended for three moths. If the party is not satisfied with the decision of the court of first instance and apply for appeal, provided there is no need for extension, the court of second instance shall conclude the case within three months from the date of filing. If during the litigation at the court of second instance, an extension is required under special circumstances, the period can be extended for three months with the approval from the president of the court seised of the case. During the litigation at the court of first instance and second instance, the court may carry out mediation after the plea period is expired before the judgment is made. If the parties agree with a mediation settlement, the court will prepare a mediation letter; if the parties cannot come up with a mediation settlement or either party going back of his/her/its words before the mediation letter is served, the court shall give a judgment promptly and prepare a paper judgment. After the Company, Shanghai Doyen and Chongqing Baoxu or Huarong have received the effective judgment made by the court, they may apply for enforcement to the court of first instance or the court of the same level at the place where the property being enforced within two years after the effective date of the judgment.

The Company agreed with the opinion and will take following actions: 1. To closely monitor the development of debt restructuring; 2. To continue the negotiation of the repayment arrangement for outstanding balance with Chongqing Doyen; 3. To take appropriate legal actions against the Pledged Collateral in due course; 4. To make announcement in due course for the safeguard of the interests of the Company and shareholders as a whole.

For the year ended 31 December 2019, the impairment losses on amounts due from a related company of approximately HK$49.7 million (2018: Nil).

Save as the above-mentioned, the Company did not receive any update on the progress of the negotiation between Chongqing Doyen and Huarong as at the date of this report.

PROSPECTS

The Company has always been identifying suitable investment or business opportunities so as to diversify the business of the Group and broaden the Group's income sources. Meanwhile, before securing potential investment opportunities, the Company will seize any opportunity to make short-term investment with lower risks for the sake of greater returns for shareholders.

DONGKUI BUSINESS

Currently, Shanghai Dongkui's finance lease assets amounted to approximately RMB70.0 million (equivalent to approximately HK$78.3 million), the investment in loan business amounted to approximately RMB30.6 million (equivalent to approximately HK$34.3 million), which in aggregate, amounted to approximately RMB100.6 million (equivalent to approximately HK$112.6 million). The funding recovered from projects is intended to re-invest in loan financing business. Dongkui maintained its liquidity at around approximately RMB23.5 million (equivalent to approximately HK$26.3 million).

For the potential of loan financing, from the prospective of industry scale in terms of the number of enterprises, the recent number of enterprises maintained an overall rapid growth in China according to the release of China's Finance Leasing Development Report from January to September 2019. As of the end of September 2019, there were a total of approximately 120,000 leasing enterprises in China, with total balance of finance lease contract of approximately RMB6.68 trillion (equivalent to approximately HK$7.47 trillion).

For the changes in the potential of lessees and leased assets, aircrafts, vessels, offshore platform, railway locomotives, medical devices, engineering equipment, vehicles and new energy, etc., are still the key target markets for those major leasing companies. Government-trust projects are also the subject business that supports the operation of large-scale leasing companies. However, under the stronger rigidity of government's debt constraints and tightening financial control, this kind of projects is gradually declining. On the other hand, the lessees extend to small and micro customers and individuals, and some corporate cultural tourism and scientific research institutions become new members of the lessee family; potential of new leasing sectors such as new electronic information, new energy and environmental protection and even personal consumer goods, etc. are emerging. Business model of leasing has become gradually mature and proportion of new transactions is rising.

For the potential in the accelerating process of industry differentiation, large and medium-sized companies develop steadily by stabilizing their scales and adjusting their structures. They leverage the advantages of low-cost funding to select high-quality assets while maintain or slow down the speed of development to strengthen risk management standards, and facilitate the transformation and upgrade of business models, operating models and profit models, etc.. A number of companies with emerging business model have led strong development momentum in specific target market areas to open up the upstream and downstream industry chains, rely on professional capabilities in preventing and controlling risks, managing assets and extending value-added services. As financial and industrial background of shareholders will become important factors for corporate's access, industry concentration and operational quality will therefore improve significantly.

For the outlook of loan financing industry, risk outbreaks are gradually intensifying and companies with stringent risk control and asset management capabilities will succeed. For manufacturing enterprises, they can promptly obtain new and advanced facilities through finance lease without large amount of capital. Compared with bank loans, the requirements of financing are relatively loose. Therefore, loan financing can effectively combine industry and finance to assist financial industry in supporting the upgrade of manufacturing industry. At the same time, some industries with better future development and weak cycles, such as education and medical care, will definitely generate extensive market demands and customer groups for finance lease industry.

In addition, if there is no more new investment to loan financing business, the sources of funds will become to recover the original project and re-invest the proceeds from that. Customers are developing towards an in-depth and professional direction in the original hospital and medical healthcare field. They selected industries with relatively lower risks and small molecule to steadily develop asset scale.

For factoring business, we hope to source potential customers through the development of business pipeline and customer resources, and execute factoring agreement with recourse. It is estimated that costs paid by customers will be approximately 11% to 13% and customers will also bear the actual repayment obligation. To safeguard the secured recovery of funds, a supervised account or custody account will be created during implementation.

For short-term loan business, Shanghai Dongkui will strengthen capital liquidity in 2020 and effectively utilize the capital so that it will have safe and adequate capital to increase lending projects (within one-year term) should any exceptional projects arise.

Property Investment Holding

In 2020, Chongqing Baoxu has responded to the government's appeal and decided to reduce the rents of all the Dong Dong Mall's merchants from 25 January to 29 February 2020. The Group hopes to take this measure to mitigate the pressure of tenants during this difficult period.

According to the report of China's retail industry development (2017/2018) released by the MOFCOM, the community-based shopping centre were in upward trend and became the best performing one among several types of shopping malls. The report also stated that, as community-based property served mainly residents nearby, and with living services and weekend family leisure consumption as its core functional positioning, the performance of community-based property remained stable in terms of customer flow and sales. Meanwhile, the arrival of Internet era led to a comprehensive upgrade in consumption, the concepts and ways of consumption of new generation consumer groups made a considerably change. A series of change like online social activities, time fragmentation and online shopping caused severe shocks to traditional and large-scale centralized businesses. Leveraging on its features such as necessary needs, close proximity to consumers and time-effectiveness, etc., the community business seized people's "last mile" demand and thus, it outperformed among its competitors and further improved the community service system, while the domestic consumption power and demand were also increasing. As convenient transport is an important factor for most of the consumers to select shopping location, the community-based shopping center exactly matches this demand. Community businesses which locate near consumers not only satisfy daily demand of surrounding residents but also fulfil the experimental demand of consumers.

Furthermore, there is a huge room for the development of parent-child industry. The favorable two-child policy led to a stable growth of new-born population resulted in the continuous expansion in parent-child family base. At the same time, the family's consumption power and concepts have been upgrading, family's consumption demand for parent-child related products is increasing. It is expected that the overall market size of China's parent-child industry will experience a period of rapid growth. In 2019, the market size of China's parent-child industry is expected to exceed 3 trillion. According to conservative estimate, the market size of Chongqing's parent-child industry is in trillions.

Dong Dong Mall demonstrated a significant upward trend in both number of tenants and rent during 2017 to 2019, its overall letting rate maintained at approximately 93%. The contracted brands in 2019 included children's photography, early stage education and children's playground. In 2020, there will be plans to upgrade brands of shops and adjust the business format on the second floor by re-dividing retail spaces and increasing businesses such as trainings in children's instruments, Chinese culture and robot.

In the future, Dong Dong Mall will continue to focus on the development of the "One-stop Children's Education and Training Zone", which is all about the children's trainings and continuous optimization of the project's business layout. On the one hand, it enriches the differentiation of children's derivative businesses to create core competitiveness, and on the other hand, it increases the rent premium of shops.

Currently, Dong Dong Mall has introduced a total of 13 shops with children and parent-child business formats, which initially formed a parent-child consumption destination with certain influence at the Nanping business zone. Coupled with the optimizing business portfolio of Dong Dong Mall, it may attract more high-ended tenants to join.

Dong Dong Mall would like to add value via quality control and spaces exploration. By closely following the theme of children, it plans to carry out tenant solicitation and strictly controls the decoration to enhance the project image. Dong Dong Mall will also effectively explore space resources to create project-based operating conditions, reasonably plan project-based paving, and carry out various attempts on possible value-added services, such as: cleaning, housekeeping, advertising, planning, training, maintenance, consumables, tree nursery, engineering, network promotion, etc. to achieve project revenue. The preliminary exploration mode is that Chongqing Baoxu will provide support and investments with its own exhibition premises, funds, goodwill, customer resources and pipelines. It is expected that this kind of cooperation can obtain a more competitive supply prices and open up more customers. Chongqing Baoxu will only share a fixed proportion of reasonable profit from new customers as its revenue.

For development of value-added service, such as the business of sales of flowers and plants project, the domestic government has continuously strengthened the ecological environment construction following the acceleration of urbanization with all cities in the mainland actively promoting the greening process. As one of the four major municipalities in the country, Chongqing has also been working on the improvement of the city's functions to enhance the image of Chongqing and create its special charm. Under an overall environment of favorable domestic policy, Chongqing Baoxu will actively facilitate the sales of flowers and plants project this year. The implementation of the project is in line with the national agricultural industry policy and development plan, and is also in line with the plan to build Chongqing as a civilized city. Therefore, the market outlook of flowers and plants projects is promising. As the entire Chongqing city and its surrounding areas are under expansion, the market demand for flowers and plants is growing, thus the prices of flowers and plants are also rising. To develop flowers and plants projects, Chongqing Baoxu is in its effort to indicate customer groups with demand, purchasing power and decision-making power and it has also established a sales department to be mainly responsible for the integrated management of flowers and plants procurement, sales and after-sales services. Chongqing Baoxu plans to recruit 10 to 20 dedicated sales and marketing personnel who are familiar with the flowers and plants industry to actively explore the market. Currently, the project is still under planning and is expected to be further confirmed and implemented within this year.

Looking forward, Dong Dong Mall will continue to improve its services, focus on merchant customers, enhance the level of operational services and consolidate its foundation to continuously improve the operating environment of the project. It will also create project brand marks with sharp and sensitive perspective and strengthen its sub-brands by refining community operations.

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group had bank and cash balances of approximately HK$39.0 million as at 31 December 2019 (2018: approximately HK$133.2 million). The management believes that the Group has sufficient cash and cash equivalents to fund its operations and future development. As of 31 December 2019, the current ratio of the Group, representing current assets divided by current liabilities, was approximately 3.27 (2018: approximately 3.04).

As of 31 December 2019, the gearing ratio of the Group was approximately 0.16 (2018: approximately 0.14), which is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated statement of financial position, plus net debt. As of 31 December 2019, the Group's total borrowings exceeded cash and cash equivalents by approximately HK$150.3 million (2018: approximately HK$146.7 million).

Capital Structure

As of 31 December 2019, the Group's current and non-current borrowings amounted to approximately HK$167.0 million (2018: approximately HK$234.4 million) and approximately HK$22.4 million (2018: approximately HK$45.5 million) respectively. All the bank borrowings bore interest at floating rates while the bond bore interest at fixed rate.

The Group did not use any derivative to hedge its exposure to interest rate risks for the years ended 31 December 2019 and 2018. The Group monitored its capital by maintaining a sufficient net cash position to satisfy its commitments and working capital requirements.

Pledge of Assets

As at 31 December 2019, the Group's bank loans of approximately HK$44.8 million (2018: approximately HK$68.3 million) were secured by the Group's investment property amounted to approximately HK$315.0 million (2018: approximately HK$318.9 million), no right to receive rental income and pledged bank deposits (2018: approximately HK$1.1 million), and were guaranteed by Chongqing Doyen.

Exposure to Fluctuations in Exchange Rates and Related Hedges

The Group operates in Hong Kong and the PRC with most of the transactions denominated and settled in local currencies except certain amounts due from a related company denominated in RMB other than the functional currency of the respective group entity expose the Group to foreign exchange exposure.

Currently, the Group does not use any derivative financial instrument to hedge its exposure to foreign exchange risks.

Contingent Liabilities

The Group had no significant contingent liability as at 31 December 2019 and 2018.

Dividends

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

HUMAN RESOURCES AND REMUNERATION POLICIES

As of 31 December 2019, the Group had a total of 36 (2018: 30) full-time employees. Employees' remuneration packages are determined with reference to prevailing market practices and individual performance. Our remuneration package includes basic salaries, sales incentives (which are only payable to certain operational staff), medical insurance plans and retirement benefit schemes. Discretionary bonus and share options may be granted to eligible employees based on the performance of the Group and individual employees.

The emoluments of the Directors are determined by the remuneration committee of the Company (the "Remuneration Committee"), having regard to the operating results of the Group, individual performance and comparable market statistics.

The Company encourages its employees to enhance their competence, and also provides training to improve working capabilities of staff members and creates opportunities for long-term growth of employees.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Lo Siu Yu, aged 50, was appointed as the Chairman and an executive Director of the Company in October 2009. Mr. Lo possesses over 10 years of experience in the sale of automobile accessories and properties investment. He is the founder and is currently the chairman and general manager of Chongqing Doyen, a private company established with limited liability under the laws of the PRC. Mr. Lo and his spouse are the ultimate beneficial owners of Chongqing Doyen as at the date of this report. Chongqing Doyen is principally engaged in investment holding, and its subsidiaries are principally engaged in special vehicle manufacturing, machine manufacturing, property investment and development. As at the date of this report, Chongqing Doyen is beneficially interested in approximately 36.36% of the issued share capital of 重慶市迪馬實業股份有限公司 (for identification purpose, Dima Holdings Co., Ltd. ("Chongqing Dima")), a company listed on the Shanghai Stock Exchange of the PRC, and approximately 26.06% of the issued share capital of 江蘇農華智慧科技股份有限公司 (for identification purpose, Jiangsu Nonghua Intelligent Agriculture Technology Co. Ltd. ("Jiangsu Nonghua")), a company listed on the Shenzhen Stock Exchange of the PRC. Mr. Lo holds a degree of Economics from 重慶工商大學 (for identification purpose, Chongqing Technology and Business University) (formerly known as 渝州大學 (for identification purpose, Yuzhou University)) in Chongqing City, the PRC.

Mr. Tai Xing ("Mr. Tai"), aged 46, was appointed as an executive Director and the Chief Executive Officer ("CEO") of the Company in October 2017. Mr. Tai obtained a bachelor's degree in economics from Chongqing Technology and Business University. He obtained qualification of a trading representative of 海南中商期貨交易所 (for identification purpose, China-Commodity Future Exchange, Inc. of Hainan) in 1996, and has been a registered management consultant authorised by the People's Government of Sichuan since 2001. Mr. Tai has 23 years' experience in the field of finance and corporate management in the PRC. He joined Chongqing Doyen in 2003 and had been appointed as supervisor, vice supervisor and general manager in various subsidiaries of Chongqing Doyen. Mr. Tai Xing had resigned as employee of a connected company controlled by Mr. Lo and his spouse from December 2019. He was the vice general manager of 上海東勝股權投資有限公司 (for identification purpose, Shanghai Dongsheng Equity Investment Company Ltd. ("Shanghai Dongsheng")), a subsidiary of Chongqing Doyen. In December 2019, Mr. Tai had resigned as the vice general manager of Shanghai Dongsheng.

Mr. Cho Chun Wai ("Mr. Cho"), aged 43, was appointed as the financial controller of the Company in August 2012 and was appointed as the company secretary in February 2015. Mr. Cho was appointed as an executive Director in September 2016. Mr. Cho was appointed as Director of Shanghai Dongkui in December 2016. He holds a master degree of corporate finance and a bachelor degree of accountancy awarded from the Hong Kong Polytechnic University. He is a fellow member of the Hong Kong Institute of Certified Public Accountants. He has over 10 years of experience in financial management for listed companies.

NON-EXECUTIVE DIRECTORS

Ms. Luo Shaoying ("Ms. Luo"), aged 46, joined the Company as the Vice Chairman and an executive Director in December 2012. Ms. Luo had been re-designated from an executive Director of the Company to a non-executive Director of the Company on 29 January 2018. Ms. Luo obtained her bachelor's degree in business administration from University of Georgia, the USA in 1998. Ms. Luo has 15 years of working experience in finance and property development in the PRC. Ms. Luo is a sister of Mr. Lo. In 2000, Ms. Luo joined an investment bank in the PRC as business director. Since 2003, Ms. Luo had joined 重慶東銀實業(集團)有限公司 (for identification purpose, Chongqing Doyen (Holdings) Ltd. ("Chongqing Doyen Holdings")) as a manager, a chief executive officer and the chairman of the board of directors of certain subsidiaries of Chongqing Doyen Holdings and had been responsible for investment and property development business. In August 2017, Ms. Luo resigned as a chief executive officer of Chongqing Doyen Holdings. Ms. Luo is a Director of Chongqing Baoxu. In May 2016, Ms. Luo was appointed as the vice chairman of the board of directors of Chongqing Dima. In August 2018, Ms. Luo had been re-designated from the vice chairman of the board of directors of Chongqing Dima to the chairman of the board of directors of Chongqing Dima.

Mr. Pan Chuan ("Mr. Pan"), aged 41, was appointed as a non-executive Director in November 2018. Mr. Pan, graduated from 四川外國語大學(for identification purpose, Sichuan International Studies University) in the PRC in 1998 with a major in English language. Mr. Pan has more than 9 years of managerial experience in the PRC, including working in 重慶海德大酒店 (for identification purpose, Chongqing Hoitak Hotel) and Chongqing Dima. Mr. Pan joined Chongqing Doyen in 2009 as the office supervisor. He had been appointed as a supervisor of Chongqing Dima since 2010.

Mr. Qin Hong ("Mr. Qin"), aged 54, was appointed as a non-executive Director of the Company in October 2010. Mr. Qin is an economist. He obtained a master degree in executive master of business administration from 上海交通大學(for identification purpose, Shanghai Jiao Tong University) in 2017. He was awarded a qualification certificate of specialty and technology in finance and economics (intermediate level) by the ministry of personnel, the PRC in 1994 and graduated from 南京師範大學 (for identification purpose, Nanjing Normal University) with a bachelor degree in Chinese language and literature in 2006. Mr. Qin had worked for several banks in the PRC, including Bank of Communications and Huaxia Bank. He is now the general manager of 江蘇華西同誠投資控股集團有限公司 (for identification purpose, Jiangsu Huaxi Tongcheng Group Investment & Holding Co. Ltd. ("Jiangsu Huaxi Tongcheng")) and a director of 江蘇華西集團財務有限公司 (for identification purpose, Jiangsu Huaxi Group Finance Co., Ltd ("Jiangsu Huaxi Group Finance")), an indirect subsidiary of 江蘇華西集團有限公司 (for identification purpose, Jiangsu Huaxi Group Co. Ltd. ("Jiangsu Huaxi Group")), a company established in the PRC with limited liability. One of the subsidiaries of Jiangsu Huaxi Group, Baoli International (Hong Kong) Trading Co., Limited ("Baoli"), a company incorporated in Hong Kong with limited liability, is a substantial shareholder of the Company. He is a Director of Chongqing Baoxu.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Ying Kay ("Mr. Chan"), aged 56, was appointed as an independent non-executive Director of the Company in October 2009. In January 2020, Mr. Chan had been appointed as a financial controller of a Hong Kong company. In April 2019, Mr. Chan had been appointed as the company secretary and the chief financial officer of Zhuoxin International Holdings Limited ("Zhuoxin"), a company listed on the GEM ("GEM") of The Stock Exchange of Hong Kong Limited ("Stock Exchange"). In June 2019, Mr. Chan had resigned as the company secretary and the chief financial officer of Zhuoxin, a company listed on the GEM Stock Exchange. In October 2017, Mr. Chan had been appointed as the company secretary and the chief financial officer of Beautiful China Holdings Company Limited ("Beautiful China"), a company listed on the main board of the Stock Exchange. In July 2018, Mr. Chan had resigned as the chief financial officer of Beautiful China. In October 2018, Mr. Chan had resigned as the company secretary of Beautiful China. In July 2016, Mr. Chan had been appointed as an independent non-executive director of China Oil Gangran Energy Group Holdings Limited ("China Oil Gangran"), a company listed on the GEM of the Stock Exchange. In August 2018, Mr. Chan had resigned as an independent non-executive director of China Oil Gangran. In July 2016, Mr. Chan had been appointed as the company secretary and the chief financial officer of Realord Group Holdings Limited ("Realord Group") a company listed on the main board of the Stock Exchange. In September 2017, Mr. Chan had resigned as the company secretary and the chief financial officer of Realord Group. Mr. Chan has over 20 years of experience in accounting and finance. Mr. Chan graduated from the University of Sheffield with a master of business administration, and is currently a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

Mr. Leung Kin Hong ("Mr. Leung"), aged 49, was appointed as an independent non-executive Director of the Company in July 2019. He obtained his master degree of finance in 2002 from the Curtin University of Technology. He has been an associate member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants since 1998. He has been the Group Financial Controller of Shanghai Industrial Urban Development Group Limited (for identification purpose,上海實業城市開發集團有限公司), a company listed on the main board of the Stock Exchange (stock code: 563), where his duties include overseeing the finance activities, business planning and corporate finance since November 2012. Prior to that, Mr. Leung had worked in an international professional accounting firm and several listed companies in Hong Kong to gain his extensive experience in financial and general management.

Mr. Wang Jin Ling ("Mr. Wang"), aged 81, was appointed as an independent non-executive Director of the Company in October 2009. Mr. Wang was qualified as a senior engineer by 煤炭工業部 (for identification purpose, The Ministry of Coal Industry) of the PRC in 1995, and was appointed as the chief engineer at 義馬礦務局 (for identification purpose, Yima Mining Bureau) of the 中國統配煤礦總公司 (for identification purpose, China National Coal Corporation) in Henan Province, the PRC in 1991. Mr. Wang was invited to act as the technical consultant of 永煤集團股份公司 (for identification purpose, Yongmei Group Company Ltd.) in 2000.

REPORT OF THE DIRECTORS

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

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding. Its subsidiaries are principally engaged in investment property holding in the PRC, provision of financing to customers in the PRC and investment holding.

PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2019 are set out in note 39 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated statement of profit or loss on page 52.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: Same).

RESERVES

Movements in the reserves of the Group and of the Company during the year ended 31 December 2019 are set out in the consolidated statement of changes in equity on page 55 and note 38(b) to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

The Company has no distributable reserves as at 31 December 2019 and 2018.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 30 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 19 to the consolidated financial statements.

INVESTMENT PROPERTY

Details of the movements in investment property of the Group are set out in note 20 to the consolidated financial statements.

BORROWINGS

Details of the borrowings of the Group as at 31 December 2019 are set out in note 27 to the consolidated financial statements.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last 5 financial years is set out on page 122 of this report.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares for the year ended 31 December 2019.

DIRECTORS

The Directors of the Company as at the date of this report and those who were in office during the year are:

Executive Directors
Mr. Lo Siu Yu, *Chairman*
Mr. Tai Xing, *CEO*
Mr. Cho Chun Wai

Non-executive Directors
Ms. Luo Shaoying, *Vice Chairman*
Mr. Pan Chuan
Mr. Qin Hong

Independent non-executive Directors
Mr. Chan Ying Kay
Mr. Leung Kin Hong (appointed on 5 July 2019)
Dr. Zhu Wenhui (resigned on 5 July 2019)
Mr. Wang Jin Ling

Dr. Zhu Wenhui ("Dr. Zhu") resigned as independent non-executive Director of the Company with effect from 5 July 2019 due to his other business engagements and commitments. Dr. Zhu confirmed that he has no disagreement with the Board and there is no other matter that needs to be brought to the attention of the shareholders of the Company.

In accordance with Articles 90 to 92 of the Articles of Association of the Company (the "Articles of Association"), Mr. Cho, Ms. Luo, Mr. Wang and Mr. Leung will retire at the forthcoming Annual General Meeting (the "AGM") but, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

An executive Director has entered into service contracts with the Company on 15 October 2009. An executive Director has entered into service contracts with the Company on 29 September 2016. An executive Director has entered into service contracts with the Company on 17 October 2017. Such contracts will continue unless and until they are terminated by either party by prior written notice.

Each appointment letters entered into between the Company and Ms. Luo (re-designated from an executive Director on 29 January 2018), Mr. Qin (on 15 October 2010) and Mr. Pan (on 12 November 2018), all being the non-executive Directors of the Company is without fixed terms of office, and such contracts will continue unless and until they are terminated by either party by prior written notice.

Each appointment letters entered into between the Company and Mr. Chan, Mr. Wang (both on 13 October 2018) and Mr. Leung (on 5 July 2019), all being the independent non-executive Directors of the Company, are for a fixed term of one year, and renewable annually upon expiry, unless and until terminated by either party by a prior written notice.

Save as disclosed above, no Director of the Company has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation (other than statutory compensation).

INDEPENDENCE CONFIRMATION

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

DIRECTORS' REMUNERATIONS

A summary of the Directors' remuneration is set out in note 16 to the consolidated financial statements.

REPORT OF THE DIRECTORS

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

1. Interest income on loans to Chongqing Doyen

   Pursuant to a loan agreement dated 8 November 2016, Chongqing Baoxu advanced a loan of RMB80 million to Chongqing Doyen. This was interest-bearing at 10.5% per annum and repayable within one year from the date of drawdown which was 18 January 2017. In May 2017, approximately 9.81% of the equity interest of Doyen Shell was charged to Chongqing Baoxu as security for the loan. On 18 January 2018, Chongqing Baoxu has not received repayment of the principal amount and interest thereon as at the due date and was construed as default in repayment which subject to an additional default interest of 5% per annum according to the loan agreement.

   During the year ended 31 December 2019, Chongqing Baoxu interest income of approximately HK$13.9 million (2018: approximately HK$14.2 million) was received/receivable from Chongqing Doyen.

   Pursuant to a loan agreement dated 11 November 2016, Shanghai Dongkui advanced a loan of RMB110 million to Chongqing Doyen. This loan was interest-bearing at 10.5% per annum and repayable within one year from the date of drawdown which was 18 January 2017. In May 2017, 13% of equity interest of Doyen Shell was charged to Shanghai Dongkui as security for the loan. On 18 January 2018, Shanghai Dongkui has not received repayment of the principal amount and interest thereon as at the due date and was construed as default in repayment which subject to an additional default interest of 5% per annum according to the loan agreement.

   During the year ended 31 December 2019, Shanghai Dongkui interest income of approximately HK$19.1 million (2018: approximately HK$19.5 million) was received/receivable from Chongqing Doyen.

   Mr. Lo was the founder and is currently the chairman and general manager of Chongqing Doyen.

2. Cleaning service contract and property management service contract

   In December 2016, Chongqing Baoxu entered into a property management service contract with 重慶新東原物業管理有限公司 (for identification purpose, Chongqing New Dowell Property Management Ltd. ("Dowell Property Management")) for daily management of Dong Dong Mall from 1 January 2017 to 31 December 2019.

   Mr. Lo had control in Dowell Property Management.

   During the year ended 31 December 2019, no cleaning expenses and property management fees of approximately HK$0.3 million (2018: nil and approximately HK$0.2 million) respectively were paid to Dowell Property Management.

Save as disclosed above, no other transactions, arrangements or contracts of significance in relation to the Group's business to which the Company's subsidiaries, fellow subsidiaries or its parent company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ANY ASSOCIATED CORPORATION

As at 31 December 2019, the following Directors of the Company had interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them has taken or deemed to have taken under the provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered into the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") to be notified to the Company and the Stock Exchange:

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ANY ASSOCIATED CORPORATION *(CONTINUED)*

Long positions of the Directors' interests in the shares and underlying shares of the Company:

Name of director	Capacity	Corporate interest	Personal interest	Interests in underlying share pursuant to share options	Total number of shares interested	Approximate percentage of the Company's issued shares
Mr. Lo Siu Yu	Interest of controlled corporation and beneficial owner	760,373,018 (note a)	25,000,000 (note b)	–	785,373,018	61.64%
Mr. Cho Chun Wai	Beneficial owner	–	10,000	–	10,000	0.00%
Mr. Qin Hong	Beneficial owner	–	–	2,100,000	2,100,000	0.16%

Notes:

a. 670,373,018 shares were held by Money Success Limited ("Money Success"), a company wholly-owned by Wealthy In Investments Limited ("Wealthy In"), which is in turn wholly-owned by Mr. Lo. 60,000,000 shares were held by Sino Consult Asia Limited ("Sino Consult") and 30,000,000 shares were held by Full Brilliant Limited ("Full Brilliant"), both are companies wholly-owned by Money Success.

b. Such interests are held jointly with Ms. Chiu Kit Hung ("Ms. Chiu"), the spouse of Mr. Lo.

Save as disclosed above, as at 31 December 2019, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them has taken or deemed to have taken under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered into the register referred to therein; or (c) pursuant to the Model Code to be notified to the Company and the Stock Exchange.

SHARE OPTION SCHEME AND DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES AND DEBENTURES OF THE COMPANY

In the AGM held on 11 September 2008, the then shareholders approved the adoption of a new share option scheme (the "2008 Scheme") in place of the old share option scheme. The following disclosure is a summary of the 2008 Scheme as required by Chapter 17 of the Listing Rules.

1. Purpose:
   The 2008 Scheme will provide incentives and rewards to eligible persons who have contributed or will contribute to the growth and development of the Group.

2. Participants:
   The Board may at its absolute discretion, invite any employee, officer, manager, director, consultant, associates, chief executive or substantial shareholders of the Group to subscribe for shares of the Company.

3. Total number of shares available for issue under the 2008 Scheme and percentage of issued share capital at the date of approval of the share option scheme:
   The number of shares which can be issued is 34,543,855 shares representing 10% of the issued share capital of the Company at the date of approval of the 2008 Scheme. The scheme was terminated on 11 September 2018 and no further share options shall be granted. The outstanding share options granted may continue to be exercisable. The total number of shares available for issue under the 2008 Scheme as at 31 December 2019 was 2,100,000 shares, representing approximately 0.16% of the issued share capital of the Company as at 31 December 2019. Further details of the 2008 Scheme are set out in note 31 to the consolidated financial statements.

4. Maximum entitlement of each participant:
   The total number of shares issued and to be issued upon exercise of the share options granted and to be granted to each eligible person (including exercised, cancelled and outstanding options) in any 12-month period up to the date of grant must not exceed 1% of the shares of the Company in issue as at the date of grant. Any further share options to be granted under the 2008 Scheme in excess of this limit is subject to shareholders' approval in general meeting of the Company, with such eligible person and his associates abstaining from voting.

SHARE OPTION SCHEME AND DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES AND DEBENTURES OF THE COMPANY *(CONTINUED)*

5. The periods within which the shares must be taken up under an option:
   The share options under the 2008 Scheme may be exercised at any time during the exercise period, notwithstanding that the 2008 Scheme may have expired or been terminated.

6. The minimum period for which an option must be held before it can be exercised:
   The exercise period of the share options granted under the 2008 Scheme is determinable by the Board, which shall not be more than 10 years after the date of grant.

7. The amount payable on application or acceptance of the option and the period within which payments of calls must or may be made or loans for such purpose must be paid:
   Share options granted under the 2008 Scheme must be accepted within 10 days from the date of grant, upon payment of HK$1 per grant.

8. The basis of determining the exercise price:
   The exercise price of the share options under the 2008 Scheme will be determined by the Board, at its absolute discretion, but shall at least be the highest of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of grant of the share options, which must be a business day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet for the 5 trading days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

9. The remaining life:
   The 2008 Scheme will remain in force for a period of 10 years commencing on 11 September 2008.

Movements in the Company's outstanding share options under the 2008 Scheme during the year are as follows:

	Date of grant	Exercisable period	Exercise price HK$	Closing price per share immediately before the date of grant HK$	No. of options outstanding as at 1 January 2019	No. of options granted during the year ended 31 December 2019	No. of options exercised/ cancelled/ lapsed during the year ended 31 December 2019	No. of options outstanding as at 31 December 2019	Approximate percentage of the underlying shares for the options outstanding in the issued shares of the Company
Mr. Qin Hong (note 1)	2 December 2010	2 December 2010 to 1 December 2020	1.628	1.500	2,100,000	–	–	2,100,000	0.16%

Note:

1. The options have a term of ten years commencing on 2 December 2010 and shall vest (if applicable) and become exercisable in three tranches in the proportion of approximately 33⅓%, 33⅓% and 33⅓% on 2 December 2010, 2 December 2011 and 2 December 2012 respectively.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year were rights to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate granted to any Director or their respective spouses or children under 18 years of age, or were any such rights exercised by them; or were the Company or any of its holding companies, fellow subsidiaries and subsidiaries a party to any arrangement to enable the Company's Directors, their respective spouses or children under 18 years of age to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 December 2019, according to the register of interests in shares in the Company and short positions of the Company required to be kept by the Company under section 336 of the SFO, the following persons or corporations, other than Directors or chief executive of the Company, had interests or short positions in the shares or underlying shares which would fall to be disclosed by the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Long positions of substantial shareholders' interests in the shares of the Company:

Name of substantial shareholder	Capacity	Number of shares interested	Approximate percentage of the Company's issued shares
Chongqing Mingna Trading Co., Ltd.	Person having a security interest in shares (Note a)	785,373,018	61.64%
Mr. Lin Xuegang	Interest of controlled corporation (Note b)	785,373,018	61.64%
Ms. Chen Aini	Interest of spouse (Note c)	785,373,018	61.64%
Ms. Chiu Kit Hung	Interest of spouse (Note d)	785,373,018	61.64%
Wealthy In Investments Limited	Interest of controlled corporation (Note e)	760,373,018	59.68%
Money Success Limited	Beneficial owner (Note f)	670,373,018	52.62%
	Interest of controlled corporation	90,000,000	7.06%
Jiangsu Huaxi Group Co. Ltd.	Interest of controlled corporation (Note g)	120,000,000	9.42%
Baoli International (Hong Kong) Trading Co., Limited	Beneficial owner (Note g)	120,000,000	9.42%
Mr. Xue Yuewu	Beneficial owner	108,000,000	8.48%
Mr. Gao Yi Xin	Interest of controlled corporation (Note h)	90,000,000	7.06%
Ms. Wang He Fen	Interest of controlled corporation (Note h)	90,000,000	7.06%
Mr. Huang Wu Jun	Interest of controlled corporation (Note h)	90,000,000	7.06%
Xinyuan International Marine Transportation Co. Ltd.	Beneficial owner (Note h)	90,000,000	7.06%

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY *(CONTINUED)*

Notes:

a. Chongqing Mingna Trading Co., Ltd. ("Chongqing Mingna") is a company established with limited liability under the PRC. 90% and 10% of the shareholdings of Chongqing Mingna were owned by Mr. Lin Xuegang ("Mr. Lin") and Ms. Chen Aini ("Ms. Chen") respectively.

b. 90% of the shareholdings of Chongqing Mingna were owned by Mr. Lin.

c. Ms. Chen is the spouse of Mr. Lin. 10% of the shareholdings of Chongqing Mingna were owned by Ms. Chen.

d. Ms. Chiu is the spouse of Mr. Lo, who is the Chairman and an executive Director of the Company.

e. Wealthy In is a company wholly-owned by Mr. Lo.

f. 670,373,018 shares were held by Money Success, a company wholly-owned by Wealthy In, which is in turn wholly-owned by Mr. Lo. 60,000,000 shares were held by Sino Consult and 30,000,000 shares were held by Full Brilliant, both are companies wholly-owned by Money Success.

g. Jiangsu Huaxi Group Co. Ltd. is a company established with limited liability under the laws of the PRC. Jiangsu Huaxi Group Co. Ltd. held 75% equity interest of Jiangyin Huaxi Steel Co., Ltd. ("Jiangyin Huaxi Steel"), which in turn wholly-owned Baoli. Baoli is a company established with limited liability under the laws of Hong Kong.

h. 55%, 25% and 20% of the shareholdings of Xinyuan International Marine Transportation Co. Ltd were owned by Mr. Gao Yi Xin, Ms. Wang He Fen and Mr. Huang Wu Jun respectively.

Save as disclosed above, as at 31 December 2019, the Company had not been notified by any persons or corporations (other than Directors or chief executives of the Company) who had an interest directly or indirectly and/or short position in the shares or underlying shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of SFO.

MANAGEMENT CONTRACTS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the best knowledge of the Board, there was 25% or more of the listed issued share capital of the Company being held in public hands as at the latest practicable date prior to printing of this report.

PERMITTED INDEMNITY PROVISION

The Articles of Association provide that subject to the provisions of the Companies Ordinance every Director shall be indemnified out of the assets of the Company against all liabilities incurred by him/her as a Director in defending any proceedings. The Company has arranged appropriate Directors' and officers' liability insurance coverage for the directors and officers of the Group.

COMPETING INTERESTS

Save as the interests of Mr. Lo, being an executive Director and the Chairman of the Company, and certain of his associates (including his spouse) in property investment business which may likely compete, either directly or indirectly with the business of the Group, none of the Directors or the chief executive of the Company and their respective close associates had any interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group for the year ended 31 December 2019 that are required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2019, our five largest customers accounted for approximately 46.12% (2018: approximately 43.51%) of the Group's total revenue and our largest customer accounted for approximately 12.37% (2018: approximately 19.26%) of our total revenue. Due to the nature of our business, we do not have any significant contribution from major suppliers during the normal course of our business. However, we relied substantially on interest-bearing borrowings to operate our business. To the knowledge of the Directors, none of the Directors or their respective close associates as defined in the Listing Rules or any of the shareholders who own more than 5% of the Company's issued shares has any interest in any of the Group's five largest customers or suppliers or lenders.

CONNECTED TRANSACTIONS

During the year ended 31 December 2019, the Group had the following connected transactions:

1. Non-exempt connected transactions

   On 8 November 2016, the Company granted a Doyen Loan with a principal amount of RMB80 million (equivalent to approximately HK$89.5 million) to Chongqing Doyen. On the same date, Chongqing Baoxu granted a Baoxu Loan with a principal amount of RMB80 million (equivalent to approximately HK$89.5 million) to Chongqing Doyen. On 11 November 2016, Shanghai Dongkui granted Shanghai Dongkui Loan with a principal amount of RMB110 million (equivalent to approximately HK$123.1 million) to Chongqing Doyen. On 6 March 2017, the Company granted a Doyen 2nd Loan with a principal amount of RMB150 million (equivalent to approximately HK$167.9 million) to Chongqing Doyen. The aggregate amount of the Loans granted to Chongqing Doyen amount to RMB420 million (equivalent to approximately HK$470.0 million). The Loans are interest-bearing at 10.5% per annum. On 12 May 2017, Chongqing Doyen, Shuorun Petrochemical and Chongqing Baoxu entered into a share charge agreement and Chongqing Doyen, Shuorun Petrochemical and Shanghai Dongkui entered into another share charge agreement pursuant to which Shuorun Petrochemical agreed to charge 38% and 13% of Equity Interest respectively as security for the Loans. In January 2018, the Company, Chongqing Baoxu and Shanghai Dongkui have not received repayment of the principal amount of the Loans and the interest for the period from 1 January 2018 to 18 January 2018. Accordingly, an event of default has occurred under the loan agreements. Default interest and compound interest shall be charged on such sum from and including the due date up to the date of actual payment at the rate per annum to be the aggregate of the above-mentioned interest rate and 5% per annum. In relation to the loans advanced by the Company to Chongqing Doyen, Chongqing Doyen agrees to reimburse the Company any tax and other expenses relevant to the advancement of the loans. During the year ended 31 December 2019, approximately HK$2.9 million (2018: approximately HK$10.6 million) was reimbursed by Chongqing Doyen to the Company.

   Mr. Lo was the founder and is currently the chairman and general manager of Chongqing Doyen.

   The above connected transactions also constitute advances to an entity in accordance with Chapter 13 of the Listing Rules.

2. Connected transactions fully exempted from shareholders' approval, annual review and all disclosure requirements

   Guarantee provided by a connected party

   As at 31 December 2019, the Group's bank loans of approximately HK$44.8 million (2018: approximately HK$68.3 million) were guaranteed by Chongqing Doyen.

   Guarantees and securities provided by connected parties

   In January 2015, the Group issued bonds (the "Bonds") with an aggregate face value of HK$195 million at par to Haitong. In February 2018, Haitong has transferred the Bonds to Hua Sing (Cayman) Energy Holdings Limited ("Hua Sing (Cayman)"). On 13 December 2019, the Company has irrevocably redeem part of the Bonds with a principal amount of HK$72 million and pay the interest accrued up to the day of redemption. The Bonds are guaranteed by Mr. Lo and Chongqing Doyen. On 29 May 2019, the charge of certain shares of the Company, which were pledged as collateral for the Bonds in favor of Hua Sing (Cayman), had been fully released. Those shares included: 670,373,018 shares, 30,000,000 shares and 60,000,000 shares of the Company each held by Money Success, Full Brilliant and Sino Consult which are in turn beneficially owned by Mr. Lo, and 25,000,000 shares of the Company which jointly owned by Mr. Lo and Ms. Chiu.

Cleaning service contract and property management service contract

In December 2016, Chongqing Baoxu entered into a property management service contract with Dowell Property Management for daily management of Dong Dong Mall from 1 January 2017 to 31 December 2019.

Mr. Lo had control in Dowell Property Management.

During the year ended 31 December 2019, no cleaning expenses and property management fees of approximately HK$0.3 million (2018: nil and approximately HK$0.2 million) respectively were paid to Dowell Property Management.

The above connected transactions are also related party transactions of the Group. Save as disclosed above, none of other related party transactions constitute as non-exempt connected transactions or non-exempt continuing connected transactions of the Group in accordance with the Listing Rules during the year ended 31 December 2019.

DISCLOSEABLE TRANSACTIONS

On 25 January 2019, the Shanghai Dongkui entered into the loan financing agreement with the Lessee, an independent third party, pursuant to which Shanghai Dongkui agreed to purchase the machinery and equipment from the Lessee at a total consideration of RMB40 million (equivalent to approximately HK$44.8 million). At the same time, Shanghai Dongkui entered into the finance lease agreement and entered into the consultancy agreement with the Lessee, pursuant to which the machinery and equipment would be leased back to the Lessee for a term of three years. The obligation of the Lessee under the finance lease agreement is secured by the guarantee provided by the guarantor. And Shanghai Dongkui provides the consultancy service to the Lessee, the Lessee has agreed to pay a fee of RMB 1.8 million (equivalent to approximately HK$2.0 million).

On 21 October 2019, Shanghai Dongkui entered into a loan agreement with Dan Zhou Zhongcheng, a company established with limited liability under the laws of the PRC, an independent third party. Shanghai Dongkui has agreed to grant a loan in the amount of RMB30 million (equivalent to approximately HK$33.6 million) to the Dan Zhou Zhongcheng for a term of 12 months at the interest rate of 11% per annum. At the same time, Dan Zhou Zhongcheng entered into the guarantee and security agreement with the guarantor. As security for the obligations of Dan Zhou Zhongcheng under the loan agreement, the guarantor has agreed to pledge the real estate registration certificate of its property with a valuation of RMB35 million (equivalent to approximately HK$39.2 million) in Sanya City, the PRC. The ultimate beneficial owner of the Dan Zhou Zhongcheng is Li Nianfeng.

On 28 October 2019, Shaanxi Taibai has not yet paid the lease rent of RMB3,704,424 (equivalent to approximately HK$4.15 million) which was due in on 25 October 2019. The Company expects that there are material uncertainties regarding the performance of the payment of lease rent obligation by Shaanxi Taibai according to the finance lease agreement. The Company has sought legal advice and is considering the available legal actions, including but not limited to enforcing the guarantee agreement dated 25 October 2018 against the guarantor, namely Baoji City Cultural Tourism.

For sales and lease back transactions with repurchase options which are almost certain to be exercised and do not convey a right to use of the underlying assets, the Directors are of the opinion that in substance these transactions are not in the scope of Hong Kong Financial Reporting Standard 16 Leases, which instead are accounted for as financial instruments under Hong Kong Financial Reporting Standard 9 Financial Instruments.

RELATED PARTY TRANSACTIONS

The related party transactions during the year ended 31 December 2019 are being disclosed in note 36 to the consolidated financial statements.

AUDITOR

PricewaterhouseCoopers has resigned as the auditor of the Company with effect from 9 September 2016. RSM Hong Kong has resigned as the auditor of the Company with effect from 30 September 2019. The consolidated financial statements for the three financial years ended 31 December 2018, 2017 and 2016 were audited by RSM Hong Kong.

Baker Tilly Hong Kong Limited ("Baker Tilly Hong Kong") has been appointed as the auditor of the Group with effect from 30 September 2019 to fill the casual vacancy occasioned by the resignation of RSM Hong Kong. Baker Tilly Hong Kong shall hold the office as auditor of the Group until the conclusion of the next AGM of the Company.

Baker Tilly Hong Kong will retire and, being eligible, offer themselves for re-appointment. The Company will propose a resolution re-appointing Baker Tilly Hong Kong at the AGM.

By Order of the Board

Tai Xing
CEO

Hong Kong, 26 March 2020

CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company acknowledges the importance of good corporate governance practices and believes that it is essential to enhance shareholders' value and safeguard shareholders' interests. The Directors are of the opinion that the Company has complied with the code provisions ("Code Provision") as set out in the Corporate Governance Code (the "CG Code") in Appendix 14 of the Listing Rules throughout the year ended 31 December 2019, save for deviations from Code Provision A.4.1 and Code Provision E.1.2 as disclosed below:

Code Provision A.4.1 stipulates that non-executive Directors should be appointed for a specific term, subject to re-election. None of the non-executive Directors of the Company is appointed for a specific term. However, in accordance with the Articles of Association, at each AGM, one-third of the Directors for the time being (or if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation. The Company considers that this is no less exacting than those provided in the CG Code.

Code Provision E.1.2 specifies that the Chairman of the Board should attend the AGM. Mr. Lo, the Chairman of the Board, has been heavily involved in the business operation of the Group in the PRC. Despite his utmost intention to be present at the Company's AGM held on 21 May 2019, he was unable to attend the said meeting due to other urgent business commitments of the Group. Mr. Lo undertakes that he will try his best to attend the future AGMs of the Company whenever possible.

The Company regularly reviews its corporate governance practices to ensure they comply with the CG Code and align with the latest developments.

THE BOARD

The Board currently comprises 3 executive Directors, including the Chairman and chief executive officer, 3 non-executive Directors, including the Vice Chairman and 3 independent non-executive Directors.

The Board is collectively accountable to the shareholders and is responsible for the leadership and control of the Group including overseeing the Group's businesses, formulating strategic directions, setting objectives and business development plans, and monitoring the performance of both the financial results and the senior management. The Board takes responsibility to oversee internal controls and risk management systems and review of the effectiveness of such systems, and determining the policy for corporate governance.

Upon making request to the Board, each Director is able to seek independent professional advice at the Company's expenses, when necessary.

The independent non-executive Directors serve the important function of ensuring and monitoring the basis for an effective corporate governance framework. Each of the independent non-executive Directors has confirmed in his annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers such Directors to be independent.

All Directors have distinguished themselves in their field of expertise so as to give a balance of skills, knowledge and experience required for the running of an effective board. The Board has delegated the authority and responsibility for implementing its business strategies and managing the daily operation of its businesses to its executive Directors and senior management. Biographical details and responsibilities of each Board member and senior management are set out in pages 12 to 13 of this report. Mr. Pan is an employee of a related company that was controlled by Mr. Lo and his spouse. Mr. Tai has resigned as employee of a connected company controlled by Mr. Lo and his spouse from December 2019. Ms. Luo is a sister of Mr. Lo. Ms. Luo is an employee of a related company that was controlled by Mr. Lo and his spouse. Mr. Qin is now the general manager of Jiangsu Huaxi Tongcheng and a director of Jiangsu Huaxi Group Finance, which is an indirect subsidiary of Jiangsu Huaxi Group. One of the subsidiaries of Jiangsu Huaxi Group, Baoli, is a substantial shareholder of the Company. Save as disclosed above, there is no other relationship (including financial, business, family or other material relationship) among members of the Board and substantial shareholders.

THE BOARD *(CONTINUED)*

Regular Board meetings are held at approximately quarterly intervals and involve the active participation of Directors, either in person or through other electronic means of communications. The individual attendance of each Director during the year under review is set out below:

	Number of Board meetings Directors attended/eligible to attend
Executive Directors	
Mr. Lo Siu Yu, *Chairman*	19/19
Mr. Tai Xing, *CEO*	19/19
Mr. Cho Chun Wai	19/19
Non-executive Directors	
Ms. Luo Shaoying, *Vice Chairman*	19/19
Mr. Pan Chuan	19/19
Mr. Qin Hong	19/19
Independent non-executive Directors	
Mr. Chan Ying Kay	19/19
Mr. Leung Kin Hong (appointed on 5 July 2019)	9/9
Dr. Zhu Wenhui (resigned on 5 July 2019)	10/10
Mr. Wang Jin Ling	19/19

BOARD DIVERSITY POLICY

The Board had adopted the board diversity policy and revised the terms of reference for the nomination committee of the Company (the "Nomination Committee"). In order to achieve a diversity of perspectives amongst the structure, size and composition of the Board, when making the recommendation to the Company for appointment or re-appointment of Directors and succession planning of Directors, the Nomination Committee will take into account a number of factors including but without limitation, gender, age, cultural and educational background, professional experience, skills and knowledge, and length of service.

DIRECTORS AND OFFICERS LIABILITY INSURANCE

The Company has arranged appropriate insurance coverage for Directors' and officers' liabilities in respect of legal actions against its Directors and officers arising out of corporate activities of the Group.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the Chairman and the CEO are separated, with a clear segregation of duties. The Chairman is responsible for formulating corporate strategies and overall business development planning. The CEO's duty is to oversee the execution of daily operation of the business activities. The segregation of duties is to ensure a balance of power and authority.

MEETING BETWEEN THE CHAIRMAN AND INDEPENDENT NON-EXECUTIVE DIRECTORS

Under Code Provision A.2.7, the Chairman should at least annually hold meetings with the non-executive Directors (including independent non-executive Directors) without the executive Directors present. There was one meeting held between the Chairman of the Company and the independent non-executive Directors, without the presence of the executive Directors for the year ended 31 December 2019.

RESPONSIBILITIES OF DIRECTORS

Each Director shall from time to time have knowledge of his/her responsibilities as Director, as well as the operations, business activities and development of the Company and shall ensure that sufficient time and effort will be put to deal with the Company's affairs. The Company offers induction materials to each Director on the first occasion of his/her appointment as well as necessary information and training during his/her term of appointment to ensure that he/she has appropriate knowledge of the Company's operations and business as well as the responsibility of director under applicable laws.

TRAINING AND SUPPORT FOR DIRECTORS

(A) Training

Pursuant to the CG Code, all Directors shall participate in the continuous professional development programme to develop and update their knowledge and skills so that they can contribute to the Board. During the year ended 31 December 2019, the Company offered several appropriate training sessions for Directors. The training sessions were related to the internal controls, anti-fraud policies and site visiting. The Company has received from each of the Directors the individual training record of Directors pursuant to Code Provision A.6.5 and time involved in public companies or organizations and description of other significant commitments pursuant to Code Provision A.6.6.

During the year ended 31 December 2019, the Directors participated in the following trainings:

	Attending[1]
Executive Directors	
Mr. Lo Siu Yu	✔
Mr. Tai Xing	✔
Mr. Cho Chun Wai	✔
Non-executive Directors	
Ms. Luo Shaoying	✔
Mr. Pan Chuan	✔
Mr. Qin Hong	✔
Independent non-executive Directors	
Mr. Chan Ying Kay	✔
Mr. Leung Kin Hong (appointed on 5 July 2019)	✔
Dr. Zhu Wenhui (resigned on 5 July 2019)	✔
Mr. Wang Jin Ling	✔

Note:

1. Trainings may include
   - (a) seminar(s)/programme(s)/conference(s)/forums relevant to the business or directors' duties; and/or
   - (b) reading newspaper, journals and updates relating to the economy, general business or directors' duties etc.; and/or
   - (c) Company's site visiting.

All the Directors also understand the importance of continuous professional development and are committed to participate in any suitable training to develop and refresh their knowledge and skills.

(B) Support

The Company continuously updates Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices. Circulars or guidance notes, such as sending the latest version of "A Guide on Directors' Duties" published by the Hong Kong Companies Registry and guidelines published by The Hong Kong Institute of Directors, are issued to Directors and senior management of the Company where appropriate to ensure awareness of best corporate governance practices.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own code of conduct regarding dealings in the securities of the Company by the Directors and the relevant employees (who are likely to be in possession of inside information relating to the Company or its securities) (the "Guidelines for Securities Transactions by Relevant Employees") on terms no less exacting than the Model Code as set out in Appendix 10 to the Listing Rules. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Model Code and its code of conduct regarding directors' securities transactions for the year ended 31 December 2019.

In addition, no incident of non-compliance of the Guidelines for Securities Transactions by Relevant Employees by the relevant employees of the Group was noted by the Company throughout the year ended 31 December 2019.

NOMINATION COMMITTEE

The Company established the Nomination Committee with written terms of reference on 4 November 2009. The Nomination Committee comprises the Chairman, Mr. Lo and two independent non-executive Directors, Mr. Chan and Mr. Leung.

The principal duties of the Nomination Committee include:

(a) to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(b) to identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board on the selection of individuals nominated for directorship;

(c) to assess the independence of the independent non-executive Directors; and

(d) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and CEO.

The Nomination Committee carries out the process of selecting and recommending candidates for directorships by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of such individuals, the Company's needs and other relevant statutory requirements and regulations. An external recruitment agency may be engaged to carry out the recruitment and selection process when necessary.

In compliance with the amendments to the Listing Rules which was effective on 1 April 2012, the terms of reference of the Nomination Committee was revised and approved by the Board on 20 March 2012.

During the year ended 31 December 2019, one Nomination Committee meeting was held. All members of the Nomination Committee are attended.

In accordance with the Articles of Association, Mr. Cho, Ms. Luo, Mr. Leung and Mr. Wang shall retire, and being eligible, offer themselves for re-election at the forthcoming AGM.

A circular containing detailed information of the Directors of the Company standing for re-election at the forthcoming AGM would be sent to the shareholders.

TERMS OF APPOINTMENTS AND RE-ELECTION OF DIRECTORS

According to the Articles of Association, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) should retire from office by rotation at each AGM of the Company provided that every Director shall be subject to retirement by rotation at least once every 3 years. Furthermore, any Director appointed to fill a casual vacancy or as an addition to the existing Board should hold office only until the next following AGM and would then be eligible for re-election at that meeting. The existing independent non-executive Directors of the Company have fixed term of office but their termination are determinable by either party with a written notice in advance, as well as subject to the aforesaid retirement from office on a rotational basis.

AUDIT COMMITTEE

The Audit Committee (the "Audit Committee") has been established since 1999 with written terms of reference pursuant to all the duties set out in Code Provision C.3.3 of the CG Code. Currently, there are three committee members, all of whom are independent non-executive Directors of the Company, namely Mr. Chan (Committee Chairman), Mr. Leung and Mr. Wang. Mr. Chan possesses extensive experience in accounting and financial matters and meets the requirements of Rule 3.21 of the Listing Rules.

The Audit Committee is accountable to the Board and its principal duties include the review and supervision of the financial reporting process and internal control system of the Group.

AUDIT COMMITTEE *(CONTINUED)*

During the year ended 31 December 2019, the Audit Committee held three meetings. The Audit Committee reviewed the accounting policies and practices adopted by the Group and discussed auditing, risk management, internal controls system and financial reporting matters. It also reviewed the consolidated financial statements of the Group and the Company's annual and interim reports.

The individual attendance of each committee member is set out below:

	Number of meetings Directors attended/ eligible to attend
Independent non-executive Directors	
Mr. Chan Ying Kay, *Committee Chairman*	4/4
Mr. Leung Kin Hong (appointed on 5 July 2019)	2/2
Dr. Zhu Wenhui (resigned on 5 July 2019)	2/2
Mr. Wang Jin Ling	4/4

In compliance with the amendments to the Listing Rules which was effective on 1 April 2012, the terms of reference of the Audit Committee was revised and approved by the Board on 20 March 2012.

REMUNERATION COMMITTEE

The Remuneration Committee (the "Remuneration Committee") was established in October 2007 with written terms of reference pursuant to all the duties set out in Code Provision B.1.1 of the CG Code. Currently, there are three committee members, all of whom are independent non-executive Directors, namely Mr. Leung (Committee Chairman), Mr. Chan and Mr. Wang.

The Remuneration Committee is accountable to the Board and its principal duties include review and determination of the Board policy for the remuneration of senior management and make recommendation to the Chairman and the executive members of the Board of Directors' remuneration.

During the year ended 31 December 2019, the Remuneration Committee held one meeting. The Remuneration Committee reviewed the framework of remuneration policy, considered discretionary bonus to staff, remuneration packages of executives and provided the guideline of annual salary review.

The individual attendance of each committee member is set out below:

	Number of meetings Directors attended/ eligible to attend
Independent non-executive Directors	
Mr. Leung Kin Hong, *Committee Chairman* (appointed on 5 July 2019)	0/0
Dr. Zhu Wenhui, *Committee Chairman* (resigned on 5 July 2019)	1/1
Mr. Chan Ying Kay	1/1
Mr. Wang Jin Ling	1/1

In compliance with the amendments to the Listing Rules which was effective on 1 April 2012, the terms of reference of the Remuneration Committee was revised and approved by the Board on 20 March 2012.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility to prepare consolidated financial statements that give a true and fair view of the state of affairs of the Group and of the results and cash flows for each financial periods. The statement of the Group's auditor about their reporting responsibilities on financial statements is set out in the Independent Auditor's Report on pages 46 to 51.

AUDITOR'S REMUNERATION

During the year ended 31 December 2019, the remuneration for the Company's auditor, Baken Tilly Hong Kong, for services rendered is as follows:

	HK$'000
Audit fee	1,500

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board has overall responsibilities for maintaining sound and effective risk management and internal control systems of the Group. The systems play an important role in maintaining and improving accountability and transparency in the conduct of the Group's business and are designed for the Group to identify and manage the significant risks to achieve its business objectives, safeguard the interests of the Company's shareholders, ensure compliance with relevant laws and regulations and assists in enhancing investor's confidence. The risk management and internal control systems of the Group are designed to manage rather than eliminate the risk of failure to achieve business objectives, and provide reasonable but not absolute assurance against material risk issues or loss.

The risk management and internal control systems of the Group are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against all risk issues. A bottom-up approach is applied for identification, assessment and mitigation of risk at all business unit levels and across all functional areas. The Board and the Audit Committee are responsible to review and monitor the effectiveness of the risk management and internal control systems. These systems are reviewed on a regular basis for the controls of handling and dissemination of information. Reasonable measures are taken from time to time to ensure adequate disclosure policy has been adopted.

PROCESS USED TO IDENTIFY, EVALUATE AND MANAGE SIGNIFICANT RISKS

During the process of risk assessment, the Board is responsible for identifying the risk of the Group and deciding on the risk levels and the Board is responsible for assessing and determining the nature and extent of the risks that are acceptable to the Group when achieving its strategic objectives. After discussing and taking into consideration the risk response, the relevant departments and business units shall be assigned to implement the risk management solutions in accordance with their respective roles and responsibilities.

During the year, the Board has reviewed the effectiveness of the risk management and internal control systems through the Board and no material internal control deficiencies were identified by the Board.

DIVIDEND POLICY

The Board has adopted a dividend policy (the "Dividend Policy"), pursuant to which, the Board shall consider the following factors before declaring or recommending any dividends:

1. The declaration, form, frequency and amount of any dividend payout of the Company must be in accordance with relevant laws, rules and regulations and subject to the Articles of Association.

2. The Company may by ordinary resolution declare dividends according to the respective rights of the shareholders, but no dividend shall exceed the amount recommended by the Board and be payable except out of the profits of the Company.

3. The Board may also pay to the shareholders interim dividends and declare special dividends from time to time as appear to the Board to be justified by the position of the Company.

4. The dividends may be paid up in the form of the Company's shares in addition to cash, by the distribution of specific assets of any kind or by distribution of any form.

5. Subject to compliance with applicable laws, rules, regulations and the Articles of Association, in deciding whether to propose any dividend payout, the Board will take into account, among other things, the financial results, the earnings, losses and distributable reserves, the operations and liquidity requirements, the debt ratio and possible effects on the credit lines, and the current and future development plans of the Company.

The Board will review the Dividend Policy from time to time and reserves its right in its sole and absolute discretion to update, amend, modify and/or cancel the Dividend Policy. There can be no assurance that dividends will be paid in any particular amount for any given period.

SHAREHOLDER RIGHTS

The Company has only one class of shares, all shares have the same voting rights and are entitled to the dividends declared. The Articles of Association set out the rights of our shareholders.

Shareholder(s) holding not less than one-twentieth of the paid-up capital of the Company may request the Board to convene a general meeting pursuant to Section 566 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). The objects of the meeting must be stated in the related requisition deposited at the registered office of the Company.

For including a resolution relating to other matters in a general meeting, shareholders are requested to follow the requirements and procedures as set out in Section 615 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

Pursuant to Article 75 of the Articles of Association, if a shareholder wishes to propose a person other than a retiring Director for election as a Director at a general meeting, the shareholder should deposit a written notice of nomination which shall be given to the company secretary within the 7-day period commencing the day after the despatch of the notice of the meeting (or such other period as may be determined and announced by the Directors from time to time). In order for the Company to inform all shareholders of that proposal, the written notice must state the full name of the person proposed for election as a Director, his/her biographical details as required by rule 13.51(2) of the Listing Rules, and be signed by the shareholder concerned and that person indicating his/her willingness to be elected. If the notice is received less than fifteen (15) business days prior to that general meeting, the Company will need to consider adjournment of the general meeting in order to (i) assess the suitability of the proposed candidate; and (ii) publish an announcement or circulate a supplementary circular in relation to the proposal to the shareholders not less than ten (10) business days prior to the general meeting.

SHAREHOLDER RIGHTS *(CONTINUED)*

Shareholders have the right to receive corporate communication issued by the Company in hard copies or through electronic means.

Shareholders whose shares held in the Central Clearing and Settlement System (CCASS) may notify us from time to time through Hong Kong Securities Clearing Company Limited if they wish to receive our corporate communications.

Shareholders and other stakeholders may send their enquiries and concerns to the Board by addressing them to the company secretary. The company secretary forwards communications relating to matters within the Board's purview to the independent Directors, communications relating to matters within a Board committee's area of responsibility to the chair of the appropriate committee, and communications relating to ordinary business matters, such as suggestions, inquiries and consumer complaints, to the appropriate executives of the Company.

To promote effective communication, the Company maintains a website at www.doyenintl.com, where up-to-date information of the Company is available for public access.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE PERFORMANCE

This Environmental, Social and Governance Report (the "Report") was prepared by the Company and the Group in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") set out in Appendix 27 of the Exchange Listing Rules published by the Stock Exchange. The Report was prepared in adherence to the four reporting principles: materiality, quantitative, balance and consistency. We collected views expressed by staff from different departments regrading environmental and social issues, and formulated our short-term and long-term sustainable development strategy according to the information.

The Report discloses the Group's sustainable development strategy and related work and should be read in conjunction with the corporate governance report in the annual report in order to obtain a comprehensive understanding of the Group's environmental, social and governance performance.

A. PUTTING ENVIRONMENTAL PROTECTION INTO PRACTICE

The Group fully understands importance of good environmental management and is committed to minimizing the environmental impacts of its daily operation. The Group strictly complies with laws and regulations that have a significant impact on the Group's operation in Hong Kong and in the PRC with air and greenhouse gas ("GHG") emissions, discharges into water and land, and generation of waste. Since the Group focuses on property investment and loan financing as its core business and mainly involves operation in an office environment and property management of shopping mall, it has a low environmental impact. Nonetheless, the Group strives to promote the environmental awareness among Directors, senior management and other employees, proactively respond to the global energy conservation and emission reduction to play a part in environmental protection. During the reporting period, there were no confirmed violation or complaints received in relation to environmental protection that would have a significant impact on the Group.

To reduce the environmental impact caused by the waste generated from our daily operation, the Group established the *Green Office Policy* (the "Policy") during the reporting period. The Policy clearly sets out employees' responsibilities in the areas of environmental management, energy conservation and reducing resource consumption. The Group effects and implements the Policy at all levels to raise employees' environmental awareness. Employees are encouraged to respond to environmental protection at work, and eventually to extend the green practices into their everyday lives to minimise the impact to the environment. The Policy is implemented by department heads illustrating the implementation method to employees and human resources department conducting training for new employees.

The Group understands the importance to constantly review and revise the Policy. The department heads regularly collect feedback and suggestions from employees regarding the implementation of Policy and conduct review annually to identify areas of improvement in order to promote best practices. Moreover, the Group continues to implement green office measures by recording the amount of resources used in offices and plans to set quantitative targets to respond to government's initiatives of green office management.

A.1 Energy Saving and Emission Reduction

The major composition of air pollutant and GHG emissions within the Group's direct business operation is generated from the energy consumption from offices and shopping mall, followed by the fuel consumption from company vehicles. The Group formulated clear instruction on the use of company vehicles and ensures optimal utilization of company vehicles through regulating their uses to employees with genuine needs only, thereby reducing the emissions of air pollutants and GHG. Furthermore, on the energy consumption front, in order to save electricity, the Group has carried out a number of energy conservation measures in offices and shopping mall, such as the regular inspection and review of the carbon footprint generated from the business operation, to understand the level of emission and to refine corresponding measures in a timely manner when necessary. The Group also uses highly energy efficient light bulbs and tubes as well as installs separate switches for different areas.

To achieve higher energy efficiency in the offices, the Group implements Policy with practical measures, including: (1) turning off computers and other office equipment after work (such as printers and fax machines); (2) switching off all the lighting systems in the office after work; (3) keeping the average indoor temperature of the office between 24 to 26 degree Celsius and switching off all the air-conditioning automatically after 8p.m. to reduce the electricity consumption of air-conditioners; (4) using low energy consumption lighting and control (e.g. light emitting diodes ("LED") lights); (5) using energy-efficient appliances (e.g. home appliances of Grade 1 Energy Efficiency Label); (6) Encourage employees to use public transport as much as possible during their attendance; and (7) encouraging the replacement of overseas business trips of Directors and senior management with teleconferences. During the Reporting Period, Shanghai Dongkui had employed a full coverage of LED lights in the office, meanwhile, other subsidiaries have also begun to adopt LED lights, saving office electricity and reducing electricity bills.

In order to improve its energy consumption efficiency , the Group incorporates various environmental elements in property investment projects. For instance, the prominent use of LED lights Inside the Dong Dong mall and the installation of glass ceiling promotes the penetration of natural light, enhances the brightness of the shopping mall and reduces the use of lights. In terms of the mall's equipment, it is equipped with smart light control system which are automatically activated when insufficient natural light is detected in order to use resources adequately and enhance energy efficiency, in addition, it also has a time control system, which the lights are set to turn on and off at 10a.m. and 9p.m. respectively. Furthermore, service-on-demand escalators were installed to reduce unnecessary usage of electricity. In terms of property management, it required building attendants to inspect if computers, lights and air-conditioning system are properly switched off during non-office hours to minimize resources used. Dong Dong Mall's sewage is discharged through the municipal drainage system and is handled by the government in a centralized approach. Any uncontrolled sewage discharge are strictly prohibited.

A.2 Waste Management and Resource Conservation

The waste generated by the Group primarily comes from daily office and shopping mall operations, dominated by paper waste and leftover materials from mall events. The Group's Policy clearly sets out measures to reduce waste generation and resource consumption, specific measures include: (1) reducing the use of facial tissues; (2) replacing paper hand towels with towels; (3) printing on both sides of the paper; (4) reducing the use of disposable tableware; (5) installing dual flush toilets and water-saving faucets as standardize appliances; (6) ensuring the recycling of office equipment (such as calculators, printers and telephones etc.) at the product's end-of-life; and (7) providing office waste recycling facilities such as different types of recycling bins. The Group is in strict accordance with the *Waste Disposal Ordinance* to discharge office waste in a proper manner. During the reporting period, the Group has accumulatively consumed 280 kg of paper, of which 85 kg was recycled with the recycling rate being over 30%. In addition, the main hazardous wastes generated from the Group's direct operations are toner cartridges and batteries. The Group encourages the use of recyclable toner cartridges and the return of used toner cartridges to suppliers for recycling. During the reporting period, the Group has accumulatively used 18 cartridges and 13 batteries, all of which were handled by third parties for recycling and disposal. The Group's water is sourced from municipal supply and is controlled by the property management operators in a centralized approach. The Group has no issue in sourcing water and the Group's business operation does not constitute a significant impact on water resources.

In addition to proactively reducing office waste, Dong Dong Mall also developed a comprehensive waste management policy and a number of waste recycling bins have been set up in the shopping mall to increase the recycling rate and facilitate the recycling of resources. During the reporting period, Dong Dong Mall has accumulatively recycled over 100 kg of waste through recycling companies. On top of the daily shopping mall waste, Dong Dong Mall also formulated the *Management Measures for Material Handling* with a view to reuse materials and reduce wastes, reinforcing the management of reusable materials arising from the shopping mall operation, including waste materials generated from mall events and from the tenants when they are moving out. In terms of water use, the restrooms of Dong Dong Mall installed sensor faucet in order to save water consumption.

A.3 Environment and Natural Resources

The Group's direct operations have minimal impact on the environment and natural resources. Nonetheless, the Group remains committed to proactively respond to the global trend of energy conservation and emission reduction to contribute to the protection of the environment and natural resources. Meanwhile, the Group will also explore business development opportunities in the areas of energy conservation and environmental protection, to ensure that environmental protection is gradually integrated into the Group's investment decisions when the security and abundance of funds are available.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE PERFORMANCE

Environmental Performance Data in the Year of 2019

Air Emission					
Emission Source	**Type**	**Quantity**	**Unit**		
Company Vehicles[1]	Nitrogen Oxides (NO_x)	0.0045	Metric ton		
	Sulphur Dioxide (SO_2)	0.00014	Metric ton		
	Particulate Matter ($PM_{2.5}$)	0.000033	Metric ton		
GHG Emission					
Emission Source	**Type**	**Quantity**	**Unit**	**Intensity**	**Unit**
Scope 1: Direct Emission					
Company Vehicles[2]	CO_2 Equivalent	22.04	Metric tons	0.69	Metric ton/ employee
Scope 2: Indirect Emission					
Purchased Electricity[3]	CO_2 Equivalent	175.90	Metric tons	0.011	Metric ton/m^2
Scope 3: Other Indirect Emission					
Business Air Travel by Employees[4]	CO_2 Equivalent	17.36	Metric tons	0.54	Metric ton/ employee
Use of Resources					
Purchased Electricity		325,658.34	kWh	19.57	kWh/m^2
Purchased Gasoline		9,340.32	Litre	291.89	Litre/employee
Purchased Water[5]		1,390.40	m^3	43.45	m^3/employee

1 This calculation of air pollutant emissions and respective emission factors were set out based on the *Material Balance Method and EMEP/EEA Air Pollutant Emission Inventory Guidebook – 2016*.

2 This calculation scope of GHG emissions (Scope 1) includes vehicles used by the Company in Hong Kong, respective emission factors were set out based on the *Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong 2010 version* published by Hong Kong Environmental Protection Department and Electrical and Mechanical Services Department.

3 This calculation of GHG emissions (Scope 2) and respective emission factors were set out based on *2017 Sustainability Report* published by Hong Kong Electric Investments; and the *2011 and 2012 PRC's Regional Grid Average Carbon Dioxide Emission Factor* published by National Development and Reform Commission of the PRC.

4 This calculation of GHG emissions (Scope 3) includes business air travel by employees, and the calculation and respective emission factors were set out based on the carbon emissions calculator developed by the International Civil Aviation Organization, a United Nations agency.

5 The Company operated in a leased office premise and its supply of water was managed by a third-party property management company. Therefore, the scope of purchased water did not include the Company.

Total Non-Hazardous Waste				
Domestic Waste	0.79	Metric tons	0.024	Metric ton/employee
Office Paper	0.15	Metric tons	0.0047	Metric ton/employee
Total Hazardous Waste				
Toner Cartridge	18	Pieces	0.56	Piece/employee
Battery	14	Pieces	0.43	Piece/employee

B. SOCIAL RESPONSIBILITY

The Group always regards employees are one of the most important assets and treats them as the enterprise's foundation. The Group attaches great importance to employees' rights and interests and strictly complies with laws the PRC China relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare, including, but not limited to, the *Employment Ordinance*, the *Disability Discrimination Ordinance*, the *Labor Law of the PRC*, the *Labor Contract Law of the PRC* and the *Social Insurance Law of the PRC*, committed to creating a fair, safe and promising working environment for our employees. During the reporting period, the Group had not received any cases regarding the violation or complaint relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare that have a significant impact on the Group.

B.1 Employment

The Group has a sound human resources system. The Group strictly implements the *Employee Regulation* and the *Human Resources and Administration Handbook*, which stated the rules and procedures of recruitment, promotion, compensation, benefits, rest periods, dismissal, etc. The Group has been constantly improving its existing policies to establish a good supervision and protection system to protect the legitimate rights and interest of our employees.

During the recruitment and promotion process, the Group comprehensively considers the performance, work experience and capability of applicants or employees, while ensuring that they are not discriminated against on factors such as gender, age, race, family status or physical disability, and are given equal opportunities. The Group strictly prohibits any forms of unfair or unreasonable dismissal and clearly sets out the terms of dismissal of employees. The *Employee Regulation* of Shanghai Dongkui, a subsidiary of the Company, stipulates that if an employee violates the rules of his/her corresponding position, under serious circumstances such as the violation of national laws and regulations, deliberate destruction of company's finances and other acts that cause serious losses to Shanghai Dongkui, employees would be terminated immediately and would not be provided with severance payment or compensation.

The Group provides a nurturing environment, competitive compensation and benefits packages to its employees. The Group determines the employee's compensation package based on employee's work performance and the remuneration standard of the market, reasonable adjustments are made in due course as a recognition of employee's performance and to retain outstanding talents. The compensation package consists of basic salary, commission (provided to some operating employees only), medical insurance scheme and retirement benefit plans. Additionally, the Group provides discretionary bonus and issues share option to eligible employees according to their business performance. Besides, the Group strives to provide other benefits to employees, such as overtime payment, holiday working allowance, birthday welfare, meal allowance and transportation allowance. The Group also lists out the work and rest periods of employees in the labor contract, which are in accordance with the labor law of respective operating location. Employees are entitled to statutory holidays, annual leave, sick leave and maternity leave, while unpaid leave, paternity leave, marriage leave, causal leave and compassionate leave are provided to employees depending on individual circumstances.

B.2 Health and Safety

The Group is committed to creating a comfortable, healthy and safe workplace for its employees, strictly complies with laws and regulations that have a significant impact on the Group's operation in Hong Kong and in the PRC in relation to providing a safe working environment and protecting employees from occupational hazards, including, but not limited to, the *Occupational Safety and Health Ordinance* and the *Employees' Compensation Ordinance*. The Group outlines occupational health and safety measures in its *Human Resources and Administration Manual*, with a view to prevent and eliminate any occupational hazards and makes every effort to reduce risks in the working environment of our employees, with zero injury as the goal. During the reporting period, the Group did not receive any violations or complaints relating to occupational health and safety that have a significant impact on the Group.

The Group purchases insurance for employees and sets up medical first-aid kits at workplaces. Moreover, the Group establishes work arrangements for typhoons and rainstorms warnings to avoid accidents that may occur while employees travel to workplaces in an inclement weather. The Group also arranges employees to participate in fire drills to enhance their resilience to emergencies. To ensure safety in office, the Group provides adjustable chairs to employees with a view to minimize physical fatigue on the use of computers over a long period of time. The Group is very concerned about the physical condition of its employees, providing each employee with an annual physical examination to ensure their physical wellness. Meanwhile, the Group attaches importance to the office environment, places green plants in the office, sets up air purifiers and arranges third party to clean the air-conditioning system. Furthermore, the professional property management team of the Group conducts regular inspection and maintenance of Dong Dong Mall's fire equipment and elevators to ensure the safety of our employees, tenants and customers.

In order to promote employees' awareness of occupational health and safety, the Group arranges employees to join health talks and puts up posters in the office to provide employees with information on work environment and occupational safety. In addition, the Group organizes activities at spare time, including team building activities, birthday parties, festive dinners etc., to provide employees with the opportunity to relax outside of work, to interact with their colleagues and thereby to enhance their enthusiasm to work and their sense of belonging to the Group.

B.3 Development and Training

The Group places high emphasis to the training of talents and the establishment of a team of excellence, strives to connect employees' personal development with the Group's development. To facilitate the growth of the Company and employees, the Company conducts employee assessment at the end of every year. Depending on employees' performance and responsibilities, the Group provides them with promotion and training opportunities. The Group regularly participates in seminars on topics such as financing, compliance and anti-corruption organized by the government and professional bodies such as the Hong Kong Independent Commission Against Corruption and other financial intermediaries in Hong Kong, such that employees with a financial license or with related work duties to keep pace with the changes and regulations of the market. Meanwhile, the Group also arranges on-the-job training, health and safety training, in-house experience sharing and other training activities for new employees to broaden their horizons in the professional field.

B.4 Labor Standards

The operation of the Group does not employ child labor and prohibits the occurrence of any forms of forced labor. The Group checks the identity certificates of applicants during the recruitment process and promises not to force employees to work overtime. Upon discovery of any child labour and use of forced labour, we shall seek legal advice and the relevant personnel will be dismissed immediately with no compensation to eliminate the threat. During the reporting period, the Group did not receive any violations or any complaints about illegal child and force labor that would have a significant impact on the Group.

B.5 Supply Chain Management

The Group's suppliers and customers are mainly from Hong Kong and China. The Group requires them to comply with laws and regulations and establish a mutually reliable cooperation partnership relationship. The main suppliers of the Group include office supplies and business gift suppliers, advertising companies employed for publicity and engineering companies employed for the maintenance of the shopping mall or offices. The Group formulated the *Procurement Management Guide*, which prescribes the transparent procurement procedures to select suitable suppliers in a fair, impartial and open manner. In order to reduce procurement risk and enhance procurement efficiency, the Group has guidelines for the selection of product and service providers, with business's reputation, quality, service, price and terms of sale as the procurement criteria. Furthermore, the Group also places high emphasis on the social and environmental responsibilities undertake by suppliers, as well as their performances in these two areas, hence, the Group implements Green Procurement. Subject to the Group's requirements, the Group gives priority to purchasing from local suppliers in order to reduce the carbon emissions generated during the transportation of materials and products, and gives priority to the procurement of green products supplied by eco-friendly organizations, aiming to work with suppliers that uphold principles consistent with the Group.

Subsequent to a comprehensive assessment, the Group enters into sales agreement with eligible suppliers and requires suppliers to comply with applicable laws and regulations. The Group also monitors the performance of its suppliers regarding the environment and society with different measures to ensure that requirements of the Group are met. In terms of engineering and advertising service providers, Chongqing Baoxu inspects and assesses suppliers through a multi-departmental approach, to ensure their compliance with the requirements of the Group and the regulations of the Group's operating location, and also to ensure their quality. Meanwhile, Shanghai Dongkui also evaluates suppliers' performance regularly and terminates contracts with suppliers that cannot comply with the requirements.

B.6 Service Excellence

The Group insists on enhancing our service quality based on the needs of customers, strictly complies with laws and regulations that have a significant impact on the Group's operation in Hong Kong and in the PRC in relation with health and safety, advertising, labelling, privacy matters and contingency plans relating to the services the Group provides, including, but not limited to, the *Personal Data (Privacy) Ordinance*, the *Competition Ordinance*, the *Advertising Law of the PRC* and the *Trademark Law of the PRC*, aiming to provide customers with compliant and high-quality services. The Group adheres to operate in a compliant manner and does not have any strategy to impede or impair market competition in support of the free market economy. During the reporting period, the Group did not receive any violation or complaints about health and safety, advertising, labelling, privacy matters and contingency plans relating to the services the Group provides that have a significant impact on the Group.

In terms of loan financing business, prior to providing loan financing services to customers, Shanghai Dongkui systematically conducts customer due diligence by assessing the profitability, financial situation, credit status of the enterprise, and selects projects with reliable ratings, sufficient guarantees and controllable risks. In terms of property investment business, to protect the safety of employees, shopping mall tenants and customers, the Group's property management team regularly inspects and repairs the fire equipment and elevators of Dong Dong Mall in order to ensure that the condition of the equipment is safe and good, reducing the occurrence of accidents or malfunctions, to provide a safe and secure shopping environment for tenants and customers. In addition, the Group actively maintains good communication with customers through official website, service hotlines, dedicated mailboxes and other channels, to collect customer's expectations and suggestions for the Group's work. Chongqing Baoxu also have a customer service center and customer service hotlines to handle the inquiries and complaints against Dong Dong Mall. Meanwhile, the Group formulated the *Guidelines on Customer Service Complaint Handling*, outlining the handling process of customer complaints and sets out the responsibilities and principles in order to enable an effective handling of complaints to enhance customer satisfaction. When a customer's complaint is received, the customer service department of the Group will immediately determine the level and type of complaint and refer it to the appropriate department to respond to the customer within 24 hours. Responsible personnel are required to analyze, report and write a case study for each complaint for other colleagues' reference, to avoid the recurrence of similar incidents.

The Group attaches great importance to the protection of customer privacy and formulated the *Customer Data Confidentiality System* along with the implementation of a series of confidentiality measures to ensure the confidentiality of customer information. In conducting transactions, the Group enters into confidentiality agreements with third parties, such as customers, suppliers, investors, etc., as required. All agreements and confidential documents are stored in locked filing cabinet, stipulating that documents are not allowed to be copied without the approval of the managing personnel. In addition, the Group sets out in the labor contract the obligation of employees to keep sensitive information of the Group confidential. The Group also enters into a confidentiality agreement with employees requiring the confidentiality of documents, data, forms and other information obtained by employees during their employment terms such as project plans, customer lists and financial data, and to avoid the mentioning of work outside office. If any customer information is found leaked, the Group will promptly carry out rectification and give employees corresponding punishment according to the severity of the incident, with employees being held legally responsible for serious circumstances. During the reporting period, the Group did not experience any incidents of customer information leakage, nor did it receive any complaints about improper use of customer information that have a significant impact on the Group.

The Group forbids any forms of false or misleading description during advertising and transaction process, requiring all issued advertisements or other information to be reviewed by the heads of department before publishing, to ensure that accurate and comprehensive information is provided to customers during business meetings, consultations or in other work-related processes.

B.7 Anti-corruption

The Group strives to uphold a high level of corporate management and ethnical conduct in all areas and will not tolerate any incidents that are inconsistent with business ethics, such as corruption, bribery, fraud and other violations. The Group strictly complies with laws and regulations that have a significant impact on the Group's operation in Hong Kong and in the PRC in relation with bribery, extortion, fraud and money laundering, including, but not limited to, the *Independent Commission Against Corruption Ordinance*, the *Prevention of Bribery Ordinance*, the *Anti-Corruption and Bribery Law of the PRC* and the *Anti-Money Laundering Law of the PRC*. During the reporting period, the Group did not receive any allegation against the Group or its employees of bribery, extortion, fraud and money laundering that would have a significant impact on the Company. No whistleblowing disclosures related to anti-bribery and anti-corruption were received.

The Group formulated anti-corruption policies and measures, and eradicates any forms of corruption, bribery or misuse of authority behavior through the below policies: (1) Open tendering: based on the circumstances, tenders should be selected from at least 3 service institutions and transparency is ensured during the tendering process; (2) Service contract review and approval: service agreements are subject to the approvals of employees of different ranks according to the value of the agreements, with a countersignature system employed for large-value agreements; (3) Third-party audit: engage third party audit institutions to audit financial accounts, preventing account falsification to safeguard shareholders' interests; (4) Signing of corruption prevention agreements: in the management of Chongqing Baoxu, the tenants of Dong Dong Mall are required to sign an agreement on the prevention of corruption with a view to eliminate any form of transfer of benefits; (5) Anti-corruption training: anti-corruption training are provided to employees, corresponding punishment are given to any non-compliance behavior to the management system; (6) Preventing bribery: requiring employees to abide by professional ethics, any forms of corruption or bribery are not allowed. Employees will be discharged from their duties and are required to indemnify the Group against its losses when they are found committing in a corrupted act. If the corrupted act is found in violation of rules against regional or national regulatory requirements, the concerned employee would be held accountable for his/her judicial responsibility; (7) Whistleblowing and reporting: unless the Group grants formal agreement, employees are restricted to disclose business intelligence or sensitive information directly or indirectly to anyone or entity during employment terms. Suspected cases are encouraged to be reported; and (8) Prevention of money laundering and fraud: before and after loan financing begins, careful pre-leasing investigation, on-site agreement signing, and post-lending examination must be conducted pursuant to the *Interim Measures Governing Leasing Investigation*, so as to prevent fraud and ensure that all loan financing items come through official channels. In addition, clear delegation of job duties to relevant departments, such as sales department, risk management department and property management department, to strengthen its self-restraint and to give rise to supervisory and restrictive function at every step within the audit process.

B.8 Community Engagement

The Group is well aware of the importance to give back to the community and considers community interests as part of the Group's social responsibilities. The Group proactively reaches out to the community that it operates to understand its needs and views to show our care for the community, aiming to contribute in different areas to promote an all-rounded community development, gradually strengthening the positive image of the Group and promote sustainable development by contributing to the community.

As in the past, the Group responded to the feedback and needs from the community by actively participating in community activities while making diversified contributions in return for the community. The Group's image has been therefore promoted gradually in the society.

During the reporting period, Chongqing Baoxu and Dong Dong Mall, together with merchants which mainly engaged in kids' development business, organized the "Kids' Fantasy – the 3rd Anniversary Celebration of Dong Dong Mall" (《妙想童趣－東東摩啟萌街3周年慶》). Kids and their parents living in the community were invited to join the activities, which included: (1) insects exhibition: kids were allowed to have close contact with various species of insects and reptiles so as to improve the knowledge of natural observation and life education; (2) science laboratory: conducting scientific experiments, such as power generation by fruit, volcanic eruption, colour changes of plants, etc. to develop kids' curiosity towards the world and consolidate their scientific minds; (3) art and calligraphy exhibition: organized by merchants of Dong Dong Mall – 關魯軒美術and問思堂書法, for the development of kids' creativity, imagination, flexibility, aesthetics, etc. to learn how to appreciate and criticize external things; (4) cultural and art performance: kids were allowed to show their own unique characters in front of the audience and gain joy, pleasures and satisfaction through the performance for the development of lifelong interests in art.

APPENDIX: THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE INDEX

General Disclosures and Key Performance Indicators ("KPIs")	Description	Corresponding section in the Report or other descriptions
A. Environmental		
Aspect A1: Emission		
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.	A A.1
KPI A1.1	The types of emissions and respective emissions data.	A.3
KPI A1.2	Greenhouse gas emissions in total (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	A.3
KPI A1.3	Total hazardous waste produced (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	A.3
KPI A1.4	Total non-hazardous waste produced (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	A.3
KPI A1.5	Description of measures to mitigate emissions and results achieved.	A.1
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	A.2
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	A
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	A.3

General Disclosures and Key Performance Indicators ("KPIs")	Description	Corresponding section in the Report or other descriptions
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	A.3
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	A.1
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	A.2
KPI A2.5	Total packaging material used for finished products (in tons) and, if applicable, with reference to per unit produced	Not applicable[6]
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	A.3
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Not applicable[7]
B. Social		
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.	B.1
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.	B.2
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	B.3

6 Since there are no sales of actual products in the direct business scope of the Group, the use of packaging materials was not involved during the reporting period.

7 Due to the minimal impact of the Group's direct business operation on the environment and natural resources, there are no activities taken to manage the impact.

General Disclosures and Key Performance Indicators ("KPIs")	Description	Corresponding section in the Report or other descriptions
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.	B.4
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	B.5
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.	B.6[8]
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.	B.7
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 take into consideration the communities' interests.	B.8

8 Since there are no sales of actual products in the direct business operation of the Group, no matters relating to product labelling were involved during the reporting period.

INDEPENDENT AUDITOR'S REPORT

bakertilly
天職國際

To the members of
Doyen International Holdings Limited
(Incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of Doyen International Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 52 to 121, 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 Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2018 were audited by another independent auditor who expressed an unmodified opinion on these consolidated financial statements on 27 March 2019.

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.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment on loan receivables and amounts due from a related company	
Refer to notes 5(b), 22 and 25 to the consolidated financial statements As at 31 December 2019, the Group's loan receivables and amounts due from a related company amounted to approximately HK$112,604,000 and HK$510,078,000, respectively. With the assistance from external valuers, management assessed the provision for impairment of loan receivables and amounts due from a related company based on the expected credit loss ("ECL") model. The ECL model involves significant management judgements and assumptions regarding the probability of default, loss given default, collateral values, economic indicators on forward-looking information as well as other significant factors not covered in the ECL model, if applicable. We focused on this area because the carrying values of loan receivables and amounts due to a related company are significant to the consolidated financial statements and management's estimation of ECL allowance of loan receivables and amounts due from a related company involves significant judgements and estimates.	Our procedures in relation to this matter included: – understood, evaluated and validated the design and operating effectiveness of the controls over impairment assessment of loan receivables and amounts due from a related company, which relates to management's judgements and assumptions including significant increase in credit risk, criteria of defaults and forward-looking information; – carried out procedures, on a sample basis, to test the existence and accuracy of the aging of loan receivables and amounts due from a related company applied in the ECL model and as at the end of reporting period; – evaluated the competence, independence, capacities and objective of the Group's external valuers; – evaluated the appropriateness of the key assumptions, such as collateral values used in the ECL model with reference to the historical data and market economic data; and – re-performed management's calculation of collective impairment assessment which grouped together all the receivables with similar risk characteristics based on the probability of default, exposure at default, loss given default, forward-looking information and other significant factors taken into account in estimating the ECL allowance.

KEY AUDIT MATTERS *(CONTINUED)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment property	
Refer to notes 5(a) and 20 to the consolidated financial statements Management has estimated the fair value of the Group's investment property, a shopping mall located in the People's Republic of China, to be approximately HK$314,999,000 as at 31 December 2019 and a fair value gain on investment property of approximately HK$1,476,000 was recorded in the consolidated statement of profit or loss for the year ended 31 December 2019. The fair value of the investment properties as at 31 December 2019 was assessed by the directors primarily based on an independent valuation report prepared by external valuers. The valuation of the investment property is a level 3 fair value measurement as it uses significant unobservable inputs (e.g. capitalisation rate, long term vacancy rate and expected future market rent) which require significant management's judgements.	Our procedures in relation to this matter included: – evaluated the competence, independent, capabilities and objectivity of the Group's external valuers; – assessed the appropriateness of the valuation methodology used; – assessed the reasonableness of the key assumptions based on our knowledge of the property market and the characteristics of the shopping mall; – checked, on a sample basis, the accuracy and relevance of the input data used; and – assessed the adequacy of the disclosures in relation to the fair value measurement of the investment property.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the annual report other than the consolidated financial statements and our auditor's report thereon.

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

– 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.

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

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.

The engagement director on the audit resulting in this independent auditor's report is Lo Wing See.

Baker Tilly Hong Kong Limited
Certified Public Accountants
Hong Kong, 26 March 2020

Lo Wing See
Practising Certificate Number P04607

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 HK$'000	2018 HK$'000
Revenue	8	**33,202**	30,959
Purchases		**(516)**	–
Staff costs	9	**(13,975)**	(15,802)
Operating lease rentals		**–**	(3,152)
Short-term leases expenses		**(1,357)**	–
Other tax expenses		**(1,670)**	(5,116)
Depreciation of property, plant and equipment		**(79)**	(338)
Depreciation of right-of-use assets		**(1,454)**	–
Impairment losses on amounts due from a related company		**(49,717)**	–
Impairment losses on loan receivables		**(23,345)**	(88)
Other operating expenses		**(12,495)**	(11,775)
Other gains and losses	10	**(1,928)**	(14,831)
Other income	11	**3,953**	13,116
Loss from operations		**(69,381)**	(7,027)
Finance income	13	**1,681**	75,063
Finance costs	13	**(20,469)**	(22,281)
Finance (costs)/income – net		**(18,788)**	52,782
(Loss)/profit before tax		**(88,169)**	45,755
Income tax credit/(expense)	14	**4,764**	(17,774)
(Loss)/profit for the year	15	**(83,405)**	27,981
Attributable to:			
Owners of the Company		**(79,691)**	17,053
Non-controlling interests		**(3,714)**	10,928
		(83,405)	27,981
(Loss)/earnings per share	18		
		HK cents	HK cents
Basic and diluted		**(6.25)**	1.34

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 HK$'000	2018 HK$'000
(Loss)/profit for the year	**(83,405)**	27,981
Other comprehensive expenses, net of tax		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(12,110)**	(41,503)
Total comprehensive expenses for the year	**(95,515)**	(13,522)
Attributable to:		
Owners of the Company	**(88,647)**	(13,916)
Non-controlling interests	**(6,868)**	394
	(95,515)	(13,522)

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2019

	Note	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment	19	**66**	146
Right-of-use assets	28	**4,320**	–
Investment property	20	**314,999**	318,868
Intangible assets	21	**7,096**	7,096
Loan receivables	22	**26,192**	63,761
Deferred tax assets	29	**20,761**	8,146
		373,434	398,017
Current assets			
Loan receivables	22	**86,412**	97,535
Trade receivables	23	**577**	–
Prepayments, deposits and other receivables		**4,892**	3,572
Financial assets at fair value through profit or loss	24	**10,702**	8,404
Amounts due from a related company	25	**510,078**	565,674
Pledged bank deposits	26	**–**	1,138
Bank and cash balances	26	**39,047**	133,222
		651,708	809,545
Current liabilities			
Accruals and other payables		**15,863**	17,437
Borrowings	27	**166,974**	234,396
Lease liabilities	28	**2,032**	–
Current tax liabilities		**14,507**	14,859
		199,376	266,692
Net current assets		**452,332**	542,853
Total assets less current liabilities		**825,766**	940,870
Non-current liabilities			
Borrowings	27	**22,380**	45,520
Lease liabilities	28	**2,469**	–
Deferred tax liabilities	29	**10,656**	7,029
		35,505	52,549
NET ASSETS		**790,261**	888,321
Capital and reserves			
Share capital	30	**1,174,378**	1,174,378
Reserves		**(568,911)**	(480,264)
Equity attributable to owners of the Company		**605,467**	694,114
Non-controlling interests		**184,794**	194,207
TOTAL EQUITY		**790,261**	888,321

Approved by the Board of Directors on 26 March 2020 and are signed on its behalf by:

Lo Siu Yu
Director

Tai Xing
Director

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Attributable to owners of the Company								
	Share capital HK$'000	Merger reserve HK$'000 (Note 30(b)(i))	Exchange reserve HK$'000 (Note 30(b)(ii))	Statutory reserve HK$'000 (Note 30(b)(iii))	Other reserves HK$'000 (Note 30(b)(iv))	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2018	1,174,378	(409,968)	(17,711)	7,050	11,618	(57,337)	708,030	200,466	908,496
Profit for the year	–	–	–	–	–	17,053	17,053	10,928	27,981
Other comprehensive expenses for the year	–	–	(30,969)	–	–	–	(30,969)	(10,534)	(41,503)
Transfer to statutory reserve	–	–	–	5,447	–	(5,447)	–	–	–
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	(6,653)	(6,653)
Vested share options forfeited (note 31)	–	–	–	–	(2,456)	2,456	–	–	–
Lapse of warrants (note 32)	–	–	–	–	(6,433)	6,433	–	–	–
Release upon disposal of an associate	–	–	–	–	(1,333)	1,333	–	–	–
At 31 December 2018 and 1 January 2019	**1,174,378**	**(409,968)**	**(48,680)**	**12,497**	**1,396**	**(35,509)**	**694,114**	**194,207**	**888,321**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(79,691)**	**(79,691)**	**(3,714)**	**(83,405)**
Other comprehensive expenses for the year	**–**	**–**	**(8,956)**	**–**	**–**	**–**	**(8,956)**	**(3,154)**	**(12,110)**
Transfer to statutory reserve	**–**	**–**	**–**	**1,478**	**–**	**(1,478)**	**–**	**–**	**–**
Dividend paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,545)**	**(2,545)**
At 31 December 2019	**1,174,378**	**(409,968)**	**(57,636)**	**13,975**	**1,396**	**(116,678)**	**605,467**	**184,794**	**790,261**

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 HK$'000	2018 HK$'000
Cash flows from operating activities			
(Loss)/profit before tax		**(88,169)**	45,755
Adjustments for:			
Reimbursement of tax and other expenses from a related company	11	**(2,883)**	(10,637)
Finance income	13	**(1,681)**	(75,063)
Finance costs	13	**20,469**	22,281
Gain on disposal of a subsidiary	10	**–**	(50)
Dividend income from equity investments	11	**(262)**	(334)
Depreciation of property, plant and equipment		**79**	338
Depreciation of right-of-use assets		**1,454**	–
Impairment losses on amounts due from a related company		**49,717**	–
Impairment losses on loan receivables		**23,345**	88
Loss on disposals of property, plant and equipment	10	**–**	65
Fair value gain on investment property	10	**(1,476)**	(1,893)
Fair value (gain)/loss on financial assets at fair value through profit or loss	10	**(2,298)**	642
Exchange loss – net	10	**5,702**	16,067
Operating profit/(loss) before working capital changes		**3,997**	(2,741)
Decrease/(increase) in loan receivables		**23,311**	(5,599)
Increase in trade receivables		**(585)**	–
(Increase)/decrease in prepayments, deposits and other receivables		**(1,370)**	74
(Decrease)/increase in accruals and other payables		**(1,386)**	1,363
Cash generated from/(used in) operations		**23,967**	(6,903)
Income taxes refund		**(1,018)**	(10,104)
Net cash generated from/(used in) operating activities		**22,949**	(17,007)
Cash flows from investing activities			
Interest received		**1,681**	660
Dividend income received		**262**	334
Proceeds from disposals of property, plant and equipment		**–**	1
Purchase of an investment property		**–**	(718)
Proceed from disposal of a subsidiary		**–**	50
Purchase of financial assets at fair value through profit or loss		**–**	(308,620)
Proceeds from disposals of financial assets at fair value through profit or loss		**–**	430,233
Decrease in pledged bank deposits		**1,135**	5,010
Net cash generated from investing activities		**3,078**	126,950

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 HK$'000	2018 HK$'000
Cash flows from financing activities			
Repayment of bank loans	34	**(22,700)**	(50,572)
Repayment of bonds	34	**(72,000)**	–
Interest paid on bank loans	34	**(3,040)**	(4,684)
Interest paid on bonds	34	**(12,321)**	(4,376)
Capital element of lease rentals paid	34	**(1,274)**	–
Interest element of lease rentals paid	34	**(150)**	–
Dividend paid to non-controlling interests		**(2,545)**	(6,653)
Net cash used in financing activities		**(114,030)**	(66,285)
Net (decrease)/increase in cash and cash equivalents		**(88,003)**	43,658
Effect of foreign exchange rate changes		**(6,172)**	(6,571)
Cash and cash equivalents at 1 January		**133,222**	96,135
Cash and cash equivalents at 31 December		**39,047**	133,222
Analysis of cash and cash equivalents			
Bank and cash balances		**39,047**	133,222

The accompanying notes form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Doyen International Holdings Limited (the "Company") was incorporated in Hong Kong with limited liability. The address of its registered office and principal place of business is Suite 2206, 22nd Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company together with its subsidiaries (collectively referred to as the "Group") are principally engaged in investment property holding in the People's Republic of China (the "PRC"), provision of financing to customers in the PRC (the "Dongkui business"), investment holding and sales of flowers and plants.

In the opinion of the directors of the Company, as at 31 December 2019, Money Success Limited, a company incorporated in the British Virgin Islands ("BVI"), is the immediate parent; Wealthy In Investments Limited, a company incorporated in the BVI, is the ultimate parent and Mr. Lo Siu Yu ("Mr. Lo") is the ultimate controlling party of the Company.

2 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). HKFRSs comprise individual Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and with the requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

3 ADOPTION OF NEW AND REVISED STANDARDS

(a) Application of new and revised HKFRSs

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

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

Except for HKFRS 16 "Leases", none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 ADOPTION OF NEW AND REVISED STANDARDS *(CONTINUED)*

(a) Application of new and revised HKFRSs *(Continued)*

HKFRS 16 "Leases"

HKFRS 16 replaces HKAS 17 "Leases" and the related interpretations, HK(IFRIC) 4 "Determining whether an arrangement contains a lease", HK(SIC) 15 "Operating leases – incentives" and HK(SIC) 27 "Evaluating the substance of transactions involving the legal form of a lease". It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low-value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

a. *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.

b. *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 the properties leased for own use as disclosed in note 35. For an explanation of how the Group applies lessee accounting, see note 4(g)(i).

At the date of transition to HKFRS 16 (i.e. 1 January 2019), 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 at 1 January 2019.

3 ADOPTION OF NEW AND REVISED STANDARDS *(CONTINUED)*

(a) Application of new and revised HKFRSs *(Continued)*

HKFRS 16 "Leases" *(Continued)*

b. Lessee accounting and transitional impact (Continued)

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(iii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

The following table reconciles the operating lease commitments as disclosed in note 35(a) as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019 **HK$'000**
Operating lease commitments at 31 December 2018	**1,377**
Less: commitments relating to leases exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 31 December 2019	**(1,377)**
Total lease liabilities recognised at 1 January 2019	**–**

c. Leasehold investment property

Under HKFRS 16, the Group is required to account for all leasehold properties as investment properties when these properties are held to earn rental income and/or for capital appreciation ("leasehold investment properties"). The adoption of HKFRS 16 does not have a significant impact on the Group's financial statements as the Group previously elected to apply HKAS 40, Investment properties, to account for all of its leasehold properties that were held for investment purposes as at 31 December 2018. Consequentially, these leasehold investment properties continue to be carried at fair value.

d. Lessor accounting

The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under HKAS 17.

3 ADOPTION OF NEW AND REVISED STANDARDS *(CONTINUED)*

(b) New and revised HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts[3]
Amendments to HKFRS 3	Definition of a Business[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
HKFRS 9 and HKFRS 7 (Amendment)	Interest Rate Benchmark Reform[1]
Revised conceptual Framework for Financial Reporting[1]	
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]

1. Effective for annual periods beginning on or after 1 January 2020.
2. Effective for annual periods beginning on or after a date to be determined.
3. Effective for annual periods beginning on or after 1 January 2021.

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

4 SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. investment property and certain financial instruments that are measured at fair value).

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to these consolidated financial statements are disclosed in note 5.

4 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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

(a) Consolidation

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

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

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

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

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

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

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

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

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment loss.

4 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(b) Business combination

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

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

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

(c) Associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of the investment over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of an associate's post-acquisition profits or losses and other comprehensive income is recognised in consolidated statement of profit or loss and other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

4 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(c) Associate *(Continued)*

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's entire carrying amount of that associate (including goodwill) and any related accumulated exchange reserve.

Unrealised profits on transactions between the Group and its associate are eliminated to the extent of the Group's interests in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the associate have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) Foreign currency translation

(i) Functional and presentation currency

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

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

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

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

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

(iii) Translation on consolidation

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

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

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

– All resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange reserve.

4 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(d) Foreign currency translation *(Continued)*

(iii) Translation on consolidation *(Continued)*

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the exchange reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

(e) Property, plant and equipment

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

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

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

Leasehold improvements	Over the term of the lease
Furniture, fixtures and equipment	4-5 years
Motor vehicles	5 years

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

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

(f) Investment property

Investment property is land and/or buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value. Gains or losses arising from changes in fair value of the investment property are recognised in profit or loss for the period in which they arise.

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

4 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(g) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. 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. 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.

(i) As a lessee

Policy applicable from 1 January 2019

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see note 4(v)). Depreciation is charged on a straight-line basis over the shorter of the lease term and the asset's useful life.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property and presents lease liabilities separately in the statement of financial position.

4 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(g) Leased assets *(Continued)*

(i) As a lessee *(Continued)*

Policy applicable prior to 1 January 2019

In the comparative period, as a lessee the Group classified leases as finance leases if the leases transferred substantially all the risks and rewards of ownership to the Group. Leases which did not transfer substantially all the risks and rewards of ownership to the Group were classified as operating leases.

Where the Group had the use of assets held under operating leases, payments made under the leases were charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis was more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received were recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 4(q).

(h) Intangible assets

Intangible assets with indefinite useful life is stated at cost less any impairment losses. Impairment is reviewed annually or when there is any indication that the club membership has suffered an impairment loss.

(i) Recognition and derecognition of financial instruments

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

Financial assets 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 and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

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

4 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(i) Recognition and derecognition of financial instruments *(Continued)*

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, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

(j) Financial assets

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 marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Debt instruments

Debt instruments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the instrument is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the instrument is calculated using the effective interest method.

– FVTOCI – recycling, if the contractual cash flows of the instrument comprise solely payments of principal and interest and the instrument is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of ECL, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the instrument is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– FVTPL if the instrument does not meet the criteria for being measured at amortised cost or FVTOCI (recycling). Changes in the fair value of the instrument (including interest) are recognised in profit or loss.

4 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(j) Financial assets *(Continued)*

Equity investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVTOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the instrument is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to accumulated losses. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVTOCI, are recognised in profit or loss as other income.

(k) Loan and other receivables

Loan and other receivables are stated at amortised cost using the effective interest method less allowance for expected credit losses ("ECL").

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows. Cash and cash equivalents are assessed for ECL.

(m) Financial liabilities and equity instruments

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

(n) Borrowings

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

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

(o) Accruals and other payables

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

(p) Equity instruments

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

4 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(q) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customers, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

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

(i) Sale of goods

Revenue is recognised when the customer accepts and takes the control of the products. Revenue represented the sales value of goods sold less returns, discounts, rebates and value added tax ("VAT").

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

(iii) Government grants

Government grants are recognised in the consolidated statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same year in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful lives of the asset by way of reduced depreciation expense.

Unconditional discretionary government grants from the local municipal government authorities are recognised in the profit or loss as other revenue when there is reasonable assurance that they will be received.

(iv) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset.

(v) Dividend income

Dividend income from unlisted investment is recognised when the shareholder's rights to receive payment is established.

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

4 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(r) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Retirement benefit schemes

The Group has various defined contribution plans in Hong Kong and the PRC for pensions and other social obligation in accordance with the local conditions and practices. The pension plans are generally funded by payments from employees and the relevant group companies. The Group pays contributions to the pension plans on a mandatory, contractual or voluntary basis which are calculated as a percentage of the employees' salaries.

The Group has no legal or constructive obligations to pay further contributions if the funds do not hold sufficient assets to pay all employees the benefits relating to employee services in the current and prior years.

The contributions are recognised as employee benefit expenses when they are due and prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iii) Termination benefits

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

(s) Share-based payments

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

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

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

4 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(t) Borrowing costs

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

(u) Taxation

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

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

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

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

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

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

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

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

4 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(u) Taxation *(Continued)*

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

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

(v) Impairment of non-financial assets

Intangible assets that have an indefinite useful life are reviewed for impairment annually and whenever events or changes in circumstances indicate the carrying amount may not recoverable. The carrying amounts of other non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

(w) Impairment of financial assets

The Group recognises a loss allowance for ECL on debt instruments that are measured at amortised cost. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instruments.

The Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represent the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represent the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

4 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(w) Impairment of financial assets *(Continued)*

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument 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. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

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

- 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 for a particular financial instrument;
- 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;
- significant increases in credit risk on other financial instruments of the same 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 on a financial asset 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.

4 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(w) Impairment of financial assets *(Continued)*

Significant increase in credit risk *(Continued)*

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(i) The financial instrument has a low risk of default,

(ii) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and

(iii) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amounts.

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.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- 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 analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

4 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(w) Impairment of financial assets *(Continued)*

Credit-impaired financial assets

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

– significant financial difficulty of the issuer or the counterparty;

– a breach of contract, such as a default or past due event;

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

– it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or

– the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, including when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of debt instruments, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

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 as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the ECL are estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

4 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(x) Provisions and contingent liabilities

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

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

(y) Related parties

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

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

(ii) has significant influence over the Group; or

(ii) is a member of the key management personnel of the Group or 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).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

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

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

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

5 CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

Significant increase in credit risk

ECL are measured as allowances equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. HKFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information.

Key sources of estimation uncertainty

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

(a) Fair value of investment property

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

The carrying amount of investment property as at 31 December 2019 was approximately HK$314,999,000 (2018: HK$318,868,000).

(b) Impairment allowances on loan receivables, trade receivables and amounts due from a related company

Since the adoption of HKFRS 9, management of the Group estimates the amounts of impairment losses for ECL on loan receivables, trade receivables and amounts due from a related company based on the credit risk of loan receivables, trade receivables and amounts due from a related company. The amounts of the impairment losses for ECL are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

As at 31 December 2019, the carrying amounts of loan receivables, trade receivables and amounts due from a related company are approximately HK$112,604,000 (after impairment allowances of approximately HK$24,130,000), approximately HK$577,000 and approximately HK$510,078,000 (after impairment allowance of approximately HK$49,016,000) respectively.

5 CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONTINUED)

Critical judgements in applying accounting policies *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(c) Classification of finance leases

Management determines whether an arrangement is, or contains, a finance lease based on the substance of the arrangement and requires an assessment of whether fulfilment of the arrangement is dependent on the use of a specific asset or group of assets, and the arrangement conveys a right to use the assets.

Situations that would normally lead to a lease being classified as a finance lease include the following:

– The lease transfers ownership of the asset to the lessee by the end of the lease term.

– The lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than fair value at the date the option becomes exercisable that, at the inception of the lease, it is reasonably certain that the option will be exercised.

– The lease term is for the major part of the economic life of the asset, even if title is not transferred.

– At the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset.

– The leased assets are of a specialised nature such that only the lessee can use them without major modifications being made.

For sales and lease back transactions with repurchase options which are almost certain to be exercised and do not convey a right to use of the underlying assets, management judges that in substance these transactions are not in the scope of HKFRS 16 Leases, which instead are accounted for as financial instruments under HKFRS 9 Financial Instruments.

(d) Recognition of deferred tax assets

Deferred tax assets are recognised to the extent it is probable that future taxable profits will be available against which deductible temporary differences or unused tax losses can be utilised, based on all available evidence. Recognition primarily involves judgement regarding the future financial performance of the Group in which the deferred tax assets have been recognised. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred tax assets will ultimately be realised. The carrying amount of deferred tax assets and related financial models and budgets are reviewed at each reporting date and to the extent that sufficient taxable profits will be available within the utilisation periods.

(e) Income taxes

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

During the year, approximately HK$4,764,000 of income tax was credited (2018: approximately HK$17,774,000 was charged) to profit or loss based on the estimated profit from operations.

6 FINANCIAL RISK MANAGEMENT

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

(a) Foreign currency risk

The Group has certain exposure to foreign currency risk as some of its business transactions, assets and liabilities are denominated in currencies other than the functional currencies of the Group entities, including Renminbi ("RMB") and United States Dollars ("US$"). The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The Group's exposure at the end of the reporting period to foreign currency risk arising from recognised monetary assets and liabilities is as follows:

	Assets		Liabilities	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
RMB	**291,196**	331,357	**2,726**	2,726
US$	**349**	349	**–**	–

As at 31 December 2019, if the HK$ had weakened/strengthened 5% against the RMB with all other variables held constant, consolidated loss after tax for the year would have been approximately HK$14,423,000 lower/higher (2018: consolidated profit after tax for the year would have been approximately HK$16,432,000 higher/lower), arising mainly as a result of the foreign exchange gain on translation of bank balances and amounts due from a related company denominated in RMB.

As at 31 December 2019, the Group held certain financial assets which were denominated in US$. The directors are of the opinion that the Group's exposure to US$ foreign currency risk is minimal.

(b) Equity price risk

The Group is exposed to equity price risk through its financial assets at FVTPL. Management manages this exposure by maintaining a portfolio of investments with different risk and return profiles. The Group's equity price risk is concentrated on equity securities quoted on the Stock Exchange.

The sensitivity analyses below have been determined based on the exposure to equity price risk at the end of the reporting period.

As at 31 December 2019, if equity prices of the Group's financial assets at FVTPL had been 10% (2018: 10%) higher/lower with all other variables held constant, consolidated loss after tax for the year would have decreased/increased by approximately HK$1,070,000 (2018: consolidated profit after tax for the year would have increased/decreased by approximately HK$840,000).

6 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

(c) Credit risk

At 31 December 2019, the Group's maximum exposure to credit risk which will cause a credit loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amounts of the respective financial assets as stated in the consolidated statement of financial position.

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

Bank balances and pledged bank deposits are placed with various authorised institutions. Accordingly, the management consider the credit risk on liquid funds is limited because the counterparties either state-owned banks located in the PRC or banks with high credit ratings.

The Group is also exposed to concentration of credit risk as 89% (2018: 85%) of the total loan receivables were due from the Group's five largest customers as at 31 December 2019 and all of the customers are located in the PRC.

The Group is also exposed to concentration of credit risk through amounts due from a related company. Any changes in the related company's creditworthiness and financial standing could have a significant impact on the Group.

The Group has the following types of financial assets that are subject to expected credit loss model:

- Trade receivables; and
- Financial assets at amortised cost (excluding trade receivables)

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each of the reporting period.

To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the end of the reporting period with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information, which could include:

- internal credit rating;
- external credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- significant changes in the expected performance and behavior of the debtor, including changes in the payment status of debtor in the Group and changes in the operating results of the debtor.

6 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

(c) Credit risk *(Continued)*

(a) Trade receivables

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of lifetime expected credit loss provision for trade receivables. As at 31 December 2019, the Group has assessed that the expected credit loss for trade receivables is not material as they do not have default history and the debtors have strong capacity to meet their contractual cash flow obligations in the near future.

(b) Financial assets at amortised cost (excluding trade receivables)

Financial assets at amortised cost (excluding trade receivables) include loans receivables, amounts due from a related company and other financial assets at amortised cost.

The Group uses three categories for financial assets at amortised cost (excluding trade receivables) which reflect their credit risk and how the expected credit loss provision is determined for each of those categories. The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers both historical loss rates and forward-looking macroeconomic data. A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	Group definition of category	Basis for recognition of expected credit loss provision	Expected credit loss rate
Stage one	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 month expected credit losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime	0% – 2.5%
Stage two	Receivables for which there is a significant increase in credit risk since initial recognition	Lifetime expected credit losses	2.5% – 8.5%
Stage three	Receivables for which there is credit loss since initial recognition	Lifetime expected credit losses	8.5% – 100%

6 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

(c) Credit risk *(Continued)*

(b) Financial assets at amortised cost (excluding trade receivables) *(Continued)*

As at 31 December 2019 and 31 December 2018, the Group provided for expected credit losses provision against financial assets at amortised cost (excluding trade receivables) as follows:

2019

	Gross carrying amount HK$'000	Expected credit losses provision HK$'000	Carrying amount (net of impairment provision) HK$'000
Loans receivables	**136,734**	**(24,130)**	**112,604**
Amounts due from a related company	**559,094**	**(49,016)**	**510,078**
	695,828	**(73,146)**	**622,682**

2018

	Gross carrying amount HK$'000	Expected credit losses provision HK$'000	Carrying amount (net of impairment provision) HK$'000
Loans receivables	162,429	(1,133)	161,296
Amounts due from a related company	565,674	–	565,674
	728,103	(1,133)	726,970

The expected credit losses provision for financial assets at amortised cost (excluding trade receivables) as at 31 December 2019 reconciles to the opening expected credit loss provision are as follows:

	Loans receivables HK$'000	Amounts due from a related company HK$'000	Total HK$'000
Opening expected credit losses provision	**(1,133)**	**–**	**(1,133)**
Provision for credit losses recognised in profit or loss	**(23,345)**	**(49,717)**	**(73,062)**
Exchange differences	**348**	**701**	**1,049**
Closing expected credit loss provision at 31 December 2019	**(24,130)**	**(49,016)**	**(73,146)**

6 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

(d) Liquidity risk

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

The maturity analysis based on contractual undiscounted cash flows of the Group's non-derivative financial liabilities is as follows:

	Within 1 year or on demand HK$'000	Between 2 and 5 years HK$'000	Total undiscounted cash outflows HK$'000	Carrying amounts HK$'000
At 31 December 2019				
Accruals and other payables	**15,766**	**–**	**15,766**	**15,863**
Borrowings	**177,282**	**22,902**	**200,184**	**189,354**
Lease liabilities	**2,166**	**2,523**	**4,689**	**4,501**
Total	**195,214**	**25,425**	**220,639**	**209,718**
At 31 December 2018				
Accruals and other payables	17,337	–	17,337	17,437
Borrowings	238,240	47,796	286,036	279,916
Total	255,577	47,796	303,373	297,353

(e) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed rate bonds, amounts due from a related company and certain loan receivables.

The Group's exposure to cash flow interest rate risk relates primarily to variable rate bank loans which is offset by loan receivables and bank deposits held at variable rates varied with the then prevailing market conditions.

6 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

(e) Interest rate risk *(Continued)*

The following table details the Group's interest-bearing financial assets and liabilities at variable rates as at the reporting date:

	2019 HK$'000	2018 HK$'000
Variable rate financial assets/(liabilities)		
Loan receivables	**100,077**	115,699
Pledged bank deposits	**–**	1,138
Bank balances	**31,668**	114,116
Bank loans	**(44,760)**	(68,280)

As at 31 December 2019, if interest rates had been 25 basis points lower or reduced to zero, whichever is higher with all other variables held constant, consolidated loss after tax for the year would have been approximately HK$106,000 higher (2018: consolidated profit after tax for the year would have been approximately HK$180,000 lower). If interest rates had been 25 basis points higher, with all other variables held constant, consolidated loss after tax for the year would have been approximately HK$102,000 lower (2018: consolidated profit after tax for the year would have been approximately HK$177,000 higher).

(f) Categories of financial instruments

	2019 HK$'000	2018 HK$'000
Financial assets:		
Financial assets at FVTPL		
Listed equity securities – held for trading	**10,702**	8,404
Financial assets at amortised cost	**662,567**	862,700
Financial liabilities:		
Financial liabilities at amortised cost	**209,621**	297,253

(g) Fair values

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

7 FAIR VALUE MEASUREMENTS

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

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

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

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

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

(a) Disclosures of level in fair value hierarchy:

At 31 December 2019

Description	Fair value measurements using: Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total 2019 HK$'000
Recurring fair value measurements:				
Financial assets				
Financial assets at FVTPL				
Listed equity securities – held for trading	10,702	–	–	10,702
Investment property				
Shopping mall – the PRC	–	–	314,999	314,999
Total	10,702	–	314,999	325,701

7 FAIR VALUE MEASUREMENTS *(CONTINUED)*

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

At 31 December 2018

Description	Fair value measurements using: Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total 2018 HK$'000
Recurring fair value measurements:				
Financial assets				
Financial assets at FVTPL				
Listed equity securities – held for trading	8,404	–	–	8,404
Investment property				
Shopping mall – the PRC	–	–	318,868	318,868
Total	8,404	–	318,868	327,272

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

Description	**Investment property 2019 HK$'000**	Investment property 2018 HK$'000
At 1 January	**318,868**	333,600
Additions	**–**	718
Total gains or losses recognised in profit or loss	**1,476**	1,893
Exchange differences	**(5,345)**	(17,343)
At 31 December	**314,999**	318,868

The total gains or losses recognised in profit or loss are included in the line item "other gains and losses" on the face of the consolidated statement of profit or loss.

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2019:

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

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

The valuation technique and inputs used in level 3 fair value measurements for the Group's investment property are disclosed in note 20.

8 REVENUE

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

	2019 HK$'000	2018 HK$'000
Rental income	14,006	14,112
Income from provision of financing	18,657	16,847
Sales of flowers and plants	539	–
	33,202	30,959

9 STAFF COSTS

	2019 HK$'000	2018 HK$'000
Salaries, bonuses and allowances	13,582	15,173
Retirement benefit scheme contributions	393	629
	13,975	15,802

Five highest paid individuals

The five highest paid individuals in the Group during the year included three (2018: three) directors whose emoluments are reflected in the analysis presented in note 16(a). The emoluments of the remaining two (2018: two) individuals are set out below:

	2019 HK$'000	2018 HK$'000
Salaries, bonuses and allowances	1,135	2,065
Retirement benefit scheme contributions	183	96
	1,318	2,161

9 STAFF COSTS *(CONTINUED)*

Five highest paid individuals *(Continued)*

Their emoluments fell within the following bands:

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

10 OTHER GAINS AND LOSSES

	2019 **HK$'000**	2018 HK$'000
Loss on disposals of property, plant and equipment	**–**	(65)
Fair value gain on investment property	**1,476**	1,893
Gain on disposal of a subsidiary	**–**	50
Fair value gain/(loss) on financial assets at FVTPL	**2,298**	(642)
Exchange loss – net	**(5,702)**	(16,067)
	(1,928)	(14,831)

11 OTHER INCOME

	2019 **HK$'000**	2018 HK$'000
Reimbursement of tax and other expenses from a related company	**2,883**	10,637
Dividend income from equity investments	**262**	334
Government grants (note)	**704**	2,094
Others	**104**	51
	3,953	13,116

Note: For the years ended 31 December 2019 and 2018, the government grants represented subsidies given by the government to the Group for the promotion of the loan financing industry. The grants were accounted for as financial support with no future related costs expected to be incurred nor related to any assets. As such, they were recognised in profit or loss when the grants were received.

12 SEGMENT INFORMATION

Operating segments are identified and reported in the manner consistent with internal reports of the Group that are regularly reviewed by the chief operating decision-maker (the "CODM") in order to assess performance and allocate resources. The CODM, has been defined as the executive directors who assess the performance of the operating segments based on the profit and loss generated.

The CODM reviews the business principally from an industry perspective and has identified three (2018: two) reportable segments. No operating segments have been aggregated to form the following reportable segments:

Investment property holding	– property investment and rental activities
Dongkui business	– provision of loan financing
Sales of flowers and plants	– selling of flowers, seedlings and plants

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

The operation of 重慶寶旭商業管理有限公司 (for identification purpose, Chongqing Baoxu Commercial Property Management Ltd. ("Chongqing Baoxu")) represents the operating and reportable segment of investment property holding and sales of flowers and plants.

The operation of 東葵融資租賃(上海)有限公司 (for identification purpose, Dongkui Financial Leasing (Shanghai) Co. Ltd. ("Shanghai Dongkui")) represents the operating and reportable segment of Dongkui business.

The measure used for reporting segment (loss)/profit is "(loss)/profit after tax".

Information about operating segment profit or loss, assets and liabilities:

	Investment property holding HK$'000	Dongkui business HK$'000	Sales of flowers and plants HK$'000	Total HK$'000
Year ended 31 December 2019				
Revenue from external customers	14,006	18,657	539	33,202
Inter-segment revenue	–	346	–	346
Reportable segment revenue	14,006	19,003	539	33,548
Purchases	–	–	(516)	(516)
Depreciation of property, plant and equipment	(4)	(75)	–	(79)
Depreciation of right-of-use assets	–	(352)	–	(352)
Impairment losses on amounts due from a related company	(9,198)	(12,647)	–	(21,845)
Impairment losses on loan receivables	–	(23,345)	–	(23,345)
Fair value gain on investment property	1,476	–	–	1,476
Finance income	23	1,421	–	1,444
Finance costs	(3,386)	(38)	–	(3,424)
Income tax credit	812	4,683	–	5,495
Segment (loss)/profit after tax	(862)	(15,442)	23	(16,281)
At 31 December 2019				
Segment assets	424,894	379,458	3,375	807,727
Segment liabilities	(87,221)	(11,569)	(2)	(98,792)

12 SEGMENT INFORMATION *(CONTINUED)*

Information about operating segment profit or loss, assets and liabilities: *(Continued)*

	Investment property holding HK$'000	Dongkui business HK$'000	Total HK$'000
Year ended 31 December 2018			
Revenue from external customers and reportable segment revenue	14,112	16,847	30,959
Depreciation of property, plant and equipment	(6)	(82)	(88)
Impairment losses on loan receivables	–	(88)	(88)
Loss on disposals of property, plant and equipment	–	(15)	(15)
Fair value gain on investment property	1,893	–	1,893
Fair value gain on financial assets at FVTPL	–	2,913	2,913
Exchange gain – net	–	1	1
Finance income	14,116	19,368	33,484
Finance costs	(4,324)	(204)	(4,528)
Income tax expense	(3,165)	(8,827)	(11,992)
Segment profit after tax	16,706	26,386	43,092
At 31 December 2018			
Segment assets	441,809	412,157	853,966
Segment liabilities	(94,132)	(11,158)	(105,290)

Reconciliations of segment revenue and profit or loss:

	2019 HK$'000	2018 HK$'000
Revenue		
Total revenue of reportable segments	**33,548**	30,959
Elimination of inter – segment revenue	**(346)**	–
Consolidated revenue	**33,202**	30,959
Profit or loss		
Total (loss)/profit of reportable segments after tax	**(16,281)**	43,092
Unallocated amounts:		
Staff costs	**(8,866)**	(9,038)
Depreciation of property, plant and equipment	**–**	(250)
Depreciation of right-of-use assets	**(1,102)**	–
Impairment losses on amounts due from a related company	**(27,872)**	–
Loss on disposals of property, plant and equipment	**–**	(50)
Gain on disposal of a subsidiary	**–**	50
Fair value gain/(loss) on financial assets at FVTPL	**2,298**	(3,555)
Exchange loss – net	**(5,702)**	(16,068)
Other income	**3,183**	10,982
Finance income	**237**	41,579
Finance costs	**(17,045)**	(17,753)
Other corporate expenses	**(12,255)**	(21,008)
Consolidated (loss)/profit after tax	**(83,405)**	27,981

12 SEGMENT INFORMATION *(CONTINUED)*

Reconciliations of segment assets and liabilities:

	2019 HK$'000	2018 HK$'000
Assets		
Total assets of reportable segments	**807,727**	853,966
Unallocated assets:		
Right-of-use assets	**3,532**	–
Intangible assets	**7,096**	7,096
Financial assets at FVTPL	**10,702**	8,404
Amounts due from a related company	**285,958**	315,845
Bank and cash balances	**9,093**	21,192
Other assets	**1,709**	2,043
	1,125,817	1,208,546
Elimination of inter-company assets	**(100,675)**	(984)
Consolidated total assets	**1,025,142**	1,207,562

	2019 HK$'000	2018 HK$'000
Liabilities		
Total liabilities of reportable segments	**98,792**	105,290
Unallocated liabilities:		
Borrowings	**144,594**	211,636
Current tax liabilities	**13,432**	13,432
Other liabilities	**10,202**	7,565
	267,020	337,923
Elimination of inter-company liabilities	**(32,139)**	(18,682)
Consolidated total liabilities	**234,881**	319,241

12 SEGMENT INFORMATION *(CONTINUED)*

Other information:

	Investment property holding HK$'000	Dongkui business HK$'000	Sales of flowers and plants HK$'000	Total HK$'000
Year ended 31 December 2019				
Additions to non-current assets (note)				
Allocated	–	1,152	–	1,152
Unallocated				4,634
				5,786

	Investment property holding HK$'000	Dongkui business HK$'000	Total HK$'000
Year ended 31 December 2018			
Additions to non-current assets (note)			
Allocated	718	–	718
Unallocated			–
			718

Note: Non-current assets excluded loan receivables and deferred tax assets.

Geographical information:

All the revenue generated by the Group for the two years ended 31 December 2019 and 2018 were attributable to customers based in the PRC. In addition, the majority of the Group's non-current assets are located in the PRC. Accordingly, no geographical analysis is presented.

Revenue from major customers:

	2019 HK$'000	2018 HK$'000
Dongkui business		
Customer a	4,108	6,218
Customer b	4,024	N/A*
Customer c	3,730	N/A*

* The corresponding revenue did not contribute 10% or more of the total revenue.

Those major customers represent external customers who accounts for 10% or more of the revenue of the Group.

13 FINANCE INCOME AND COSTS

	2019 HK$'000	2018 HK$'000
Finance income		
Interest income on bank deposits	**1,681**	660
Interest income on loans to a related company	**–**	74,403
	1,681	75,063
Finance costs		
Interest on bank loans	**(3,040)**	(4,528)
Interest on other borrowings – bonds	**(17,279)**	(17,753)
Interest on lease liabilities	**(150)**	–
	(20,469)	(22,281)
Finance (costs)/income – net	**(18,788)**	52,782

In the opinion of directors, the amounts due from a related company were considered as credit-impaired and the probability of receiving the corresponding interest income is uncertain, therefore, the interest income recognised for the current year was reversed.

14 INCOME TAX (CREDIT)/EXPENSE

Income tax has been recognised in profit or loss as follows:

	2019 HK$'000	2018 HK$'000
Current tax		
PRC Enterprise Income Tax ("EIT")		
Provision for the year	**3,400**	4,579
Withholding tax on distributed earnings from a subsidiary	**881**	2,374
Withholding tax on interest income		
– Provision for the year	**–**	4,244
– Under-provision in prior years	**90**	529
	4,371	11,726
Deferred tax (note 29)	**(9,135)**	6,048
	(4,764)	17,774

No provision for Hong Kong Profits Tax is made since the Group has no assessable profits for the years ended 31 December 2019 and 2018.

PRC EIT has been provided at a rate of 25% (2018: 25%).

According to the PRC EIT law and the relevant PRC issued implementation regulation, the Group is subject to the PRC withholding income tax of 10% (2018: 10%) on the gross interest income from a related party.

14 INCOME TAX (CREDIT)/EXPENSE *(CONTINUED)*

Under the PRC EIT law, dividends received by foreign investors from investment in foreign-invested enterprises in respect of their profits earned since 1 January 2008 are subject to withholding tax of 5% to 10% unless reduced by treaty. Accordingly, deferred tax has been recognised for undistributed retained profits of PRC subsidiaries at a rate of 10% to the extent that the profits will be distributed in the foreseeable future.

The reconciliation between the income tax (credit)/expense and the accounting (loss)/profit before tax at the applicable tax rates is as follows:

	2019	2018
	HK$'000	HK$'000
(Loss)/profit before tax	**(88,169)**	45,755
Tax at the applicable tax rates in the jurisdictions concerned	**(16,399)**	15,425
Tax effect of income that is not taxable	**(6,545)**	(1,130)
Tax effect of expenses that are not deductible	**17,285**	6,239
Tax effect of temporary differences not recognised	**(1,532)**	5
Tax effect of tax losses not recognised	**1,606**	1,988
Under-provision in prior years	**90**	529
Deferred tax on undistributed profits of a PRC subsidiary	**(150)**	(1,365)
Others	**881**	(3,917)
Income tax (credit)/expense	**(4,764)**	17,774

15 (LOSS)/PROFIT FOR THE YEAR

The Group's (loss)/profit for the year is stated after charging the following:

	2019	2018
	HK$'000	HK$'000
Auditor's remuneration		
– Audit	**1,500**	1,500
– Others	**–**	20
	1,500	1,520
Direct operating expenses of investment property that generate rental income	**3,066**	4,693

16 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

For the year ended 31 December 2019

Name of director	Fees HK$'000	Salaries HK$'000	Discretionary bonuses HK$'000	Estimated money value of other benefits HK$'000 (note (i))	Employer's contribution to retirement benefit scheme HK$'000	Total HK$'000
Executive directors						
Mr. Lo Siu Yu	–	1,440	–	1,220	18	2,678
Mr. Tai Xing	–	687	75	244	18	1,024
Mr. Cho Chun Wai	–	970	144	238	18	1,370
Non-executive directors						
Ms. Luo Shaoying (note (ii))	–	–	–	–	–	–
Mr. Qin Hong	120	–	–	–	–	120
Mr. Pan Chuan	120	–	–	–	–	120
Independent non-executive directors						
Mr. Chan Ying Kay	120	–	–	–	–	120
Mr. Wang Jin Ling	120	–	–	–	–	120
Mr. Leung Kin Hong (note (iii))	59	–	–	–	–	59
Dr. Zhu Wenhui (note (iv))	61	–	–	–	–	61
Total for 2019	600	3,097	219	1,702	54	5,672

Mr. Tai Xing is also the CEO of the Company. His emoluments disclosed above include those for services rendered by him as the CEO.

16 BENEFITS AND INTERESTS OF DIRECTORS *(CONTINUED)*

(a) Directors' emoluments *(Continued)*

For the year ended 31 December 2018

Name of director	Fees HK$'000	Salaries HK$'000	Discretionary bonuses HK$'000	Estimated money value of other benefits HK$'000 (note (i))	Employer's contribution to retirement benefit scheme HK$'000	Total HK$'000
Executive directors						
Mr. Lo Siu Yu	–	1,440	–	1,424	18	2,882
Ms. Luo Shaoying (note (ii))	–	20	–	–	1	21
Mr. Tai Xing	–	636	75	242	17	970
Mr. Cho Chun Wai	–	1,086	142	138	18	1,384
Non-executive directors						
Mr. Wang Xiaobo (note (v))	105	–	–	–	–	105
Mr. Qin Hong	120	–	–	–	–	120
Mr. Pan Chuan (note (vi))	15	–	–	–	–	15
Independent non-executive directors						
Mr. Chan Ying Kay	120	–	–	–	–	120
Mr. Wang Jin Ling	120	–	–	–	–	120
Dr. Zhu Wenhui	120	–	–	–	–	120
Total for 2018	600	3,182	217	1,804	54	5,857

Note:

(i) Estimated money values of other benefits include rent paid and family education allowance.
(ii) Re-designated from an executive director to a non-executive director on 29 January 2018.
(iii) Appointed on 5 July 2019.
(iv) Resigned on 5 July 2019.
(v) Resigned on 12 November 2018.
(vi) Appointed on 12 November 2018.

Neither the CEO nor any of the directors waived any emoluments during the years ended 31 December 2019 and 2018.

16 BENEFITS AND INTERESTS OF DIRECTORS *(CONTINUED)*

(b) The information about loans entered into by the Company or subsidiary undertaking of the Company in favour of a controlled body corporate of Mr. Lo (also described in more detail in note 25) is as follows:

Name of the borrower	Outstanding amount at the beginning of the year HK$'000	Outstanding amount at the end of the year HK$'000	Maximum outstanding amount during the year HK$'000	Terms	Interest rate	Security
At 31 December 2019						
重慶東銀控股集團有限公司 (for identification purpose, Chongqing Doyen Holdings Group Co., Ltd.)						
Loans and interest	552,253	543,032	552,253	Repayable on the maturity date – 18 January 2018	10.5% per annum on outstanding loans, payable quarterly in arrears (plus default interest of 5% per annum on the outstanding loans and interest in default) due as at 18 January 2018	51% of equity interest in 重慶東銀殼牌石化有限公司 (for identification purpose, Chongqing Doyen Shell Petrochemical Co., Ltd.)
Reimbursement of tax and other expenses	13,421	16,062	16,062	Repayable on demand	Nil	51% of equity interest in Chongqing Doyen Shell Petrochemical Co., Ltd.
At 31 December 2018						
Chongqing Doyen Holdings Group Co., Ltd.						
Loans and interest	504,000	552,253	552,253	Repayable on the maturity date – 18 January 2018	10.5% per annum on outstanding loans, payable quarterly in arrears (plus default interest of 5% per annum on the outstanding loans and interest in default) due as at 18 January 2018	51% of equity interest in Chongqing Doyen Shell Petrochemical Co., Ltd.
Reimbursement of tax and other expenses	3,263	13,421	13,421	Repayable on demand	Nil	51% of equity interest in Chongqing Doyen Shell Petrochemical Co., Ltd.

16 BENEFITS AND INTERESTS OF DIRECTORS *(CONTINUED)*

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

Pursuant to loan agreements dated 8 November 2016 and 6 March 2017, respectively, the Company advanced two loans of RMB80,000,000 and RMB150,000,000 respectively to 重慶東銀控股集團有限公司 (for identification purpose, Chongqing Doyen Holdings Group Co., Ltd. ("Chongqing Doyen")), a company established with limited liability under the laws of the PRC and wholly owned by Mr. Lo, director and ultimate controlling party of the Company, and his spouse. The loans totalling RMB230,000,000 (equivalent to approximately HK$257,370,000 (2018: HK$261,740,000)) were interest-bearing at 10.5% per annum and due on 18 January 2018.

In May 2017, approximately 28.19% of the equity interest of 重慶東銀殼牌石化有限公司 (for identification purpose, Chongqing Doyen Shell Petrochemical Co., Ltd. ("Doyen Shell")) was charged to the Company as security for the loans.

On 18 January 2018, Chongqing Doyen failed to repay the principal amount, the interest thereon and the relevant tax expenses as at the due date and was construed as default in repayment which subject to an additional default interest of 5% per annum according to the loan agreements. No settlement was made up to the date of these consolidated financial statements authorised for issue.

During the year ended 31 December 2019, interest income of approximately HK$Nil (2018: HK$41,332,000), reimbursement of tax and other expenses of approximately HK$2,883,000 (2018: HK$10,637,000) and impairment losses of approximately HK$27,872,000 (2018: nil) were recognised by the Company.

Save for the aforementioned transactions, no other significant transactions, arrangements or contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Significant transactions, arrangements or contracts in relation to the Group's business to which the Company's subsidiaries, fellow subsidiaries or its parent company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year were disclosed in the report of the directors.

17 DIVIDENDS

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

18 (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the following:

	2019 **HK$'000**	2018 HK$'000
(Loss)/earnings		
(Loss)/earnings for the purpose of basic (loss)/earnings per share ((loss)/profit for the year attributable to owners of the Company)	**(79,691)**	17,053

	2019 **'000**	2018 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	**1,274,039**	1,274,039

18 (LOSS)/EARNINGS PER SHARE *(CONTINUED)*

The Company's outstanding share options and warrants had no dilutive effect for the years ended 31 December 2019 and 2018 as the exercise prices of those share options and warrants were higher than the average market price for shares, and, therefore, diluted earnings per share are the same as the basic earnings per share.

19 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost				
At 1 January 2018	1,452	216	2,517	4,185
Disposals	(1,286)	(22)	–	(1,308)
Exchange differences	(9)	(10)	–	(19)
At 31 December 2018 and 1 January 2019	**157**	**184**	**2,517**	**2,858**
Exchange differences	**(3)**	**(3)**	**–**	**(6)**
At 31 December 2019	**154**	**181**	**2,517**	**2,852**
Accumulated depreciation				
At 1 January 2018	1,153	82	2,391	3,626
Charge for the year	178	34	126	338
Disposals	(1,236)	(6)	–	(1,242)
Exchange differences	(4)	(6)	–	(10)
At 31 December 2018 and 1 January 2019	**91**	**104**	**2,517**	**2,712**
Charge for the year	**53**	**26**	**–**	**79**
Exchange differences	**(2)**	**(3)**	**–**	**(5)**
At 31 December 2019	**142**	**127**	**2,517**	**2,786**
Carrying amount				
At 31 December 2019	**12**	**54**	**–**	**66**
At 31 December 2018	66	80	–	146

20 INVESTMENT PROPERTY

	2019 **HK$'000**	2018 HK$'000
At 1 January	**318,868**	333,600
Additions	**–**	718
Fair value gain	**1,476**	1,893
Exchange differences	**(5,345)**	(17,343)
At 31 December	**314,999**	318,868

The Group's investment property represents a shopping mall in the PRC. The Group's investment property held under operating lease for rental purposes is measured using fair value model. The fair value as at 31 December 2019 was based on a valuation carried out by Vigers Appraisal & Consulting Limited, an independent qualified professional valuer not connected with the Group with substantial experience in valuation of properties. The valuation was derived using the income capitalisation approach. The valuation is based on the capitalisation of the current rental income and reversionary income potential by adopting appropriate term/reversionary yields, which are derived from analysis of sales transactions and valuer's interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have made reference to recent lettings within the subject property and other comparable properties.

The valuation of the Group's investment property is a level 3 fair value measurement. Details of the unobservable inputs in determining the valuation as at 31 December 2019 are as follows:

Unobservable inputs	**Range**	**Effect on fair value for increase of inputs**
Long term vacancy rate	8% (2018: 8%)	Decrease
Monthly market rent per sq. m.	RMB30 to RMB249 (2018: RMB30 to RMB243)	Increase
Capitalisation rate	5% – 5.5% (2018: 5% – 5.5%)	Decrease

The consistent valuation technique was applied for the years ended 31 December 2019 and 2018.

As at 31 December 2019, the carrying amount of investment property pledged as security for the Group's bank loans amounted to approximately HK$314,999,000 (2018: HK$318,868,000) (note 27(a)).

21 INTANGIBLE ASSETS

	2019 HK$'000	2018 HK$'000
Club memberships	**7,096**	7,096

The intangible assets represent club memberships with indefinite useful lives. The directors of the Company are of the opinion that the Group will continue to hold the club memberships and has the ability to do so. The club memberships have been tested for impairment in the year by reference to second hand market values and no impairment loss has been identified for the current or prior year.

22 LOAN RECEIVABLES

	2019 HK$'000	2018 HK$'000
Loan receivables	**136,734**	162,429
Less: Impairment allowances	**(24,130)**	(1,133)
	112,604	161,296
Analysis as:		
Non-current portion	**26,192**	63,761
Current portion	**86,412**	97,535
	112,604	161,296

As at 31 December 2019, the Group's loans to customers of approximately HK$136,734,000 (2018: HK$122,599,000) were secured by the plant and equipment of the relevant customers and repayable by instalments from one to five years (2018: from three to five years) from the draw-down dates. The effective interest rate on such loans ranged from 11.0% to 12.9% (2018: 11.3% to 13.9%) per annum.

As at 31 December 2018, the Group's loan to a customer of approximately HK$39,830,000 with effective interest rate of 11% per annum. Such loan under a corporate guarantee was unsecured and repayable within one year.

22 LOAN RECEIVABLES *(CONTINUED)*

The movements in the impairment allowances of loan receivables are as follows:

	12-month ECLs HK$'000	Lifetime ECLs non credit-impaired HK$'000	Lifetime ECLs credit-impaired HK$'000	Total HK$'000
At 1 January 2018	1,106	–	–	1,106
Impairment losses for the year, net	88	–	–	88
Exchange differences	(61)	–	–	(61)
At 31 December 2018 and at 1 January 2019	**1,133**	**–**	**–**	**1,133**
Impairment losses for the year, net	**276**	**–**	**23,069**	**23,345**
Exchange differences	**(23)**	**–**	**(325)**	**(348)**
At 31 December 2019	**1,386**	**–**	**22,744**	**24,130**

23. TRADE RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade receivables	**577**	–

All of the trade receivables are expected to be recovered or recognised as expenses within one year.

The ageing analysis of trade receivables, based on invoice date and by due date, is as follows:

	2019 HK$'000	2018 HK$'000
Within one month (past due)	**577**	–

These are no specific credit terms given to the customers of the Group. Further details on the Group's credit policy are set out in note 6(c).

24 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 HK$'000	2018 HK$'000
Equity securities, listed in Hong Kong	**10,702**	8,404

25 AMOUNTS DUE FROM A RELATED COMPANY

	2019 HK$'000	2018 HK$'000
Loans to a related company	**469,980**	477,960
Interest receivable	**73,052**	74,293
Reimbursement of tax and other expenses	**16,062**	13,421
	559,094	565,674
Less: Impairment allowance	**(49,016)**	–
	510,078	565,674

The amounts due from a related company are denominated in RMB.

For the year ended 31 December 2019, the impairment losses on amounts due from a related company of approximately HK$49,717,000 (equivalent to approximately RMB43,803,000) was recognised and the movements during the year are as follows:

	2019 HK$'000	2018 HK$'000
At 1 January	**–**	–
Impairment loss for the year	**49,717**	–
Exchange differences	**(701)**	–
At 31 December	**49,016**	–

Pursuant to two loan agreements both dated 8 November 2016, the Company and Chongqing Baoxu advanced RMB80,000,000 each to Chongqing Doyen.

Pursuant to a loan agreement dated 11 November 2016, Shanghai Dongkui advanced a loan of RMB110,000,000 to Chongqing Doyen.

Pursuant to a loan agreement dated 6 March 2017, the Company further advanced RMB150,000,000 to Chongqing Doyen.

The aforesaid loans totalling RMB420,000,000 (the "Loans") were interest-bearing at 10.5% per annum and due on 18 January 2018.

25 AMOUNTS DUE FROM A RELATED COMPANY *(CONTINUED)*

In relation to the loans advanced by the Group to Chongqing Doyen, Chongqing Doyen agrees to reimburse the Group any tax expenses on the interest income generated from the loans advanced by the Group. In addition, Chongqing Doyen is also liable to pay in full all costs incurred by the Group in connection with any breach by Chongqing Doyen.

During the year ended 31 December 2017, 51% of the equity interest of Doyen Shell (the “Pledged Collaterals”) was charged to the Group as security for the amounts due from a related company.

Chongqing Doyen failed to repay the Loans together with the interest thereon and the relevant tax expenses as at the due date and was construed as default in repayment according to the loan agreements. Pursuant to the loan agreements, default interest is accrued on any sum payable from the due date up to the date of actual payment at a rate of 15.5% per annum.

On 28 December 2018, the Group, Chongqing Doyen and 重慶東銀碩潤石化集團有限公司 (for identification purpose, Chongqing Doyen Shuorun Petrochemical Group Ltd. (“Shuorun Petrochemical”)), the legal owner of the Pledged Collaterals and the transferor, entered into an equity interest transfer agreement (the “Equity Interest Transfer Agreement”), pursuant to which, Shuorun Petrochemical has conditionally agreed to transfer the equity interest of Doyen Shell (the “Equity Interest”), with value equivalent to the aggregate outstanding sum of the Loans, the interest thereon and the relevant costs incurred by the Group in effecting the transactions as at the reference date, i.e. 31 October 2018, to the Group as settlement; and Shuorun Petrochemical has undertaken to, subsequent to the completion of the transfer pursuant to the terms of the Equity Interest Transfer Agreement, repurchase the Equity Interest from the Group on or before 31 December 2019 at a repurchase price. The repurchase price shall be equivalent to the sum of (a) the value of the Equity Interest to be transferred which is equivalent to the aggregate outstanding sum of the Loans, the interest thereon and the relevant costs incurred by the Group in effecting the transactions as at the reference date; (b) an amount representing a notional interest calculated at an interest rate of 15.5% per annum for the period from the reference date to the completion date; (c) an amount representing a notional interest calculated at an interest rate of 10.5% per annum for the period from the next day following the completion date to the date of payment of the repurchase price; and (d) the relevant costs incurred by the Group in relation to the repurchase, less the aggregate amount of any dividend declared and distributed by Doyen Shell to the Group.

On 15 February 2019, the Company, Chongqing Baoxu, Shanghai Dongkui, Chongqing Doyen and Shuorun Petrochemical entered into a supplemental agreement to the Equity Interest Transfer Agreement (the “Supplemental Agreement”) to, among others, extend (i) the deadline of fulfillment of each of the conditions to 30 June 2019 or such later date otherwise unanimously agreed by the parties to the Equity Interest Transfer Agreement in writing and (ii) the completion deadline to 31 August 2019 or such later date otherwise unanimously agreed by the parties to the Equity Interest Transfer Agreement.

25 AMOUNTS DUE FROM A RELATED COMPANY *(CONTINUED)*

Pursuant to a second supplemental agreement dated 28 June 2019, the parties to the Equity Interest Transfer Agreement extended the deadline of fulfillment of certain conditions precedent under the Equity Interest Transfer Agreement to 30 September 2019 and the completion deadline to 30 September 2019 or such later date otherwise unanimously agreed by the parties to the Equity Interest Transfer agreement.

Pursuant to the Company's announcement dated 2 October 2019, as the conditions have not been fulfilled by 30 September 2019 and the parties to the Equity Interest Transfer Agreement have not agreed on any further extension of the deadline for fulfillment of the conditions, the Equity Interest Transfer Agreement has been lapsed on 30 September 2019.

On 2 July 2019, the Company received a notice (the "Notice") from Chongqing Doyen which stated that 中國華融資產管理股份有限公司重慶市分公司 (for identification purpose, China Huarong Asset Management Co., Ltd. Chongqing City Branch, ("Huarong")) has applied to the relevant PRC court such that the 51% equity interest in Doyen Shell owned by Shuorun Petrochemical be judicially preserved before litigation ("訴前財產保全") (the "Property Preservation").

On 9 September 2019, the Company was informed that, among others, Chongqing Doyen, Mr. Lo and Shuorun Petrochemical were served with a summons in relation to a legal claim brought by Huarong in relation to a debt of a principal amount of RMB100 million (equivalent to approximately HK$111.9 million), together with relevant interests and penalties (the "Claim"). According to the legal opinion issued by the Company's PRC lawyer on 10 September 2019, which opined that the Claim will not affect the Company and its subsidiaries, Chongqing Baoxu and Shanghai Dongkui, to realise their priority compensation in the Pledged Collaterals.

In the opinion of the directors, the fair value from the foreclosure of the Pledged Collaterals exceeded the aforesaid amounts.

26 PLEDGED BANK DEPOSITS/BANK AND CASH BALANCES

	2019 HK$'000	2018 HK$'000
Pledged bank deposits	–	1,138
Bank and cash balances	39,047	133,222
	39,047	134,360

As at 31 December 2018, pledged bank deposits of approximately HK$1,138,000 were pledged to a bank to secure bank loans of the Group (note 27(a)).

As at 31 December 2019, the pledged bank deposits and bank and cash balances total of the Group denominated in RMB amounted to approximately HK$29,944,000 (2018: HK$113,157,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

27 BORROWINGS

	2019 HK$'000	2018 HK$'000
Bank loans – secured (note (a))	44,760	68,280
Bonds – unsecured (note (b))	144,594	211,636
	189,354	279,916

The borrowings are repayable as follows:

	2019 HK$'000	2018 HK$'000
Within one year	166,974	234,396
In the second year	22,380	22,760
In the third to fifth years	–	22,760
	189,354	279,916
Less: Amounts due within 12 months (shown under current liabilities)	(166,974)	(234,396)
Amounts due after 12 months	22,380	45,520

27 BORROWINGS *(CONTINUED)*

Note:

(a) Bank loans – secured

The Group's bank loans are arranged at floating rates, thus exposing the Group to cash flow interest rate risk. As at 31 December 2019, the effective interest rate is 5.4% (2018: 5.4%) per annum.

As at 31 December 2019, the Group's bank loans of approximately HK$44,760,000 (2018: HK$68,280,000) were secured by the Group's investment property amounted to approximately HK$314,999,000 (2018: HK$318,868,000), its right to receive rental income and pledged bank deposits of approximately HK$ Nil (2018: HK$1,138,000), and were guaranteed by Chongqing Doyen.

(b) Bonds – unsecured

In January 2015, the Group issued bonds (the "Bonds") with an aggregate face value of HK$195,000,000 at par to Haitong International Finance Company Limited ("Haitong"). The Bonds are denominated in HK$, unsecured, bear interest at 9.5% per annum payable quarterly in arrears and has a maturity period of 24 months after the first issuance of the Bonds. The Bonds are guaranteed by Mr. Lo, director and ultimate controlling party of the Company. In addition, the immediate parent of the Company undertakes that until the Bonds are fully repaid, its shares in the Company deposited in a designated margin securities account will not be at any time less than 52.19% of the total issued and outstanding shares of the Company, and will not be subject to any pledge (except in relation to the margin facility arranged). If there is any default on the Bonds, Haitong will have a right to sell the said shares which the immediate parent holds in the securities account for repayment of any outstanding amounts of the Bonds. Loan arrangement fees amounting to approximately HK$3,665,000 have been amortised over the term of the Bonds.

On 20 January 2017, the Group entered into a supplemental deed (the "Supplemental Deed") with Haitong, Mr. Lo, being the guarantor, and Chongqing Doyen, being the corporate guarantor (under a corporate guarantee agreement dated 20 January 2017) whereby the parties amended certain terms and conditions of the Bonds, inter alia:

(i) The maturity date shall be extended to the date falling upon the expiry of 12 months from the expiry of 24 months after the first issuance of the Bonds (the "Maturity Date") and the Group may further extend the maturity date to a date falling upon the expiry of 24 months from the expiry of 24 months after the first issuance of the Bonds (the period of such 12 or 24 extended months as applicable, from the original Maturity Date being called the "Extension Period").

(ii) The Bonds bear interest at 9% per annum during the Extension Period.

27 BORROWINGS *(CONTINUED)*

Note: *(Continued)*

(b) Bonds – unsecured *(Continued)*

Loan arrangement fees amounting to approximately HK$3,899,000 regarding the Supplemental Deed have been amortised over the Extension Period.

Pursuant to the Supplemental Deed in relation to the Bonds, an email and a written notice were issued by the Group to Haitong, the bondholder, on 17 January 2018 and 7 February 2018 respectively in respect of the extension of the maturity date of the Bonds to 18 January 2019. Haitong acknowledged receipt of the aforesaid email and written notice on 7 February 2018; accordingly, the maturity date of the Bonds has been extended to 18 January 2019.

On 7 February 2018, Haitong transferred the Bonds to Hua Sing (Cayman) Energy Holdings Limited ("Hua Sing"), whose intermediate holding company indirectly holds 9.42% equity interest of the Company and 30% equity interest of the Company's subsidiary, Chongqing Baoxu.

Pursuant to a confirmation letter dated 7 February 2018, Hua Sing confirmed, among others, the following:

(i) The maturity date of the Bonds has been extended to 18 January 2019.

(ii) The failure by the Company to pay interest between 7 February 2018 to 17 January 2019, both dates inclusive (the "Period") shall not constitute a breach of the bond instrument dated 19 January 2015 (the "Bond Instrument") and the Supplemental Deed or an event of default under the Bond Instrument (the "Event of Default").

(iii) Any interest due but remain unpaid during the Period (the "Accrued Interest") shall become immediately payable by the Company on the first business day (excluding Saturday, Sunday and public holidays on which banks in Hong Kong are open for business) immediately after the Period.

(iv) No interest shall accrue on the Accrued Interest itself and the default interest pursuant to the Bond Instrument shall not be applicable to any Accrued Interest.

(v) If any of the Event of Default (except for the non-payment of interest during the Period) should occur, Hua Sing shall have the right to revoke the effect of any or all of the paragraphs (i) to (iv) above, any right exercisable by Hua Sing pursuant to the Bond Instrument may be exercised in respect of the Accrued Interest and the Bond Instrument shall apply to the Accrued Interest from the date of any demand by Hua Sing to pay the Accrued Interest accordingly.

On 29 March 2018, Full Brilliant Limited ("Full Brilliant"), Mr. Lo and Ms. Chiu Kit Hung, the spouse of Mr. Lo, Sino Consult Asia Limited ("Sino Consult") and the immediate parent of the Company entered into charge over shares in the Company, pursuant to which they agreed to charge aggregate of 785,373,018 shares of the Company in favor of Hua Sing as security to the Bonds. Full Brilliant and Sino Consult are companies wholly-owned by the immediate parent of the Company.

Pursuant to a confirmation letter dated 18 January 2019 executed by the Group and Hua Sing whereby the parties amended certain terms and conditions of the Bonds based on a supplemental deed poll dated 18 January 2019 (the "Supplemental Deed Poll"), inter alia:

27 BORROWINGS *(CONTINUED)*

Note: *(Continued)*

(b) Bonds – unsecured *(Continued)*

The maturity date of the Bonds shall be 17 April 2019 or such later date as agreed by the bondholder(s) and the Company, which shall not be a date which falls after 17 April 2021 (the "New Maturity Date"). The Company may, by notice in writing to the bondholder(s), extend the New Maturity Date to a date no later than 3 months from the New Maturity Date (in no event should the New Maturity Date fall on a date after 17 April 2021) as last agreed by the bondholder(s) and the Company, subject to the written consent of all the bondholder(s). The extension notice shall be served by the Company at least 20 business days prior to the New Maturity Date as last agreed by the bondholder(s) and the Company.

Pursuant to another confirmation letter dated 18 January 2019, issued by Hua Sing whereby Hua Sing confirmed, among others, the following:

(i) The failure by the Company to pay interest between 7 February 2018 to the New Maturity Date, both dates inclusive (the "New Period") shall not constitute a breach of the Bond Instrument and the Supplemental Deed Poll or Event of Default.

(ii) Any interest due but remain unpaid during the New Period (the "New Accrued Interest") shall become immediately payable by the Company on the first business day (excluding Saturday, Sunday and public holidays) on which banks in Hong Kong are open for business) immediately after the New Period.

(iii) No interest shall accrue on the New Accrued Interest itself and the default interest pursuant to the Bond Instrument shall not be applicable to any New Accrued Interest.

(iv) If any of the Event of Default (except for the non-payment of interest during the New Period) should occur, Hua Sing shall have the right to revoke the effect of any or all of the paragraphs (i) to (iii) above, any right exercisable by Hua Sing pursuant to the Bond Instrument may be exercised in respect of the New Accrued Interest and the Bond Instrument shall apply to the New Accrued Interest from the date of any demand by Hua Sing to pay the New Accrued Interest accordingly.

Pursuant to the Supplemental Deed Poll in relation to the Bonds, three notices were issued by the Group to Hua Sing on 19 March 2019 in respect of the extension of the New Maturity Date of the Bonds to 17 January 2020. Hua Sing acknowledged receipt of the aforesaid three notices and issued three written consents on 19 March 2019; accordingly, the New Maturity Date of the Bonds has been further extended to 17 January 2020.

On 29 May 2019, the aggregate of 785,373,018 shares of the Company, which were charged as security to the Bonds in favor of Hua Sing, had been fully released. Those shares are held by Full Brilliant, Mr. Lo, Ms. Chiu Kit Hung, Sino Consult and the immediate parent of the Company.

On 13 December 2019, the Company has irrevocably redeemed part of the Bonds with a principal amount of HK$72,000,000 and paid the interest accrued up to the day of redemption.

As at 31 December 2019, the effective interest rate on the Bonds was 9% (2018: 9%) per annum.

Pursuant to the Supplemental Deed Poll in relation to the Bonds, a notice was issued by the Group to Hua Sing on 16 January 2020 in respect of the extension of the New Maturity Date of the Bonds to 17 March 2020. Hua Sing acknowledged receipt of the aforesaid notice and issued written consent on 17 January 2019; accordingly, the New Maturity Date of the Bonds has been further extended to 17 March 2020.

Pursuant to the Supplemental Deed Poll in relation to the Bonds, two notices were issued by the Group to Hua Sing on 17 March 2020 in respect of the extension of the New Maturity Date of the Bonds to 17 September 2020. Hua Sing acknowledged receipt of the aforesaid two notices and issued two written consents on 17 March 2020; accordingly, the New Maturity Date of the Bonds has been further extended to 17 September 2020.

28 LEASES

The consolidated statement of financial position shows the following amounts relating to leases:

	31 December 2019 HK$'000	1 January 2019 HK$'000
Right-of-use assets		
Buildings	**4,320**	–
Lease liabilities		
Current	**2,032**	–
Non-current	**2,469**	–
	4,501	–

The movements of right-of-use assets were as follows:

	HK$'000
As 1 January 2019 upon adoption of HKFRS 16	–
Additions	5,786
Depreciation charge for the year	(1,454)
Exchange differences	(12)
At 31 December 2019	4,320

29 DEFERRED TAX

The following are the deferred tax liabilities and assets recognised by the Group.

Deferred tax liabilities

	Accrued rental HK$'000	**Loan interest income HK$'000**	**Undistributed profits of a PRC subsidiary HK$'000**	**Total HK$'000**
At 1 January 2018	(577)	–	(3,290)	(3,867)
(Charge)/credit to profit or loss (note 14)	(99)	(4,772)	1,365	(3,506)
Exchange differences	33	197	114	344
At 31 December 2018 and 1 January 2019	**(643)**	**(4,575)**	**(1,811)**	**(7,029)**
(Charge)/credit to profit or loss (note 14)	**(131)**	**(3,817)**	**150**	**(3,798)**
Exchange differences	**13**	**130**	**28**	**171**
At 31 December 2019	**(761)**	**(8,262)**	**(1,633)**	**(10,656)**

29 DEFERRED TAX *(CONTINUED)*

The following are the deferred tax liabilities and assets recognised by the Group. *(Continued)*

Deferred tax assets

	Revaluation of investment property HK$'000	Impairment allowances on loan receivables and amounts due from a related company HK$'000	Others HK$'000	Total HK$'000
At 1 January 2018	10,752	277	131	11,160
(Charge)/credit to profit or loss (note 14)	(3,066)	22	502	(2,542)
Exchange differences	(429)	(16)	(27)	(472)
At 31 December 2018 and 1 January 2019	**7,257**	**283**	**606**	**8,146**
Credit/(charge) to profit or loss (note 14)	**2,172**	**11,298**	**(537)**	**12,933**
Exchange differences	**(152)**	**(164)**	**(2)**	**(318)**
At 31 December 2019	**9,277**	**11,417**	**67**	**20,761**

At the end of the reporting period, the Group has unused tax losses of approximately HK$122,579,000 (2018: HK$123,311,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK$17,843,000 (2018: HK$18,882,000) that will expire after 5 years for the year of assessment they related to. Other tax losses are subject to the final approval by the Inland Revenue Department in Hong Kong and can be carried forward indefinitely.

30 SHARE CAPITAL AND RESERVES

(a) Share capital

	2019		2018	
	Number of shares '000	Amount HK$'000	Number of shares '000	Amount HK$'000
Ordinary shares, issued and fully paid:				
At 1 January 2018, 31 December 2018 and 31 December 2019	**1,274,039**	**1,174,378**	1,274,039	1,174,378

(b) Nature and purpose of reserves

(i) Merger reserve

Merger reserve was set up upon accounting for common control combinations, on elimination of the share capital of the subsidiaries against the related investment costs.

(ii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4(d) to the consolidated financial statements.

(iii) Statutory reserve

According to the relevant rules and regulations in the PRC, subsidiaries of the Company established in the PRC are required to transfer 10% of their net profit, as determined in accordance with the PRC accounting standards and regulations, to the statutory reserve until the balance of the reserve reaches 50% of their respective registered capital. The transfer to this reserve must be made before distribution of dividends to owners of these subsidiaries. Statutory reserve can be used to set off previous years' losses, if any, and may be converted into capital in proportion to existing equity owners' equity percentage, provided that the balance after such issuance is not less than 25% of their registered capital.

(iv) Other reserves

Other reserves mainly comprised share-based payment reserve.

The share-based payment reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 4(s) to the consolidated financial statements.

(c) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for members and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to members, return capital to members, issue new shares or sell assets to reduce debt.

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

30 SHARE CAPITAL AND RESERVES *(CONTINUED)*

(c) Capital management *(Continued)*

The gearing ratio as at 31 December 2019 is as follows:

	2019 HK$'000	2018 HK$'000
Borrowings (note 27)	**189,354**	279,916
Lease liabilities (note 28)	**4,501**	–
	193,855	279,916
Less: Cash and cash equivalents	**(39,047)**	(133,222)
Net debt	**154,808**	146,694
Total equity	**790,261**	888,321
Total capital	**945,069**	1,035,015
Gearing ratio	**16%**	14%

The externally imposed capital requirement for the Group is in order to maintain its listing on the Stock Exchange, it has to have a public float of at least 25% of the shares. The Group receives a report from the share registrars regularly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year.

31 SHARE-BASED PAYMENTS

Equity-settled share option scheme

The existing share option scheme of the Group was adopted pursuant to a resolution passed on 11 September 2008. Options are conditional on the employee completing one year's or two years' service (the vesting period). The Group has no legal or constructive obligation to repurchase or settle the options in cash. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group.

Details of the movement of share options during the year are as follows:

	2019		2018	
	Number of share options '000	**Weighted average exercise price HK$**	Number of share options '000	Weighted average exercise price HK$
Outstanding at the beginning of the year	**2,100**	**1.628**	4,950	1.634
Forfeited during the year	**–**	**–**	(2,850)	1.638
Outstanding at the end of the year	**2,100**	**1.628**	2,100	1.628
Exercisable at the end of the year	**2,100**	**1.628**	2,100	1.628

The options outstanding at the end of the year have a weighted average remaining contractual life of 0.92 years (2018: 1.92 years) and the exercise price is HK$1.628 (2018: HK$1.628). No options were granted in 2019 (2018: nil).

32 WARRANTS

On 10 June 2015, the Company and Haitong entered into a subscription agreement pursuant to which Haitong subscribed 20,000,000 warrants of the Company (the "Warrants") at price of HK$1.

Each Warrant entitles the holder to subscribe for one share of the Company at any time during the period of three years commencing from 17 August 2015 at an exercise price of HK$0.6975, representing a discount of 10.58% to the closing price of the Company's shares on the last trading day prior to issuance of the Warrants and a discount of 11.71% over the average price of the Company's shares on the last five consecutive trading days up to the last trading day prior to issuance of the Warrants. Any Warrant not exercised by the expiry of the exercise period will lapse and cease to be valid for all purposes.

The ordinary shares issued from the exercise of Warrants shall rank pari passu in all respects with the existing issued ordinary shares of the Company. No Warrants had been exercised by the holders during the prior years. As at 16 August 2018, all 20,000,000 units of Warrants were not exercised by the expiry of the exercise period and were lapsed.

Such issue of Warrants constitute a share-based payment and accordingly the difference between the fair value of the Warrants and the total proceeds received by the Company amounting to approximately HK$6,433,000 was charged to the Group's consolidated statement of profit or loss for the year ended 31 December 2015 and corresponding warrants reserve were released from other reserves to accumulated losses in 2018.

33 DISPOSAL OF A SUBSIDIARY

On 12 June 2018, the Group disposed of its entire interests in a subsidiary, Super Dynasty Investment Limited, which directly holds an associate, Sol Chip.

Net assets at the date of disposal were as follows:

	HK$'000
Investment in an associate	–
Gain on disposal of a subsidiary	50
Total consideration	50
Consideration satisfied by cash	50
Net cash inflow arising on disposal:	
Cash consideration received	50

34 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.

	Bank loans (Note 27) HK$'000	Bonds (Note 27) HK$'000	Lease liabilities (Note 28) HK$'000	Total HK$'000
At 1 January 2018	123,126	198,259	–	321,385
Repayment of bank loans	(50,572)	–	–	(50,572)
Interest paid on bank loans	(4,684)	–	–	(4,684)
Interest paid on bonds	–	(4,376)	–	(4,376)
Finance costs	4,528	17,753	–	22,281
Exchange differences	(4,118)	–	–	(4,118)
At 31 December 2018 and 1 January 2019	**68,280**	**211,636**	**–**	**279,916**
Increase in lease liabilities from entering into new leases during the year	**–**	**–**	**5,786**	**5,786**
Repayment of bank loans	**(22,700)**	**–**	**–**	**(22,700)**
Repayment of bonds	**–**	**(72,000)**	**–**	**(72,000)**
Interest paid on bank loans	**(3,040)**	**–**	**–**	**(3,040)**
Interest paid on bonds	**–**	**(12,321)**	**–**	**(12,321)**
Other finance costs	**3,040**	**17,279**	**–**	**20,319**
Interest on lease liabilities	**–**	**–**	**150**	**150**
Capital element of lease rentals paid	**–**	**–**	**(1,274)**	**(1,274)**
Interest element of lease rentals paid	**–**	**–**	**(150)**	**(150)**
Exchange differences	**(820)**	**–**	**(11)**	**(831)**
At 31 December 2019	**44,760**	**144,594**	**4,501**	**193,855**

35 LEASE COMMITMENTS

(a) The Group as lessee

As at 31 December 2019, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2019 HK$'000	2018 HK$'000
Within one year	–	1,377

Operating lease payments represented rental payable by the Group for certain of its office premises and directors' quarters. As at 31 December 2018, lease are negotiated for an average terms of two years and rental are fixed over the lease terms and do not included contingent rentals.

The Group is the lessee in respect of a number of office premises and director's quarters held under leases which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the consolidated statement of financial position in accordance with the policies set out in note 4(g), and the details regarding the Group's future lease payments are disclosed in note 28.

(b) The Group as lessor

The Group leases out its investment property under operating leases. The leases typically run for a period of one to eight years. None of the leases includes contingent rentals.

As at 31 December 2019, the Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2019 HK$'000	2018 HK$'000
Within one year	6,779	7,047

36 MATERIAL RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions and balances with its related parties:

(a) Transactions with related parties

Name of related party	Nature of transactions	2019 HK$'000	2018 HK$'000
Chongqing Doyen (note (i))	Interest income on loans to a related company	–	74,403
Chongqing Doyen	Reimbursement of tax and other expenses from a related company	2,883	10,637
重慶新東原物業管理有限公司 (for identification purpose, Chongqing New Dowell Property Management Ltd.) (note (ii))	Property management fees paid to a related company	269	189

(b) Key management personnel compensation

The compensation paid or payable to key management personnel is as follows:

	2019 HK$'000	2018 HK$'000
Short-term benefits	5,618	5,803
Post-employment benefits	54	54
	5,672	5,857

As at 31 December 2019, included in accruals and other payables was an amount of approximately HK$135,000 (2018: HK$15,000) being accrued directors' emoluments which are unsecured, interest-free and settled in cash.

Note:

(i) Chongqing Doyen is considered as a related company of the Group as it is wholly owned by Mr. Lo, the director and ultimate controlling party of the Company, and his spouse.

(ii) Chongqing New Dowell Property Management Ltd. ("Dowell Property Management") is considered as a related company of the Group as Mr. Lo has control in Dowell Property Management.

37 CONTINGENT LIABILITIES

As at 31 December 2019, the Group did not have any significant contingent liabilities (2018: nil).

38 STATEMENT OF FINANCIAL POSITION

	Note	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment		–	–
Right-of-use assets		3,139	–
Intangible assets		7,096	7,096
Investments in subsidiaries		298,960	516,962
		309,195	524,058
Current assets			
Prepayments, deposits and other receivables		1,019	1,606
Amounts due from subsidiaries		255,878	270,941
Amounts due from a related company		285,958	315,845
Bank and cash balances		4,952	9,377
		547,807	597,769
Current liabilities			
Accruals and other payables		4,849	5,686
Amounts due to subsidiaries		298,359	214,575
Borrowings		144,594	211,636
Lease liabilities		1,433	–
Current tax liabilities		4,057	4,057
		453,292	435,954
Net current assets		94,515	161,815
Total assets less current liabilities		403,710	685,873
Non-current liabilities			
Lease liabilities		1,869	–
NET ASSETS		401,841	685,873
Capital and reserves			
Share capital		1,174,378	1,174,378
Reserves	38(b)	(772,537)	(488,505)
TOTAL EQUITY		401,841	685,873

Approved by the Board of Directors on 26 March 2020 and are signed on its behalf by:

Lo Siu Yu
Director

Tai Xing
Director

38 STATEMENT OF FINANCIAL POSITION *(CONTINUED)*

(a) A list of the Company's principal subsidiaries is shown in note 39 to the consolidated financial statements.

(b) Reserve movement of the Company

	Other reserves HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2018	10,585	(478,985)	(468,400)
Total comprehensive expenses for the year	–	(20,105)	(20,105)
Vested share options forfeited	(2,456)	2,456	–
Lapse of warrants	(6,433)	6,433	–
At 31 December 2018 and 1 January 2019	**1,696**	**(490,201)**	**(488,505)**
Total comprehensive expenses for the year	**–**	**(284,032)**	**(284,032)**
At 31 December 2019	**1,696**	**(774,233)**	**(772,537)**

39 PRINCIPAL SUBSIDIARIES

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

Name of subsidiary	Place of incorporation or registration/ operation and kind of legal entity	Issued and paid up capital	Percentage of ownership interest/voting power Direct	Percentage of ownership interest/voting power Indirect	Principal activities
Money Success Corporate Management Limited	Hong Kong, limited liability company	Ordinary HK$10,000	–	100%	Provision of management services in Hong Kong
Money Success Business Management Limited	Hong Kong, limited liability company	Ordinary HK$10,000	–	100%	Provision of management services in Hong Kong
Chongqing Baoxu Commercial Property Management Ltd. △	The PRC, sino-foreign equity joint venture	RMB350,000,000	–	70% (ownership interest)/66.67% (voting power)	Investment property holding and sales of flowers and plants in the PRC
Dongkui Financial Leasing (Shanghai) Co. Ltd. △	The PRC, sino-foreign equity joint venture	US$51,300,000	–	77.58%	Provision of financing to customers in the PRC

△ English translation of the name is for identification purpose only.

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

39 PRINCIPAL SUBSIDIARIES *(CONTINUED)*

The following table shows information on the subsidiaries that have non-controlling interests ("NCI") material to the Group. The summarised financial information represents amounts before inter-company eliminations.

	Chongqing Baoxu		Shanghai Dongkui	
	2019	2018	**2019**	2018
Principal place of business	**The PRC**	The PRC	**The PRC**	The PRC
% of ownership interests/voting rights held by NCI	**30%/ 33.33%**	30%/ 33.33%	**22.42%/ 22.42%**	22.42%/ 22.42%
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 31 December:				
Non-current assets	**326,557**	326,142	**36,250**	64,779
Current assets	**101,712**	115,667	**343,208**	347,378
Non-current liabilities	**(26,620)**	(46,163)	**(5,210)**	(4,575)
Current liabilities	**(60,603)**	(47,969)	**(6,359)**	(6,583)
Net assets	**341,046**	347,677	**367,889**	400,999
Accumulated NCI	**102,314**	104,303	**82,480**	89,904
Year ended 31 December:				
Revenue	**14,545**	14,112	**18,657**	16,847
(Loss)/profit for the year	**(839)**	16,706	**(15,442)**	26,386
Total comprehensive (expense)/ income	**(7,313)**	(2,053)	**(20,848)**	4,503
(Loss)/profit allocated to NCI	**(252)**	5,012	**(3,462)**	5,916
Dividend paid to NCI	**–**	–	**2,545**	6,653
Net cash generated from operating activities	**7,337**	3,478	**34,179**	756
Net cash generated from/(used in) investing activities	**15,124**	(527)	**(100,047)**	126,845
Net cash used in financing activities	**(26,557)**	(28,220)	**(11,388)**	(56,711)
Net (decrease)/increase in cash and cash equivalents	**(4,096)**	(25,269)	**(77,256)**	70,890

40 EVENTS AFTER THE REPORTING PERIOD

In addition to those events after the end of the reporting period disclosed in note 27(b), the Group had the following events after the end of the reporting period.

Impact of the novel coronavirus

Due to the outbreak of the novel coronavirus (COVID-19) epidemic since January 2020, the Group's operational and financial performance are expected to be affected by the epidemic in 2020. The Group will keep continuous attention on the situation of the COVID-19, assess and react actively to its impacts on the financial position and operating results of the Group. Up to the date of issue of these consolidated financial statements, the assessment is still in progress.

FIVE-YEAR FINANCIAL INFORMATION

RESULTS

	For the year ended 31 December				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**33,202**	30,959	34,920	33,615	30,361
(Loss)/profit attributable to owners of the Company	**(79,691)**	17,053	24,432	(59,888)	(38,014)

ASSETS AND LIABILITIES

	At 31 December				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Total assets	**1,025,142**	1,207,562	1,263,106	1,219,861	1,378,912
Total liabilities	**234,881**	319,241	353,781	397,004	446,719
Net assets	**790,261**	888,321	909,325	822,857	932,193
Non-controlling interests	**184,794**	194,207	200,652	180,684	196,228
Capital and reserves					
Equity attributable to owners of the Company	**605,467**	694,114	708,673	642,173	735,965