中國山東高速金融集團有限公司
CHINA SHANDONG HI-SPEED FINANCIAL GROUP LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 00412

Annual Report
2019

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS	**Executive Director and Chairman** Mr. Wang Xiaodong **Executive Director and Vice-Chairman** Mr. Liu Han **Executive Directors** Ms. Liao Jianrong Mr. Liu Zhijie Mr. Liu Yao **Non-Executive Directors** Dr. Lam Lee G. Mr. Qiu Jianyang Mr. Lo Man Tuen **Independent Non-Executive Directors** Mr. To Shing Chuen Mr. Cheung Wing Ping Mr. Guan Huanfei Mr. Tan Yuexin
AUDIT COMMITTEE	Mr. Cheung Wing Ping *(Chairman)* Mr. To Shing Chuen Mr. Guan Huanfei Mr. Tan Yuexin
REMUNERATION COMMITTEE	Mr. Cheung Wing Ping *(Chairman)* Mr. To Shing Chuen Ms. Liao Jianrong Mr. Liu Zhijie Mr. Tan Yuexin

CORPORATE INFORMATION

NOMINATION COMMITTEE	Mr. Wang Xiaodong *(Chairman)* Mr. To Shing Chuen Mr. Cheung Wing Ping Dr. Lam Lee G. Mr. Tan Yuexin
EXECUTIVE COMMITTEE	Mr. Wang Xiaodong *(Chairman)* Mr. Liu Han *(Vice-Chairman)* Ms. Liao Jianrong Mr. Liu Zhijie Mr. Liu Yao
COMPANY SECRETARY	Mr. Tam Chong Cheong Aaron
AUTHORISED REPRESENTATIVES	Mr. Liu Yao Mr. Tam Chong Cheong Aaron
REGISTERED OFFICE	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG	Rooms 1405-1410, 14/F. China Resources Building 26 Harbour Road Wanchai Hong Kong
STOCK CODE	412
AUDITORS	HLB Hodgson Impey Cheng Limited 31/F, Gloucester Tower The Landmark 11 Pedder Street Central Hong Kong

CORPORATE INFORMATION

LEGAL ADVISERS	*Hong Kong law:* Li & Partners 22/F, World-Wide House Central Hong Kong Reed Smith Richards Butler 17/F., One Island East 18 Westlands Road Quarry Bay Hong Kong *Bermuda law:* Conyers Dill & Pearman 29/F, One Exchange Square 8 Connaught Place Central Hong Kong
PRINCIPAL BANKERS	Bank of China (Hong Kong) Limited Bank of China Tower No. 1 Garden Road Central Hong Kong Industrial and Commercial Bank of China (Macau) Limited 18/F, ICBC Tower, Macau Landmark, 555 Avenida da Amizade, Macau
PRINCIPAL SHARE REGISTRAR IN BERMUDA	MUFG Fund Services (Bermuda) Limited 4th floor North Cedar House, 41 Cedar Avenue, Hamilton HM 12, Bermuda
BRANCH SHARE REGISTRAR IN HONG KONG	Computershare Hong Kong Investor Services Limited 17M Floor, Hopewell Centre 183 Queens Road East Wanchai Hong Kong
WEBSITE	www.csfg.com.hk

On behalf of the board (the "Board") of directors (the "Directors"), I hereby present the audited consolidated results (the "consolidated financial statements") of China Shandong Hi-Speed Financial Group Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2019 (the "Reporting Period") to the holders (the "Shareholders") of ordinary shares in the issued share capital of the Company (the "Shares").

Over the year, financial market performance fluctuated under the influence of factors such as the escalation of global trade friction, the Brexit and the market's concerns about the economic outlook. In the complex and changeable market environment, the Group kept abreast with the market trend and situation and steadily promoted the development of various businesses. During the Reporting Period, the Group recorded revenue of approximately HK$894 million. However, the profit of the Group was also affected by the fluctuation in the stock markets.

In August last year, in order to strengthen the Group's financial strengths and future business development, the Group successfully issued bonds amounting to US$1.5 billion in the global market. This tranche of bonds was subscribed by over 400 institutional investors, including international sovereign funds, large international insurance institutions, reputable funds and large domestic central enterprises, and recorded total subscription volume of over US$10 billion, representing an over-subscription of over 9 times. At the same time, the overall interest rate of this bond issuance was lower than that of the bonds with a similar structure issued by other enterprises in Shandong Province in recent years.

In terms of business development, we actively developed in line with the PRC's industrial policies, explored different high-quality investment opportunities in the countries along the "Belt and Road" Initiative and the Guangdong-Hong Kong-Macao Greater Bay Area, and completed a number of financial investment projects during the Reporting Period. In addition, we have also achieved certain results in terms of business linkage with our controlling shareholder, Shandong Hi-Speed Group Co., Ltd*（山東高速集團有限公司）("Shandong Hi-Speed Group"). In August last year, we reached a strategic cooperation agreement with Shandong Hi-Speed Hubei Development Co., Ltd*（山東高速湖北發展有限公司）, a subsidiary of Shandong Hi-Speed Group. The two parties have started cooperation on joint acquisition of infrastructure assets in the market and asset securitisation. At the same time, the two parties also made use of their respective advantages and resources to achieve mutual benefit and common development, carried out cooperation based on market-oriented operation methods, and strived to achieve a long-term and stable basis for cooperation. Through this strategic cooperation, we can further improve the Company's asset-liability structure and the stability of profitability.

While promoting revenue growth, we also continued to optimise the Group's management and control system and resource allocation, strengthened the foundation of the professional management team of each subsidiary, and adhered to the development policy of "Prudence, Compliance, Stability and Development". In the complex and volatile market environment last year, we took risk prevention and control as our primary development goal, comprehensively improved our risk management system, strengthened the implementation of the overall risk management framework, rules, and systems, and our risk management capabilities were further enhanced. We will continue to optimise our risk capital management, improve the efficiency of capital allocation, and maintain the steady development of the Group's business.

CHAIRMAN'S STATEMENT

Looking forward to 2020, amid great opportunities and challenges in the global economy, we will continually enhance our strengths and actively expand business layout to capture various development opportunities. With the development strategy of "One Core and Two Wings with Six Focuses", we will, on the one hand by regarding the listing company as the core and taking the optimisation of the Group's balance sheet as the main task, continually acquire interest-bearing assets to improve asset quality. On the other hand, we will take proprietary investment and asset management as two wings with focus on six areas. In terms of the proprietary investment business, the Group will focus on competitive industries and resource endowments of Shandong Province and Shandong Hi-Speed Group; focus on Guangdong-Hong Kong-Macao Greater Bay Area as well as the two world-class international financial centres, Hong Kong and Singapore, to grasp investment opportunities at home and abroad; focus on the balanced development of current income and the mid-to-long term benefits to strive for maximal returns on investment. In terms of asset management business, the Group will focus on exploring cooperation opportunities with the national leading enterprises in the industry; focus on the large central enterprises; and focus on the local high-quality state-owned enterprises, to expand the operation scale while putting more value on brand building of the Group and its the asset management business.

In the future, we will make an endeavour to take good advantage of our strengths to promote the smooth integration of all works as well as to deepen the overall planning and collaboration among various business lines, establishing a solid foundation for the sound operation of our business. Meanwhile, we will also continue to deepen the business synergy with Shandong Hi-Speed Group and adhere to its concept for the development of "Care for People（以人為本）", so as to bring valuable products and services to the market and accelerate the expansion of customer base to drive the income growth. In addition, we will actively enhance our governance level, strengthen risk capital management and optimise performance appraisal system, with an aim to persistently create maximum corporate value and achieve high-quality development.

We will adhere to our original aspiration and keep our missions deep in mind, firmly carry out reform and innovation, pursue a new pattern of comprehensive development, and be committed to achieving our operating goals so as to create greater value for all shareholders, investors, employees and all parties in the society.

Wang Xiaodong
Executive Director and Chairman

25 March 2020

FINANCIAL RESULTS AND BUSINESS REVIEW

As stated in the announcement of the Company dated 21 June 2018, the Board has resolved to change the financial year end date of the Company from 31 March to 31 December with effect from the financial year 2018, to align the financial year end date of the Company with the financial year end date of its operating subsidiaries in the PRC, thereby streamlining the preparation of the financial reporting process of the Company. Accordingly, the current financial period covers the whole year from 1 January 2019 to 31 December 2019 (the "Reporting Period"), while the comparative figures cover the period of nine months from 1 April 2018 to 31 December 2018, which may not be fully comparable to the results of this Reporting Period.

The Board hereby announces that the Group recorded a net loss of approximately HK$1,961,815,000 during the Reporting Period (for the nine months ended 31 December 2018: net loss of approximately HK$691,176,000). The net loss was mainly due to the significant loss in the fair value of one of the Group's financial assets and provision for significant impairment of relevant financial assets.

As at 31 December 2019, the Group recorded total assets of approximately HK$23,198,805,000 (31 December 2018: HK$13,377,465,000) and total liabilities of approximately HK$12,947,348,000 (31 December 2018: HK$8,499,219,000), and therefore net assets amounted to approximately HK$10,251,457,000 (31 December 2018: HK$4,878,246,000).

The Group is an investment holding company and its subsidiaries were engaged in the following major operating segments during the Reporting Period:

a) Financial leasing

During the Reporting Period, the financial leasing business recorded a loss of approximately HK$387,792,000 (for the nine months ended 31 December 2018: loss of approximately HK$465,244,000), which was mainly due to the Group's provision for impairment of relevant financial assets of approximately HK$343,199,000, of which finance lease receivables impairment amounted to approximately HK$342,076,000. In the recent years, affected by factors such as the slowdown of the macro economic growth and intensified competition in the industry, the growth rate of the number of enterprises and the balances of lease contracts in the financial leasing industry has slowed down significantly. Meanwhile, the increasingly stringent financial regulatory environment gave rise to limitations against the financing channels for companies in the financial leasing industry, bringing out more difficulties for the overall operation. As the current condition gets improvement to certain extent, the capital financing channels are gradually broadened, and we believe the overall industry will recover step by step. On the other hand, as the penetration of the financial leasing industry in the PRC market is still far lower than that in the developed countries, there are still great development space and market potentials at present.

b) Investment in securities

During the Reporting Period, affected by the fluctuation of stock markets, the Group's securities portfolio recorded an unrealised fair value loss on financial assets at fair value through profit or loss of approximately HK$1,346,743,000 (for the nine months ended 31 December 2018: loss of approximately HK$223,223,000) and a realised loss on financial assets at fair value through profit or loss of approximately HK$16,313,000 (for the nine months ended 31 December 2018: loss of approximately HK$7,535,000). The unrealised fair value changes had no impact on the Group's cash flow as they were non-cash items.

c) Money lending

During the Reporting Period, the revenue from the money lending segment was approximately HK$76,420,000 (for the nine months ended 31 December 2018: approximately HK$83,064,000). The decrease in revenue was due to the loan repayments of some customers. The Group will continue to adopt a prudent and compliant management approach to maintain steady growth in business and profitability.

C.I.F. Financial Limited, a wholly-owned subsidiary of the Company, holds a money lender license.

d) Financial technology

During the Reporting Period, the financial technology business recorded a profit of approximately HK$171,864,000 (for the nine months ended 31 December 2018: profit of approximately HK$26,256,000). The increase in profit was mainly attributable to the expansion of business, driving an increase in the turnover of this business. In the future, the financial technology segment will continue to create synergy with other businesses of the Group, bringing favourable conditions for the Group's development.

During the Reporting Period, the Group also carried out the businesses of operating an asset trading platform, securities brokerage and commercial factoring.

Asset Trading Platform

The Company, through its subsidiary, Shenzhen Asia-Pacific Leasing Assets Exchange Center Co., Ltd.*（深圳亞太租賃資產交易中心有限公司）("LAECAP"), is engaged in the trading business of financial leasing, leasing assets as well as other related leasing properties, and provision of spot trading platform and marketing and consulting services related to the above businesses.

During the Reporting Period, under the directions of Shenzhen Municipal Financial Regulatory Bureau (Shenzhen Municipal Financial Service Office)（深圳市地方金融監督管理局（深圳市政府金融工作辦公室））to the Opinions on the Safe Handling of Remaining Issues and Risks of Local Trading Places*（《關於穩妥處置地方交易場所遺留問題和風險的意見》）issued by the China Securities Regulatory Commission, the Group entered into an agreement with Shenzhen Qianhai Financial Leasing Financial Trading Center Co., Ltd.*（深圳市前海融資租賃金融交易中心有限公司）(now known as "Shenzhen Guangjin United Investment Co., Ltd*"（深圳廣金聯合投資有限公司）), an independent third party, (the "Laecap Investor") that (i) to transfer the Group's 50% equity interest in LAECAP to the Laecap Investor on 30 December 2019; (ii) the Laecap Investor has guaranteed to refrain from engaging in similar business of LAECAP; and (iii) the Laecap Investor shall transfer its existing business which are the same and similar to LAECAP, related staff and customer relationship to LAECAP.

The Directors consider that the Group can exercise control over LAECAP through controlling its board of directors which can direct the relevant activities of LAECAP. Therefore, the financial results of LAECAP are consolidated into the consolidated financial results of the Group.

FUTURE PROSPECTS

In 2019, amid great changes in the domestic and international economic environment, the uncertainties of the global economy increased and the development of the overall economy witnessed a slowdown. In early January this year, the International Monetary Fund (IMF) downgraded its global growth forecast for 2019 to 2.9%, the lowest since the global economic crisis. The slowdown in economic growth was mainly due to the intensifying trade conflicts and geopolitical tensions, which caused more uncertainties in the future global trading system and international cooperation and had an adverse impact on the global business environment, investment decision and global trade. The central banks across the world had adopted more accommodative monetary policies to mitigate the impact of the said tensions on the financial market sentiment and activities. Nevertheless, global economic growth still tended to slow down with unstable outlook. The changes in the external environment further increased the downward pressure on China's economic growth. According to the data published by the National Bureau of Statistics, the gross domestic product (GDP) in 2019 increased by 6.1% year-on-year, lower than 6.6% in 2018. Meanwhile, as the current domestic economy is transforming from high-speed growth to high-quality growth and economic structure is also undergoing adjustment and optimisation, it is projected that the economic growth will remain under pressure in the short term.

Looking forward to 2020, in order to address the potential risks associated with economic downward and to further invigorate micro-entities in the market, the PRC government is expected to implement a prudent monetary policy and a proactive fiscal policy and thus the basic trend of future economy will continue to maintain steady development while making good for a long term. This year is the last year of the 13th Five-year Plan of the PRC (the "Plan"), and the Plan highlights the Guangdong-Hong Kong-Macao Greater Bay Area to be constructed and developed into a city cluster with global competitiveness. Currently, the Guangdong-Hong Kong-Macao Greater Bay Area is one of the regions in the PRC with the highest level of openness and economic vibrancy and has the fundamental conditions to become an international top bay area and a world-class city cluster. With a gradual introduction and implementation of development policies and complementary measures for the Greater Bay Area, local and cross-border demands for investment and financing will surge, providing enormous opportunities for the business development of the Group.

Moreover, since the outbreak of the COVID-19 at the beginning of the year, the Group has taken the employees' health as its top priority, and actively implemented various higher standards, more stringent requirements and more practicable measures to better carry out the pandemic control and prevention works. In order to improve the financial service security and crisis response during the pandemic period, the Group has promptly assessed the actual situation and made a flexible adjustment to business development, so as to protect the interests of customers as much as practicable and maintain the steady and healthy development of all businesses. Meanwhile, in response to the national government's guidance on further strengthening financial support for the pandemic control and prevention, the Group will actively cooperate with banks, insurance companies and other parties to reinforce the financial supports for the key areas in the society and livelihood.

In the future, the Group will fully capitalise the development opportunities brought by a series of national policies on, among others, the development of Guangdong-Hong Kong-Macao Greater Bay Area, the "Belt and Road" Initiative, the replacement of old growth drivers with new ones in Shandong Province, the transformation and upgrading of domestic traditional industries and the development of emerging industries. Meanwhile, by leveraging the abundant resource and market superiority of Shandong Hi-Speed Group, the controlling shareholder, as well as the Group's extensive experience in the capital markets of mainland China and Hong Kong, the Group will continue to enhance its business strength and thoroughly implement the dual strategy of direct investment and strategic M&A with an aim to develop into a fast-growing first-class investment, financing and financial holding platform in the Greater China Region.

The Group will continue to seek potential acquisition targets that will create synergy with the Group and enhance its profitability. As at the date of this report, the Group does not have any specific acquisition target.

EVENTS AFTER THE END OF THE REPORTING PERIOD

From 31 December 2019 to the date of this report, there were no significant reportable events or transaction incurred in the Group.

FUNDRAISING ACTIVITIES

On 15 January 2019, the Group issued US$550,000,000 5.95% guaranteed bonds due 2020. Given the abovementioned bonds were well received by the market, the Group further issued US$50,000,000 5.95% guaranteed bonds due 2020 on 19 February 2019.

On 25 July 2019, the Group issued US$100,000,000 4.30% guaranteed bonds due 2029.

On 1 August 2019, the Group issued US$500,000,000 3.95% guaranteed bonds due 2022 and US$900,000,000 4.30% guaranteed perpetual securities.

The above issuances of bonds and securities are a significant step of the Group in gaining recognition in the international financial market and would provide the Group with an additional source of funding for its business development. Further details about the abovementioned matters are set out in the announcements of the Company dated 9 January 2019, 15 January 2019, 19 February 2019 and 26 July 2019, respectively.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group adopts a prudent approach to cash and financial management to properly manage risks and reduce capital costs. As at 31 December 2019, the Group's total assets and borrowings were HK$23,198,805,000 and HK$12,564,641,000, respectively. The borrowings of the Group were comprised of bank borrowings, bonds and other borrowings of approximately HK$2,825,575,000, HK$9,584,184,000 and HK$154,882,000, respectively. Details of the bank loans and other borrowings of the Group are disclosed in note 30 to the consolidated financial statements.

As at 31 December 2019, the outstanding bonds of the Group included a 5.95% guaranteed bond in the amount of approximately HK$4,806,638,000, a 3.95% guaranteed bond in the amount of approximately HK$3,963,252,000, a 4.30% guaranteed bonds in the amount of approximately HK$793,841,000 and two unsecured seven-year ordinary bonds in the amount of approximately HK$20,453,000 bearing an interest rate of 5% per annum. Although the above-stated bonds and some borrowings were denominated in US dollars, the exchange rate was relatively stable and the unsecured bonds were denominated in Hong Kong dollars, thus the Company was not subject to the risks in relation to exchange rate fluctuations. The gearing ratio (total borrowings divided by total assets) as at 31 December 2019 was approximately 54.16% (31 December 2018: approximately 60.44%).

CURRENCY RISK MANAGEMENT

The Group's monetary assets, liabilities and transactions are mainly denominated in Renminbi, Hong Kong dollars and US dollars. The Group is mainly exposed to foreign exchange risk with respect to Renminbi, which may affect the Group's performance. The management will pay attention to the exchange rate exposure that may be arising from the continuing fluctuation of Renminbi, closely monitor its impact on the performance of the Group and will consider adopting appropriate hedging measures in the future when necessary. In addition, the Group also pays close attention to the impact of the U.S. interest rate fluctuations on its U.S. dollar-denominated assets, and takes appropriate response measures.

During the Reporting Period, the Group has neither held any financial instruments for hedging purposes, nor any currency borrowings or other hedging instruments to hedge its net foreign currency investments.

PLEDGE OF ASSETS

As at 31 December 2019, the Group's finance lease receivables with carrying amount of approximately HK$282,102,000 have been pledged to secure for bank borrowings.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

Save as disclosed in notes 37 and 44 to the consolidated financial statements, the Group did not have any other significant contingent liabilities and capital commitment during the Reporting Period.

SIGNIFICANT INVESTMENTS

Save as disclosed in notes 21 and 22 to the consolidated financial statements, the Group did not have any other significant investments during the Reporting Period.

Save as disclosed in the section headed "Future Prospects" on pages 9 to 10 in this report, the Group did not have any future plans for significant investment or capital assets acquisition during the Reporting Period and as at the date of this report.

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

During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

During the Reporting Period, the Group did not have any material acquisitions or disposals of subsidiaries.

EMPLOYEES, REMUNERATION POLICY AND RETIREMENT BENEFITS SCHEME

As at 31 December 2019, the Group had a workforce, including the directors of the Company and its subsidiaries, of 562 employees, of which 486, 67 and 9 were based in the PRC, Hong Kong and Singapore, respectively. Staff costs incurred and charged to profit or loss for the Reporting Period, including Directors' remuneration, were approximately HK$161,912,000 (for the nine months ended 31 December 2018: approximately HK$97,400,000). The increase was mainly due to business expansion, organisational restructuring, manpower deployment and increase in salaries.

The Group selects and promotes staff based on their qualification, experience and suitability for the position offered. The Group's remuneration policy aims to retain and motivate staff. Performance of staff is appraised annually to provide a basis for the review of the remuneration package. Meanwhile, competitive remuneration packages are offered to employees by reference to the prevailing market rate and individual merits.

The Company participates in a Mandatory Provident Fund Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for all its employees in Hong Kong. The employees of the Group's PRC subsidiaries are members of a State-managed retirement benefit plan operated by the government of the PRC. The PRC subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

The Group has adopted a series of human resource management initiatives to attract and cultivate talents, including providing training programmes and development opportunities for its staff. The Group has established individual training and development record for each of our employees to improve their professional service standards and to keep them updated with the latest knowledge developments and help them develop sufficient professional capability to provide better services for investors and other stakeholders. The Group has also been implementing the "Internal Sharing Plan" in the Group, encouraging our staff to share their expertise and experience with others. In addition, the Group encouraged all employees to participate in financial knowledge training courses organised by various commercial institutions to enrich and improve their understanding of finance.

The Group provided benefits including Mandatory Provident Fund Scheme, staff quarters and medical insurance. Meanwhile, the Group provided other benefits to the staff in accordance with the prevailing market practice.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to supporting environmental sustainability. The Group implements environmental policies and measures in our daily business operations to mitigate the Group's impact on the environment.

The Group also pays a high level of attention to indicators of energy usage and emission. Although the Group is not involved in any manufacturing activities, it adheres to low-carbon travel without hindering the efficient operations of the Group. Employees shall strictly comply with the specifications of travel allowance claim under the daily expense standards. Based on the principles of efficiency and conservation, the Group encourages our employees to choose low-carbon and efficient means of transportation, such as MTR and other public transport. The Group also encourages employees to travel together and take the same flight to allow pick-up in one go and conserve energy.

Adhering to the policies of efficient use of energy, water and other resources, the Group endorses conservation of energy and resources in daily operations. The Group posts energy-saving reminder notices at light switches and other conspicuous areas as one of the measures for energy conservation. The Group advocates the Energy Saving Charter on Indoor Temperature and maintains an average indoor temperature of our offices between 24°C to 26°C during summer time to save energy; uses LED lights included in the Voluntary Energy Efficiency Labelling Scheme launched by the Electrical and Mechanical Services Department of Hong Kong; selects energy-efficient appliances (e.g. refrigerators, air-conditioners); requests employees to switch off the office lights when they are off work; encourages reuse of stationery, such as old envelopes and folders; and promotes double-sided printing and reuse of paper for facsimile.

A comprehensive Environmental, Social and Governance Report (the "ESG Report") will be published on the websites of the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") no later than three months after the publication of this report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the Reporting Period, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws or regulations by the Group that has a material adverse impact on the business and operations of the Group.

AUDIT COMMITTEE

The audit committee of the Board was established in accordance with the requirements of the Code for the purposes of, among others, reviewing and providing supervision over the Group's financial reporting processes and internal controls. The Audit Committee comprises four independent non-executive Directors. The Group's consolidated results for the year ended 31 December 2019 have been reviewed by the Audit Committee the Board.

RELATIONSHIPS WITH STAKEHOLDERS

The Group believes that the people-oriented talent management model is crucial to the long-term development of the Group. The Group attaches great importance to team building and talent introduction, and has always adhered to the principles of openness, equality, competition and selection to hire excellent talents. The Group's employee management focuses on recruiting and developing talents. Staff performance is measured on a regular and structured basis to provide employees with appropriate feedback and to ensure their alignment with the Group's corporate strategy. The Group also understands that maintaining a good long-term relationship with business partners is one of its primary objectives. Accordingly, the management has used its best endeavours to maintain good communications, promptly exchange ideas and share business updates with them when appropriate. During the Reporting Period, there was no material or significant dispute between the Group and its business partners.

BIOGRAPHY OF THE DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Mr. Wang Xiaodong, aged 44, was appointed as an executive Director of the Company, the chairman of the Board, a member and the chairman of the Nomination Committee of the Board (the "Nomination Committee") and became a member of the Executive Committee of the Board (the "Executive Committee") on 7 May 2019. On 17 May 2019, Mr. Wang was appointed as the chairman of the Executive Committee. Mr. Wang is also a director of a subsidiary of the Company.

Mr. Wang currently serves as a member of the party committee and the secretary to the board of directors of Shandong Hi-Speed Group Co., Ltd.. He successively held various major positions in Shandong Hi-Speed Group Co., Ltd. and has nearly 20 years of working experience in management and in-depth knowledge in corporate governance. Mr. Wang holds a master degree in software engineering from Tianjin University.

Mr. Liu Han, aged 42, was appointed as an executive Director of the Company, and vice-chairman and member of the Executive Committee on 17 May 2019 and was appointed as the vice-chairman of the Board on 3 June 2019. Mr. Liu is also a director of a subsidiary of the Company.

Mr. Liu Han has extensive experience in management and practice in the Hong Kong market, in particular in the insurance and investment management sectors. He previously served as the vice president of New China Asset Management (Hong Kong) Ltd. since July 2018, where he is responsible for the investment management segment of the said company. From 2017 to June 2018, he served as the managing director of China Re Asset Management (Hong Kong) Company Limited（中再資產管理（香港）有限公司）which is the overseas asset management platform under China Reinsurance (Group) Corporation (Stock Code: 1508.HK). Prior to that, Mr. Liu had served as the deputy general manager of CRRC Urban Traffic Co, Ltd.（中車城市交通有限公司）and the chairman of the board of directors of Chongqing CRRC Transportation Infrastructure Co. Ltd.*（重慶中車交通裝備有限公司）. He obtained a bachelor's degree in industrial automation from North China University of Technology（北方工業大學）in 2000 and a master's degree of engineering in computer science and technology from Beijing Jiaotong University（北京交通大學, formerly known as Northern Jiaotong University（北方交通大學））in 2003.

Ms. Liao Jianrong（廖劍蓉, formerly known as 廖劍榮）, aged 49, was appointed as an executive Director of the Company and a member of each of the Remuneration Committee of the Board (the "Remuneration Committee") and the Executive Committee on 17 May 2019. Ms. Liao is also a director of a subsidiary of the Company.

Ms. Liao served as the deputy supervisor of the office, and the supervisor of the editor department, of Yongzhou Municipal Committee Policy Research Centre*（永州市委政策研究室）from 1991 to 2001, the vice general manager of the human resources department of Bank of Changsha Co., Ltd.（長沙銀行股份有限公司）("Changsha Bank") and the general manager of relevant department of the head office from 2001 to 2009, the branch manager of Changsha Bank Yinde Branch*（長沙銀行銀德直屬行）from 2009 to 2015, and a member (vice president level) of the management team of Changsha Bank from 2012 to 2017. Since 2018, she successively served as the vice president of Kaisa Asset Management Limited（佳兆業資產管理有限公司）, the vice president of Kaisa Securities Company（佳兆業證券公司）and the director of Kaisa (Shenzhen) Equity Investment Fund Management Co., Ltd. (QFLP)*（佳兆業（深圳）股權投資基金管理有限公司（QFLP公司））.

She has obtained professional qualifications in the PRC in accounting and corporate human resources management respectively. She has accumulated extensive practical experience in areas of administration and human resource management, financial management, and bank management in particular, and also acquired knowledge in investment and financing management of Hong Kong market. She completed her undergraduate study in national economic management from Xiangtan University*（湘潭大學）in 2003, and obtained a Master's degree in Business Administration from City University of Macau（澳門城市大學, formerly known as Asia (Macau) International Open University（亞洲（澳門）國際公開大學））in 2008.

Mr. Liu Zhijie, aged 45, was appointed as an executive Director and a member of each of the Remuneration Committee and the Executive Committee on 17 May 2019. Mr. Liu is the chief financial officer of the Company since October 2016 and is a director of each of a number of subsidiaries of the Company.

He previously served as the General Manager of Planning and Financial Management Department of China Shandong International Economic and Technical Cooperation Group Limited and a director of Shandong International Economics (HK) Limited. He successively held audit, tax and financial management positions in accounting firms and large-scale state-owned enterprises. He also oversaw various overseas companies and has extensive experience in financial management, investment and financing, as well as overseas business exposure. Mr. Liu has obtained a bachelor's degree from Shandong University of Finance and Economics. He is a senior accountant and selected as high-grade accountant personnel.

Mr. Liu Yao, aged 34, was appointed as an executive Director, a member of the Executive Committee and an Authorised Representative of the Company (the "Authorised Representative") of the Company on 17 May 2019. He has served as the vice executive president of the Company since December 2017 and is a director of a number of subsidiaries of the Company.

He previously worked for a number of arms and divisions of Shandong Hi-Speed Group Co., Ltd. ("Shandong Hi-Speed Group"), namely the real estate arm, the division of investment development in listed companies and the investment development division (property management) of the headquarters of Shandong Hi-Speed Group. He had participated in professional trainee exchange programmes held by the investment banking division of Everbright Securities Company Limited and the fund management company of Everbright Capital Investment Limited, respectively. He holds a number of practicing qualifications in accounting, securities and funds respectively, with extensive working experience in real estate, investment and securities. He has obtained a Master's degree in Finance from Shandong University of Finance and Economics, and is an economist and registered real estate appraiser in China.

BIOGRAPHY OF THE DIRECTORS AND SENIOR MANAGEMENT

Dr. Lam Lee G., aged 60, is currently the Chairman of Hong Kong Cyberport Management Company Limited, Non-Executive Chairman – Hong Kong and ASEAN Region and Chief Adviser to Macquarie Infrastructure and Real Assets Asia, a member of the Hong Kong Special Administrative Region Government's Committee on Innovation, Technology and Re-Industrialisation, a member of the Court of the City University of Hong Kong, Convenor of the Panel of Advisors on Building Management Disputes of the Hong Kong Special Administrative Region Government Home Affairs Department, President of the United Nations Economic and Social Commission for Asia and the Pacific (UN ESCAP) Sustainable Business Network (ESBN) Executive Council and Chairman of its Task Force on Banking and Finance, Vice Chairman of Pacific Basin Economic Council (PBEC), a member of the Hong Kong Trade Development Council Belt and Road and Greater Bay Area Committee, a member of the Sir Murray MacLehose Trust Fund Investment Advisory Committee, and the Advisory Board of the Hong Kong Investor Relations Association, Honorary Advisor to the Hong Kong Business Angel Network (HKBAN), Chairman of Monte Jade Science and Technology Association of Hong Kong and President of Hong Kong-ASEAN Economic Cooperation Foundation.

Dr. Lam holds a BSc in Sciences and Mathematics, an MSc in Systems Science and an MBA from the University of Ottawa in Canada, an LLB (Hons) in law from Manchester Metropolitan University in the UK, a LLM in Law from the University of Wolverhampton in the UK, an MPA and a PhD from the University of Hong Kong. He is also a Solicitor of the High Court of Hong Kong (and formerly a member of the Hong Kong Bar), an Accredited Mediator of the Centre for Effective Dispute Resolution, a Fellow of the Hong Kong Institute of Arbitrators and the Hong Kong Institute of Directors, an Honorary Fellow of Certified Public Accountants (CPA) Australia, a Fellow of Certified Management Accountants (CMA) Australia, the Institute of Public Accountants, the Institute of Financial Accountants, and an Honorary Fellow of the Hong Kong Institute of Facility Management and the University of Hong Kong School of Professional and Continuing Education.

Dr. Lam was appointed as a non-executive Director of the Company on 10 November 2017. Dr. Lam is currently an independent non-executive director of each of CSI Properties Limited (Stock Code: 497), Vongroup Limited (Stock Code: 318), Mei Ah Entertainment Group Limited (Stock Code: 391), Elife Holdings Limited (Stock Code: 223), Haitong Securities Co., Ltd. (Stock Code: 6837, a company also listed on Shanghai Stock Exchange, Stock Code: 600837), Huarong Investment Stock Corporation Limited (Stock Code: 2277), Hang Pin Living Technology Company Limited (formerly known as Hua Long Jin Kong Company Limited, Stock Code: 1682), Kidsland International Holdings Limited (Stock Code: 2122), Mingfa Group (International) Company Limited (Stock Code: 846), Aurum Pacific (China) Group Limited (Stock Code: 8148) and Greenland Hong Kong Holdings Limited (Stock Code: 337); and a non-executive director of each of Sunwah Kingsway Capital Holdings Limited (Stock Code: 188), China LNG Group Limited (Stock Code: 931), National Arts Entertainment and Culture Group Limited (Stock Code: 8228) and Tianda Pharmaceuticals Limited (Stock Code: 455); the shares of all of the aforementioned companies are listed on the Stock Exchange. He is also an independent non-executive director of each of China Real Estate Grp Ltd. (formerly known as Asia-Pacific Strategic Investments Limited, Stock Code: 5RA), Top Global Limited (Stock Code: BHO), JCG Investment Holdings Ltd. (formerly known as China Medical (International) Group Limited, Stock Code: VFP) and Thomson Medical Group Limited (Stock Code: A50), and a non-executive director of Singapore eDevelopment Limited (Stock Code: 40V); the shares of all of the aforementioned companies are listed on Singapore Exchange. Dr. Lam is also an independent director of Sunwah International Limited (Stock Code: SWH), a company listed on Toronto Stock Exchange; an independent non-executive director of AustChina Holdings Limited (Stock Code: AUH), a company listed on Australian Securities Exchange; a non-executive director of Adamas Finance Asia Limited (Stock Code: ADAM), a company listed on London Stock Exchange and an independent non-executive director of TMC Life Sciences Berhad, a company (Stock Code: 0101) listed Bursa Malaysia Securities Bhd.

Dr. Lam was a non-executive director of Green Leader Holdings Group Limited (Stock Code: 0061) and Roma Group Limited (Stock Code: 8072), and an independent non-executive director of each of Hsin Chong Group Holdings Limited (Stock Code: 404), Glorious Sun Enterprises Limited (Stock Code: 393), Xi'an Haitian Antenna Technologies Co., Ltd. (formerly known as Xi'an Haitiantian Holdings Co., Ltd., Stock Code: 8227), all of which are listed on the Stock Exchange; and an independent non-executive director of Rowsley Ltd. (Stock Code: A50), a company listed on Singapore Exchange, and Vietnam Equity Holding (Stock Code: 3MS), a company listed on Stuttgart Stock Exchange.

Mr. Qiu Jianyang, aged 57, was appointed as a non-executive Director of the Company on 11 September 2015. Mr. Qiu has extensive experience in finance management and investment. Mr. Qiu acted as the president of the capital investment department of Century Golden Resources Investment Group Co., Limited*（世紀金源投資集團有限公司）, responsible for investment feasibility analysis, reviewing on business plans and producing investments scheme. Mr. Qiu served as a director of CSC Financial Co., Ltd. Prior to these, Mr. Qiu served as vice president of CITIC Information Technology Investment Co., Ltd*（中信信息科技投資有限公司）and financial manager of the First Branch of China Unicom Limited*（中國聯合網絡通信有限公司第一分公司）. Mr. Qiu is a Certified Public Accountant in China, he served various senior financial management positions in serval large scaled enterprises and has rich investment experience in global financial markets. Mr. Qiu has a wealth of theoretical knowledge and has co-published a treatise entitled "Corporate Financial Accounting Practice"（《公司財務會計實務》）. Mr. Qiu graduated from Hunan University (formerly known as "Hunan College of Finance and Economics") in 1985 with a major in Financial Accounting.

Mr. Lo Man Tuen, *G.B.S.*, *JP*, aged 71, was appointed as a non-executive Director of the Company on 10 November 2017. Mr. Lo is currently the chairman of Wing Li Group (International) Limited. Mr. Lo also holds a number of posts such as the chairman of Wing Li Packaging Limited, and the chairman of Glory Sign International Limited. Mr. Lo was an independent non-executive director of Hanergy Thin Film Power Group Limited (stock code: 566), a company previously listed on the Main Board of the Stock Exchange. In respect of public offices, Mr. Lo is the vice-chairman of All-China Federation of Returned Overseas Chinese and a member of the 9th to 12th National Committee of the Chinese People's Political Consultative Conference (CPPCC). In addition, Mr. Lo is the vice chairman of Sub-committee of 12th Foreign Affairs of CPPCC National Committee and the vice chairman of 11th All-China Federation of Industry and Commerce. In 2013, Mr. Lo was also appointed as the executive director of Hong Kong Association for Promotion of Peaceful Reunification of China. In 2015, Mr. Lo was appointed as the president of China Peaceful Development General Summit of Hong Kong Macao Taiwan Diaspora. Mr. Lo was also nominated as the honorary life chairman of Chinese General Chamber of Commerce of Hong Kong in 2016. In recognition of his years-long contribution to the society, Mr. Lo was awarded the Gold Bauhinia Star, Silver Bauhinia Star, Bronze Bauhinia Star, Medal of Honour and appointed as a Justice of the Peace.

Mr. To Shing Chuen, aged 69, was appointed as an independent non-executive Director of the Company on 31 January 2002 and is a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Mr. To is currently an independent non-executive director of China Touyun Tech Group Limited (formerly known as "China Opto Holdings Limited", stock code: 1332), a company listed on the Main Board of the Stock Exchange. He holds a Bachelor's degree of Arts and has over 20 years of experience in trading, garment and leather industries.

BIOGRAPHY OF THE DIRECTORS AND SENIOR MANAGEMENT

Mr. Cheung Wing Ping, aged 53, was appointed as an independent non-executive Director of the Company and a member of the Audit Committee, Nomination Committee and Remuneration Committee on 17 April 2015, and was appointed as the chairman of Remuneration Committee of the Company on 26 June 2015 and the chairman of the Audit Committee of the Company on 10 November 2017. Mr. Cheung is currently an independent non-executive director of Oshidori International Holdings Limited (stock code: 622) and China Touyun Tech Group Limited (stock code: 1332), all of which are listed companies on the Main Board of the Stock Exchange. Mr. Cheung was formerly an executive director of Eagle Ride Investment Holdings Limited (stock code: 901) from June 2011 to November 2013; and an executive director and an independent non-executive director of Mason Group Holdings Limited (stock code: 273) from July 2013 to September 2016 and October 2009 to June 2013 respectively, and an independent non-executive director of Freeman FinTech Corporation Limited (stock code: 279) from August 2013 to September 2019, all of which are listed companies on the Main Board of the Stock Exchange. He holds a Bachelor's degree in Accountancy with honors from City University of Hong Kong and is a fellow of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.

Mr. Guan Huanfei, aged 62, was appointed as an independent non-executive Director of the Company and a member of the Audit Committee of the Board on 10 November 2017. Mr. Guan is also currently an independent non-executive director of each of China Nonferrous Mining Corporation Limited (stock code: 1258), Huarong International Financial Holdings Limited (stock code: 993), Sunwah Kingsway Capital Holdings Limited (stock code: 188), Solis Holdings Limited (stock code 2227) and HongDa Financial Holding Limited (stock code: 1822), all are companies listed on the Main Board of the Stock Exchange. During the period from December 2017 to June 2018, Mr. Guan served as a non-executive director of Ping An Securities Group (Holdings) Limited (stock code: 231), a company listed on the Main Board of the Stock Exchange. Mr. Guan had been the chairman emeritus of Culturecom Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code:343) and the chairman of the board of directors of UCAN.COM Group Limited, a subsidiary of Culturecom Holdings Limited from July 2013 to March 2016. Mr. Guan has been an executive director of Greater Bay Area Investments Group Limited (formerly known as CCT Land Holdings Limited, a company listed on the Main Board of the Stock Exchange, stock code: 261) since May 2015 and had resigned in September 2017. Mr. Guan was an independent non-executive director of Silver Base Group Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 886) during the period from March 2008 to January 2011, and he was an executive director and the president of the said company from January 2011 to December 2012. Mr. Guan has extensive experience in finance and insurance industry in Hong Kong and mainland China. He held various senior managerial positions in the People's Insurance Company of China (Jilin Branch), the business department of Hong Kong and Macao Regional Office of China Insurance Group, China Taiping Insurance (HK) Company Limited (formerly known as "Ming An Insurance Company (Hong Kong) Limited") and China Pacific Insurance Co., (H.K.) Limited. He also held offices at the Bank of Communications, including the deputy chairman of the risk asset management committee, the deputy chairman of credit asset management committee, the chairman of loan verification committee, the deputy general manager of the Bank of Communications Hong Kong Branch, a director of Bank of Communications Trustee Limited, the chairman and chief executive of China BOCOM Insurance Company Limited and an executive director and general manager of BoCommLife Insurance Company Limited. He obtained a Doctor degree in Economics in 2000 from Wuhan University and was a postdoctoral researcher in Theoretical Economics with Fudan University from 2000 to 2002. Mr. Guan has been a part-time researcher of the Insurance Research Centre of Fudan University since 2004. He has been appointed as a part-time lecturer of professional degree of Fudan University since 2013. Mr. Guan has been appointed as a visiting professor of Jilin University of Finance and Economics since August 2019. Mr. Guan has been an economic and technical consultant of People's Government of Jilin Province for years.

Mr. Tan Yuexin (formerly known as Tan Yuexing), aged 56, was appointed as an independent non-executive Director of the Company and a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee on 17 May 2019. Mr. Tan served as a project manager, a technical responsible officer, and a vice general manager of Hunan Changda Construction Group Co., Ltd. (湖南長大建設集團股份有限公司) from 1986 to 2001. He has served as the chairman of the board of directors of Hunan Xinyuan Investment Group Co., Ltd. (湖南鑫遠投資集團有限公司) since 2001. Mr. Tan has 30 years of experience in investment and management, covering sectors including real estate, healthcare and elderly care, environmental protection and business operation.

SENIOR MANAGEMENT

Mr. Qin Haodong has served as the vice president of the Company since November 2018, and also vice president of Shandong Tongda Financial Leasing Co., Ltd.* (山東通達金融租賃有限公司), affiliated to Shandong Hi-Speed Group Co., Ltd. He was previously general manager of the International Business Division, Trade Finance Division and Corporate Banking Division of Weihai City Commercial Bank Co., Ltd., and worked successively in China Construction Bank, Standard Chartered Bank and JPMorgan Chase Bank. Mr. Qin is familiar with businesses including international business, trade finance, investment banking, and transaction banking, from which he has accumulated extensive experience in financial sector and risk management. Mr. Qin obtained a Master of Laws degree from the Law School of Peking University, and is qualified as a practising lawyer in the PRC. He has been appointed as international business expert by the International Chamber of Commerce China Committee ("ICC China") since 2010.

* *For identification purposes* only

REPORT OF THE DIRECTORS

The Directors present their report together with the audited financial statements of the Group for the Reporting Period.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and those of its subsidiaries are financial leasing, money lending, asset management, operation of an asset trading platform, financial investments, financial technology and related financial services. Details of the particulars of principal subsidiaries are set out in note 46 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the Reporting Period and the state of affairs of the Company and of the Group as at 31 December 2019 are set out in the consolidated financial statements on pages 65 to 72.

The Directors do not recommend the payment of any dividend for the Reporting Period (31 December 2018: Nil).

There are no arrangements under which a Shareholder has waived or agreed to waive any dividends.

In order to (1) establish standard procedures/guidelines that the Board shall follow when deciding/proposing the amount of dividend per share; (2) reward the shareholders of the Company by sharing part of its profits/gains, while ensuring that sufficient funds are reserved for the Company's future development; and (3) maintain a balance between the dividend income of shareholders and the long term capital appreciation of all stakeholders of the Company, the Board adopted a dividend policy on 30 December 2019 (the "Dividend Policy"). According to the Dividend Policy, when determining whether to declare any dividend in the future and the amount of dividend to be declared, the Company shall consider a number of factors, including but not limited to:

(a) the actual and expected financial results of the Group;

(b) the retained earnings and distributable reserves of the Group;

(c) the Group's expected working capital requirements, capital expenditure requirements and future expansion plans;

(d) funds available from the bank facilities of the Group;

(e) any restrictions on dividend distributions arising from any agreements;

(f) the liquidity position of the Group;

(g) the overall economic situation, the business cycle of the Group's business, and internal or external factors that may affect the Group's business operations, financial performance and positioning;

(h) tax considerations;

(i) the historical level of dividends paid;

(j) relevant laws and regulations; and

(k) any other factors that the Board considers relevant.

The Company does not have any pre-determined dividend distribution proportion or distribution ratio. The declaration and payment of dividends by the Company shall comply with applicable laws and regulations, including the Listing Rules, Bermuda Companies Act, and the Bye-laws of the Company. The recommendation of the dividends by the Company shall be determined at the sole discretion of the Board, but any declaration of annual dividend for the financial year ended of the Company will be subject to the approval by the Shareholders at the general meeting of the Company. The Board will review the Dividend Policy from time to time, and may update, modify and/or change this policy at its sole discretion at any time when it considers appropriate and necessary.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out on page 228. This summary does not form part of the audited financial statements.

BUSINESS REVIEW

The business review of the Group for the Reporting Period is set out in the section headed "Management Discussion and Analysis" on pages 7 to 15 of this annual report. That discussion forms part of this report of the Directors.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Reporting Period are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Reporting Period are set out in note 33 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

Details of the equity-linked agreements entered into during the Reporting Period or subsisting at the end of the Reporting Period are set out below:

(a) Share Options

The Company operates a share option scheme (the "Share Option Scheme") adopted by way of an ordinary resolution passed on 18 August 2014 at the annual general meeting of the Company, for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

The following table discloses movements in the Company's share options during the Reporting Period:

		Number of share options								
Category/ Name of participant	Date of grant	Outstanding as at 31.12.2018	Granted during the reporting period	Exercised during the reporting period	Lapsed during the reporting period	Cancelled during the reporting period	Outstanding as at 31.12.2019	Vesting period	Validity period of share options	Exercise price of share option (HK$) per share
Employee										
Yau Wai Lung	05.12.2014	169,400,000	–	–	–	–	169,400,000	–	05.12.2014 to 04.12.2024	0.42
Total		169,400,000	–	–	–	–	169,400,000			

Further details of the Share Option Scheme are set out in note 35 to the consolidated financial statements.

Save as disclosed above, no equity-linked agreements were entered into by the Company that have, will or may result in the Company issuing Shares or require the Company to enter into any agreements that will or may result in the Company issuing Shares during the Reporting Period or subsisted at the end of the Reporting Period.

PROFIT GUARANTEE

Profit guarantee in respect of the acquisition of 100% issued share capital in China Shandong Hi-Speed Hong Kong Leasing Limited

Pursuant to the sale and purchase agreement dated 8 April 2015 (as supplemented on 29 July 2015) (the "S&P Agreement"), the Company completed the acquisition of China Shandong Hi-Speed Hong Kong Leasing Limited (formerly known as Hong Kong Leasing Limited) ("Hong Kong Leasing") from China Hover Dragon Group Limited and Mr. Gao Chuanyi (collectively the "Vendors") on 1 September 2015 at the base consideration of HK$1,558,334,000, which was settled by the allotment and issuance of 2,361,112,121 Shares. There was an arrangement of profits guarantee given by the Vendors that if the audited net profits after tax of the relevant year of Hong Kong Leasing is less than the guaranteed amounts (as disclosed below), the base consideration for the acquisition shall be reduced by way of repurchase by the Company of part of the consideration shares.

Relevant year	Guaranteed Amount
1 September 2015 to 31 August 2016 ("1st Year")	HK$100,000,000
1 September 2016 to 31 August 2017 ("2nd Year")	HK$200,000,000

Further details are set out in the Company's announcements dated 10 April and 2 September 2015 respectively and the circular dated 30 July 2015.

The profit guarantee was met and there was no adjustment for the 1st Year. For the 2nd Year, the audited net profits after tax as shown in audited consolidated accounts for the period from 1 September 2016 to 31 August 2017 of Hong Kong Leasing was less than HK$200,000,000, the Vendors were obligated to sell 1,213,939,394 consideration Shares, as calculated using the formula as stipulated in the S&P Agreement, to the Company at nil consideration.

In light of the above, the Company had issued letters to the Vendors and their guarantors to demand, among others, for execution of the procedure for repurchase of the subject shares. The Company had issued a stop notice pursuant to the Rules of High Court to stop the transfer of the subject Shares and payment of dividend. Nevertheless, neither the Vendors nor the guarantors have fulfilled their obligations under the S&P Agreement. Therefore, the Company has commenced legal proceedings against the Vendors and their guarantors. Further details of the aforesaid legal proceedings are set out in note 45 to the consolidated financial statements.

Profit guarantee in respect of the acquisition of 60% issued share capital of Kun Peng International Limited

On 26 March 2018, the Company completed the acquisition of 60% of the issued share capital in Kun Peng International Limited ("Kun Peng") and in accordance with the terms of the relevant share purchase agreement dated 29 December 2017 (the "Honesta SPA"), Honesta Investment Limited and Mr. Hua Meng jointly and severally agreed that the minimum distributable operating net profit of Shenzhen Cashlai Financial Information Services Co. Ltd.* (深圳錢來網金融信息服務有限公司) ("Cashlai") and Shenzhen Qianhai Honesta Asset Management Company Ltd.* (深圳前海厚生資產管理有限公司) ("Honesta Asset Management") for the years ended/ending 31 December 2018, 2019 and 2020 shall not be less than the amount (the "Minimum Net Profit") set opposite to the relevant year in the table below:

Relevant year	Minimum Net Profit
1 January 2018 to 31 December 2018	RMB32,270,000
1 January 2019 to 31 December 2019	RMB58,170,000
1 January 2020 to 31 December 2020	RMB95,700,000
Total	**RMB186,140,000**

Further details are set out in the Company's announcements dated 29 December 2017 (the "Honesta Announcement") and 26 March 2018.

Based on the unaudited financial statements of Cashlai, Honesta Asset Management and their subsidiaries for the year ended 31 December 2018 and 2019 respectively, the Directors considered that unaudited Minimum Net Profit for the year ended 31 December 2018 and 2019 would be less than RMB32,270,000 and RMB58,170,000 respectively. As disclosed in the Honesta Announcement, in the event that Kun Peng fails to achieve the aggregate amount of the Minimum Net Profit during the three financial years ending 31 December 2020, the Company will buy back a portion of the consideration shares at nil consideration upon the financial statements of Kun Peng for the financial year ending 31 December 2020 are available. The number of consideration shares to be bought back shall be calculated in accordance with the formula as stipulated in the Honesta SPA.

BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings of the Group as at 31 December 2019 are set out in note 30 to the consolidated financial statements.

ISSUE OF DEBENTURES

On 15 January 2019, Coastal Emerald Limited, an indirect wholly-owned subsidiary of the Company, issued 5.95% bonds due 2020 (the "Original Bonds") in an aggregate principal amount of US$550,000,000 to professional investors to raise funds for refinancing and general corporate purposes. The Original Bonds are guaranteed by the Company.

On 19 February 2019, Coastal Emerald Limited further issued 5.95% guaranteed bonds in the principal amount of US$50,000,000 to professional investors. Such bonds were consolidated and formed a single series with the Original Bonds.

After deducting the issuance costs, the Group received net proceeds of approximately US$548,625,000 and approximately US$49,807,000 from the issuance of the series of the Original Bonds.

On 25 July 2019, Coastal Emerald Limited issued of 4.30% guaranteed bonds in an aggregate principal amount of US$100,000,000 to professional investors to raise funds for refinancing and general corporate purposes.

On 1 August 2019, Coastal Emerald Limited issued of 3.95% guaranteed bonds due 2022 and 4.30% guaranteed perpetual securities in an aggregate principal amount of US$500,000,000 and US$900,000,000. The Group intends to use the proceeds from issuance of guaranteed bonds and perpetual securities for refinancing and general corporate purposes.

After deducting the issuance costs, the Group received net consideration of approximately US$97,852,000, US$498,036,000 and US$896,183,000 from the issuance of the above bonds and perpetual securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the bye-laws of the Company (the "Bye-laws") or the laws of Bermuda which would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

TAX RELIEF

The Company is not aware of any tax relief available to the Shareholders by reason of their holding of the Shares.

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

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

DISTRIBUTABLE RESERVES

Under the Bermuda Companies Act 1981, the Company's contributed surplus of approximately HK$1,524,577,000 may be distributed under certain circumstances. Other than the contributed surplus, the Company does not have any reserves available for distribution in accordance with the Bermuda Companies Act 1981 as at 31 December 2019. In addition, the Company's share premium account of approximately HK$4,784,098,000 as at 31 December 2019 may be distributed in the form of fully paid bonus Shares. Details of the share premium account and reserves are set out in note 47 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, sales to the Group's largest customer and five largest customers accounted for 4.08% and 17.58% of the Group's revenue, respectively. The Group had insignificant amount of purchases. In the opinion of the Board, it is therefore of no value to disclose details of the Group's suppliers. At no time during the Reporting Period had the Directors, their associates or any Shareholder (which to the knowledge of the Directors owns more than 5% of the number of issued Shares) had any interest in these major customers and suppliers.

DIRECTORS

The Directors during the Reporting Period and up to the date of this report were:

Executive Director and Chairman

Mr. Wang Xiaodong

Executive Director and Vice-Chairman

Mr. Liu Han

Former Executive Director and CEO

Mr. Ji Kecheng (resigned on 17 May 2019)

Executive Directors

Ms. Liao Jianrong
Mr. Liu Zhijie
Mr. Liu Yao
Mr. Li Zhen Yu (resigned on 17 May 2019)
Mr. Wang Zhenjiang (resigned on 17 May 2019)
Mr. Yau Wai Lung (resigned on 17 May 2019)

Non-Executive Directors

Dr. Lam Lee G.
Mr. Qiu Jianyang
Mr. Lo Man Tuen
Mr. Li Hang (resigned on 7 May 2019)

Independent Non-Executive Directors

Mr. To Shing Chuen
Mr. Cheung Wing Ping
Mr. Guan Huanfei
Mr. Tan Yuexin
Mr. Wang Huixuan (resigned on 17 May 2019)

In accordance with bye-law 99(B) of the Bye-laws of the Company four Directors, namely Dr. Lam Lee G., Mr. Qiu Jianyang, Mr. To Shing Chuen and Mr. Guan Huanfei, shall retire from office by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The full biographical details including the changes in information of the Directors pursuant to Rule 13.51B(1) of the Listing Rules and the senior management of the Company have been set out on pages 16 to 21 of this annual report subsequent to specific enquiry by the Company and following confirmation from the Directors.

INDEPENDENT NON-EXECUTIVE DIRECTORS' CONFIRMATION

The Company has received from each of the independent non-executive Directors a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and as at the date of this report still considers that all of them to be independent.

DIRECTORS' SERVICE CONTRACTS

As at 31 December 2019, none of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

Details of the Directors' remuneration are set out in note 12 to the consolidated financial statements.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed under the section headed "Related Parties Transactions" in note 38 to the consolidated financial statements, no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company, any of its holding companies, fellow subsidiaries or subsidiaries was a party, and in which a Director or an entity connected with a Director has a material interest, whether directly or indirectly, subsisted at the end of the Reporting Period or at any time during the Reporting Period.

COMPETING INTERESTS

As at 31 December 2019, in so far as the Directors were aware, none of the Directors or their respective associates had any interest in a business that competed or was likely to compete with the business of the Group.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the Reporting Period.

CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

Save as disclosed under the section headed "Related Parties Transactions" in note 38 to the consolidated financial statements, neither the Company nor any of its subsidiaries has entered into any contract of significance with a controlling Shareholder or any of its subsidiaries, nor any contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling Shareholder or any of its subsidiaries.

CONNECTED TRANSACTIONS

To the best knowledge of the Directors, none of the related party transactions disclosed under the section headed "Related Parties Transactions" in note 38 to the consolidated financial statements constitute a connected transaction or continuing connected transaction as defined under the Chapter 14 of the Listing Rules that is required to be disclosed.

CONTRACTUAL ARRANGEMENTS

On 26 March 2018, the acquisition and subscription of a total of 60% issued shares in Kun Peng was completed. Kun Peng, through Honesta Consultancy Management (Shenzhen) Company Limited*（厚生諮詢管理（深圳）有限公司）("Honesta Consultancy Management") (its indirect wholly-owned subsidiary), controls the operation of Shenzhen Honesta New Finance Holding Company Ltd.*（深圳厚生新金融控股有限公司）("Honesta New Finance"), a company incorporated in the PRC, its subsidiaries and invested entities by way of entering into a number of contracts i.e., the exclusive business cooperation agreement, the exclusive option agreements, the equity pledge agreements, the director's power of attorney, the shareholder's power of attorney, the spouse consent letter and other ancillary documents relating to the contractual arrangements thereunder (collectively the "Structured Contracts") and the registered shareholders (as disclosed below) (the "VIE structure").

The major terms of the Structured Contracts are set out in note 4 to the consolidated financial statements.

(i) VIE Structure

Honesta New Finance, its subsidiaries and invested entities (collectively the "Structured Entities") are principally engaged in, inter alia, securities investment management, conducting electronic commerce, provision of financial intermediary service through the internet, market research, internet culture operation (collectively the "Restricted Business"), all of which are subject to foreign ownership restrictions under the laws of the PRC. According to the PRC legal advisers, (i) the businesses of securities investment management shall be controlled by PRC persons, (ii) the businesses of electronic commerce, provision of financial intermediary service through the internet and market research are subject to foreign investment restrictions and (iii) the business of internet culture operation is subject to foreign investment prohibition.

Honesta New Finance is owned by Mr. Hua Meng*（華猛）, Mr. Guo Yong*（郭勇）, Mr. Cheng Xiaoxin*（程小新）and Shenzhen Honesta Letou Number 8 Investment Management Limited Partnership*（深圳厚生樂投八號投資管理企業（有限合夥））as to 30%, 30%, 19% and 21% respectively.

The Company considers that numerous subsidiaries and associates of Honesta New Finance and the Company can together generate synergies, which will create favourable conditions for the Company's development. Alpha Media (Shenzhen) Company Ltd*（阿爾法傳媒（深圳）有限公司）("Alpha Media"), one of the associates of Honesta New Finance, can connect the Company with online media, which can assist the Company in exploring business opportunities pertaining retail clients inside and outside the PRC.

(ii) Reasons for using the VIE Structure

The Directors are of the view that the Structured Contracts are narrowly tailored as they are used to enable the Group to invest in businesses that operate in industries that are subject to foreign investment restrictions in the PRC. The Company would unwind the Structured Contracts as soon as the relevant laws and regulations allow the Restricted Businesses to be conducted in the PRC to be operated by foreign investors without adopting the contractual arrangement structure.

(iii) Significance and financial contribution of the Structured Entities to the Group

The Board considers the Structured Entities as significant to the Group as they held the relevant licenses to conduct the Restricted Business.

The Structured Entities recorded revenue and net profit of approximately HK$109 million and HK$2 million for the Reporting Period.

As at 31 December 2019, the Structured Entities recorded total assets of approximately HK$515 million, total liabilities of approximately HK$406 million, and therefore net assets of approximately HK$109 million.

(iv) Risks and mitigation relating to the VIE Structure

In connection with the VIE Structure, the Group is subject to certain risks and limitations, which are summarized below:

Limitations in exercising the option to acquire ownership in Honesta New Finance

The exercise of the option under the Exclusive Option Agreements to acquire the ownership of Honesta New Finance may be subject to substantial costs, including but not limited to enterprise income tax imposed by the relevant PRC governmental authorities, stamp duties and professional fee.

The PRC government may determine that Structured Contracts are not in compliance with any existing or future applicable PRC laws or regulations

Although the PRC legal advisers of the Company are of the view that the Structured Contracts are not in violation of the relevant PRC laws and regulations, uncertainties still exist regarding the interpretation and application of the PRC laws and regulations.

Up to the date of this report, the Group has not encountered any interference or encumbrance from any governing bodies in operating the business of Honesta New Finance through the Structured Contracts.

Certain provision in the Structured Contracts which may not be enforceable

According to the PRC legal advisers, the provisions regarding the dispute resolution provisions of the Structured Contracts which set forth that the arbitration body may issue injunctions or winding-up orders may be invalid and unenforceable under the PRC laws.

Honesta Consultancy Management relies on the Structured Contracts to control and obtain the economic benefits from Honesta New Finance, which may not be as effective in providing operational control as direct ownership

The Company will have to rely on the rights of Honesta Consultancy Management under the Structured Contracts to effect changes in the management of Honesta New Finance and make an impact on its business decision making, as opposed to exercising its rights directly as a shareholder. If Honesta New Finance or its registered shareholders refuse to cooperate, the Company will face difficulties in effecting control over the operation of business of Honesta New Finance through the Structured Contracts, which may adversely affect the Company's business efficiency.

The registered shareholders of Honesta New Finance may potentially have a conflict of interests with the Group

Conflicts of interest may arise when the interest of the registered shareholders of Honesta New Finance does not align with that of the Company, and the registered shareholders of Honesta New Finance may breach or cause Honesta New Finance to breach the Structured Contracts. If the Company fails to resolve this internally, it may have to resort to dispute resolution. If ultimately the shareholder(s) has/have to be removed, it will be difficult for the Company to maintain investors' confidence in the Structured Contracts.

The contractual arrangements may be subject to scrutiny of the PRC tax authorities

Under the Structured Contracts, Honesta New Finance is required to pay Honesta Consultancy Management a service fee for the services rendered by Honesta Consultancy Management. Such service fee payments between related parties may be subject to scrutiny or challenge by the PRC tax authorities.

The Company does not have any insurance which covers the risks relating to the Structured Contracts and the transactions contemplated thereunder

Any risk arises from the Structured Contracts in the future, such as those affecting the enforceability of the Structured Contracts and the relevant agreements for the transactions contemplated thereunder and the operation of Honesta New Finance, the results of the Group may be adversely affected.

Mitigation

The Group continuously monitors the relevant legal and operational environment from time to time to comply with the applicable laws and regulations. In addition, the Group has implemented relevant internal control measures to reduce the operational risk.

(v) Material changes

During the Reporting Period, there was no material change in the Structured Contracts and/or the circumstances under which they were adopted.

(vi) Unwinding or termination of the Structured Contracts

Up to 31 December 2019, none of the Structured Contracts has been unwound or terminated.

PERMITTED INDEMNITY PROVISIONS

Pursuant to the Company's Bye-laws, every Director, auditor, secretary or other officer of the Company and every agent or employee of the Company shall be entitled to be indemnified by the Company out of the assets of the Company against all costs, charges, losses, expenses and liabilities which he/she may sustain or incur in or about the execution and discharge of his/her duties or in relation thereto. Such permitted indemnity provision is currently in force and was in force throughout the Reporting Period.

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

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATION

As at 31 December 2019, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) 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 the Directors and the chief executive of the Company were taken or deemed to have under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of Part XV of the SFO; or (iii) otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules were as follows:

Long positions in Shares and underlying Shares

	Number of Shares/underlying Shares held						
Name of Directors	**Personal interests**	**Family interests**	**Corporate interests**	**Other interests**	**Interests in underlying Shares/equity derivatives**	**Total number of Shares interested**	**Percentage of total issued Shares** *(note 1)*
Lo Man Tuen	30,000,000	–	–	–	–	30,000,000	0.12%

Note:

1. The percentage of shareholding is calculated on the basis of the Company's issued share capital of 24,452,450,002 Shares as at 31 December 2019.

Save as disclosed above, as at 31 December 2019, none of the Directors and chief executive of the Company was interested in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors or the chief executive of the Company were taken or deemed to have under such provisions of the SFO) or which were required to be entered in the register maintained by the Company under section 352 of Part XV of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Reporting Period were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any other Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS OR SHORT POSITIONS IN SHARES OF THE COMPANY

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

Interests or short positions in Shares

Name of Substantial Shareholder	Nature of interest	Interests in underlying Shares/ equity derivatives	Number of Shares interested held	Percentage of interest in the Company *(Note 10)*
Shandong Hi-Speed Group Co., Ltd. (山東高速集團有限公司) *(Note 1)*	Corporate interest	–	10,459,648,350	42.78%
Li Shao Yu (*Note 2 & 3)*	Corporate interest	–	2,904,095,650	11.88%
Hao Tian Development Group Limited *(Note 4)*	Corporate interest Security interest	–	711,406,000 2,148,559,650	11.70%
Lau Mo *(Note 5)*	Corporate interest	–	2,148,559,650	8.80%
Liu Yang *(Note 6)*	Corporate interest	–	1,764,078,000	7.21%
Huang Tao *(Note 7 & 8)*	Corporate interest Corporate interest	–	1,320,000,000 401,810,000	7.04%
Huang Shiying *(Note 8)*	Corporate interest Beneficial interest	–	1,320,000,000 391,016,000	7.00%
UBS Group AG *(Note 9)*	Corporate interest Security interest	–	4,305,624 1,688,042,000	6.92%

Notes:

1. Shandong Hi-Speed Group Co., Ltd. was deemed to be interested in the 10,459,648,350 Shares pursuant to the SFO, by virtue of its interests in (i) 5,000,000,000 Shares held by Shandong International (Hong Kong) Limited; and (ii) 5,459,648,350 Shares held by Shandong Hi-Speed (Hong Kong) International Capital Limited, each of which was an indirect wholly-owned subsidiary of Shandong Hi-Speed Group Co., Ltd.

2. Ms. Li Shao Yu was deemed to be interested in the 2,904,095,650 Shares pursuant to the SFO by virtue of her interest in Hao Tian Development Group Limited (stock code 474) ("Hao Tian Development") and TRXY Development (HK) Limited.

3. Ms. Li Shao Yu was also deemed to be interested in the 44,130,000 Shares held by TRXY Development (HK) Limited pursuant to the SFO by virtue of TRXY Development (HK) Limited being owned as to 90% and 9% respectively, by Hao Tian Integrated Group Development Limited and Hao Tian Group Holdings Limited, both of which are wholly owned by Ms. Li Shao Yu.

4. Hao Tian Development Group Limited was deemed to be interested in 2,859,965,650 Shares pursuant to the SFO, among which, (i) 607,536,000 Shares held by Hao Tian Management (Hong Kong) Limited; (ii) 2,148,559,650 Shares held by Hao Tian Management (Hong Kong) Limited are held in person having a security interest in Shares; and (iii) 103,870,000 Shares held by Hao Tian International Construction Investment Group Limited (stock code 1341).

5. Mr. Lau Mo was deemed to be interested in the 2,148,559,650 Shares pursuant to the SFO by virtue of his interest in Billion Accomplish Limited.

6. Ms. Liu Yang was deemed to be interested in the 1,764,078,000 Shares pursuant to the SFO by virtue of her interest in Riverwood Asset Management (Cayman) Limited and Atlantis Capital Group Holdings Limited.

7. Mr. Huang Tao was deemed to be interested in 1,721,810,000 Shares pursuant to the SFO by virtue of his interest in Alpha Wealth Global Limited and Century Golden Resources Investment Co., Ltd.

8. Each of Mr. Huang Shiying and Mr. Huang Tao was deemed to be interested in the 1,320,000,000 Shares held by Century Golden Resources Investment Co., Ltd. pursuant to the SFO by virtue of his controlling interest in Century Golden Resources Investment Co., Ltd.

9. The Shares of 1,688,042,000 held by UBS Group AG are held in person having a security interest in Shares.

10. As at 31 December 2019, the total number of issued shares of the Company was 24,452,450,002.

Save as disclosed above, as at 31 December 2019, the Company had not been notified of any other corporation or individual (other than a Director or the chief executive of the Company) which/who had 5% or more interests (whether directly or indirectly) or short positions in the Shares or underlying Shares as recorded in the register kept by the Company pursuant to Section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company has maintained sufficient public float as required under the Listing Rules.

AUDITORS

HLB Hodgson Impey Cheng Limited will retire and a resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Wang Xiaodong
Executive Director and Chairman

Hong Kong
25 March 2020

* For identification purpose only

CORPORATE GOVERNANCE PRACTICES

The Company recognises the importance of transparency and accountability, and believes that Shareholders can benefit from good corporate governance. The Company's corporate governance practices are based on the principles and code provisions (the "Code Provision(s)") as set out in the Code as its own corporate governance code. The Company aims to achieve good standard of corporate governance. During the Reporting Period, the Company has complied with the Code Provisions except for the deviations disclosed and explained in this report. The Company aims to comply with all the Code Provisions and will review and update the current practices of the corporate governance regularly in order to achieve the aims.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its code for securities transactions by Directors. Following specific enquiry by the Company, the Directors have confirmed that they have complied with the required standard set out in the Model Code during the Reporting Period.

BOARD OF DIRECTORS

The overall management of the business of the Company is vested in the Board, which assumes responsibility for leadership and control of the Company and major decision making such as composition and remuneration of the Board and senior management, approval of notifiable and connecting transactions, selection of auditors, and strategic decisions in relation to the Group's business. The Board is collectively responsible for promoting the success of the Company by directing and supervising its affairs. All Directors should make decisions objectively in the interests of the Company and the Shareholders as a whole. The functions of the Board are carried out either directly or through the Board committees. The Board has delegated the power to oversee and make decisions on the daily operational matters of the Group to the management of the Company under the supervision of the Board and/or the Executive Committee.

Board Composition

The Board composition was as follows as at 31 December 2019 and up to the date of this report:

Executive Director and Chairman

Mr. Wang Xiaodong

Executive Director and Vice-Chairman

Mr. Liu Han

Executive Directors

Ms. Liao Jianrong
Mr. Liu Zhijie
Mr. Liu Yao

Non-Executive Directors

Dr. Lam Lee G.
Mr. Qiu Jianyang
Mr. Lo Man Tuen

Independent Non-Executive Directors

Mr. To Shing Chuen
Mr. Cheung Wing Ping
Mr. Guan Huanfei
Mr. Tan Yuexin

Pursuant to Code Provision A.4.2 and Bye-law 99(B) of the Bye-laws, each of Dr. Lam Lee G., Mr. Qiu Jianyang, Mr. To Shing Chuen and Mr. Guan Huanfei will retire from office by rotation and be eligible for re-election as Directors at the forthcoming annual general meeting of the Company.

Biographical details of all Directors are set out on pages 16 to 21 of this report. The roles and functions of the Board Committees are published on the respective websites of the Stock Exchange and the Company. The members of the Board are experienced individuals having a mix of core competencies in areas of accounting and finance, business management, law, industry knowledge and marketing strategies. The mix of professional skills and experience of the independent non-executive Directors (the "INEDs") is an important element in the proper functioning of the Board. Their participation in Board and committee meetings brings independent judgment and helps to ensure that adequate checks and balances are provided and that the interests of all Shareholders are taken into account. To ensure the Board is in a position to exercise its power in an informed manner, all members of the Board have full and timely access to all relevant information and may take independent professional advice at the Company's expense if necessary. The Company has established the Procedures for Directors to Seek Independent Professional Advice to ensure that the Directors can effectively perform their specific duties and need not to bear extra financial expenses for obtaining opinions from independent professional advisors.

Board Diversity Policy

The Board has adopted a board diversity policy on 1 September 2013 which has been updated on 28 March 2019 with an aim to set out the approach to achieve diversity on the Board. While all Board appointments will continue to be made on a merit basis, the Company will ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the needs of the Company's business. Selection of candidates will be based on a range of diverse perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge.

The Company has complied with rules 3.10 (1) and (2) of the Listing Rules in maintaining at all times sufficient number of INEDs on the Board including INEDs with professional accounting and financial qualifications. The Company has complied with rule 3.10A and has INEDs representing at least one-third of the Board. The Company has received from each INEDs an annual confirmation of independence pursuant to rule 3.13 of the Listing Rules and therefore it considers all of the INEDs are independent.

To the best knowledge of the Board, as at 31 December 2019, none of the Directors had any financial, business, family or other material/relevant relationships with each other.

Board Practice

During the Reporting Period, there were a total of 9 Board meetings and 1 general meeting held. The attendance of each of the Directors is as follows:

	Attendance	
Name of Directors	**Board meetings**	**General meeting(s)**
Executive Directors		
Mr. Wang Xiaodong	6/6	1/1
Mr. Liu Han	5/5	1/1
Ms. Liao Jianrong	5/5	1/1
Mr. Liu Zhijie	5/5	0/1
Mr. Liu Yao	5/5	1/1
Mr. Ji Kecheng (resigned on 17 May 2019)	4/4	N/A
Mr. Li Zhen Yu (resigned on 17 May 2019)	4/4	N/A
Mr. Wang Zhenjiang (resigned on 17 May 2019)	3/4	N/A
Mr. Yau Wai Lung (resigned on 17 May 2019)	4/4	N/A
Non-Executive Directors		
Dr. Lam Lee G.	9/9	1/1
Mr. Qiu Jianyang	8/9	1/1
Mr. Lo Man Tuen	7/9	1/1
Mr. Li Hang (resigned on 7 May 2019)	2/3	N/A
Independent Non-Executive Directors		
Mr. To Shing Chuen	9/9	1/1
Mr. Cheung Wing Ping	9/9	1/1
Mr. Guan Huanfei	8/9	1/1
Mr. Tan Yuexin	4/5	1/1
Mr. Wang Huixuan (resigned on 17 May 2019)	3/4	N/A

The Board meets either in person or through other electronic means of communication to monitor the execution of plans, review the Group's business performance and review financial reporting as well as all other material matters.

Under Code Provision A.1.3, notice of at least 14 days should be given of a regular board meeting to give all Directors an opportunity to attend. During the Reporting Period, certain regular Board meetings were convened with less than 14 days' notice to facilitate the Directors' timely reaction and expeditious decision making process in respect of internal affairs of the Group. All Board meetings, nevertheless, were duly convened and held in the way prescribed by the Bye-laws. The Board will use reasonable endeavour to meet the requirement of Code Provision A.1.3 in future.

All Directors have access to board paper and related materials, and are provided with adequate information which enables the Board to make informed decisions on the matters to be discussed and considered at the Board meetings. Minutes of Board meetings are kept by the company secretary of the Company and are open for inspection at any reasonable time upon reasonable notice by any Director. Any conflict of interest will be declared before a meeting, and in case of conflict of interest which the Board has determined as material, the matter would be dealt with by a physical meeting.

A Directors' and officers' liability insurance for the benefit of the Directors and other officers (including senior management) of the Company was in force during the Reporting Period and up to the date of this report.

Appointment and Re-election of Directors

During the Reporting Period, all of the non-executive Directors, including the INEDs, are appointed for a specific term, and pursuant to bye-law 99(B) of the Bye-laws, not less than one-third of all Directors (both executive and non-executive Directors) shall retire from office by rotation at each annual general meeting of the Company, thus the Company has complied with Code Provision A.4.1.

BOARD'S ACCESS TO INFORMATION

Code Provision C.1.2 requires the management to provide all members of the Board with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties. During the Reporting Period, the management provided updates to the Board. All the executive Directors were involved in the daily operation of the Group and were fully aware of the performance, position and prospects of the Company, and the management has provided to all other Directors half-yearly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail prior to the regular Board meetings. In addition, the management has provided all members of the Board, in a timely manner, updates on any material changes to the performance, position and prospects of the Company and sufficient background or explanatory information for matters brought before the Board. Therefore, the Company considers that all members of the Board have been given a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail. The Board will use reasonable endeavours to meet the requirement of this Code Provision C.1.2 in future.

DIRECTOR'S CONTINUOUS PROFESSIONAL DEVELOPMENT

Code Provision A.6.5 stipulates that all Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. The Company had received from each of the Directors a confirmation of training they received during the Reporting Period. A summary of such training is listed as follows:

Name of Directors	Types of trainings
Executive Directors	
Mr. Wang Xiaodong	I, II
Mr. Liu Han	I, II
Ms. Liao Jianrong	I, II
Mr. Liu Zhijie	I, II
Mr. Liu Yao	I, II
Non-Executive Directors	
Dr. Lam Lee G.	I, II
Mr. Qiu Jianyang	II
Mr. Lo Man Tuen	II
Independent Non-Executive Directors	
Mr. To Shing Chuen	II
Mr. Cheung Wing Ping	II
Mr. Guan Huanfei	II
Mr. Tan Yuexin	II

I: Attending training courses and/or seminars conferences.

II: Reading journals and updates relevant to the Company's business, laws and regulations or Directors' duties and responsibilities.

The Directors will continue to attend training that may be required from time to time keeping abreast with the latest changes in relevant laws, regulations and the business environment.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to Code Provision A.2.1, the roles of the Chairman and the Chief Executive Officer (the "CEO") should be separate and should not be performed by the same individual. During the Reporting Period, Mr. Li Hang was the Chairman until 7 May 2019, on which he resigned as the non-executive Director and the Chairman, and was replaced by Mr. Wang Xiaodong. During the Reporting Period, Ji Kecheng was CEO until 17 May 2019, on which he resigned as the executive Director and the CEO. Mr. Mei Weiyi ("**Mr. Mei**") was appointed as CEO on 3 June 2019. As the roles of the Chairman and the CEO were separate and performed by different persons during the Reporting Period, the Company had complied with Code Provision A.2.1.

Since Mr. Mei's resignation as CEO on 14 January 2020, the Company has been seeking suitable candidate to fill the vacancy of CEO. Nevertheless, due to the Chinese New Year holidays and the current development of the COVID-19 pandemic, the Company has yet identified a suitable candidate. The Company will make announcement in relation to the appointment of new CEO as and when appropriate.

During the Reporting Period, the Chairman had held one meeting with the INEDs without the executive Directors present.

REMUNERATION COMMITTEE

The Company has established the Remuneration Committee since 8 March 2006. The principal function of the Remuneration Committee is to make recommendations to the Board on the remuneration packages of individual Director and senior management. The terms of reference of the Remuneration Committee adopted on 8 March 2006 and last revised on 16 May 2018 are consistent with the Code Provisions set out in the Code, which are available on the websites of the Stock Exchange and the Company. During the Reporting Period and up to the date of this report, the Remuneration Committee comprised Directors as detailed in the table below. During the Reporting Period, the committee reviewed the policy for the remuneration of executive Directors, reviewed and made recommendations to the Board on the remuneration packages of the Directors and senior management with reference to the level of responsibilities of the individual Director and senior management, the scope of operation of the Group as well as the prevailing market conditions, and assessed the performance of the executive Directors.

The Company has established the Remuneration Policy for Directors and Senior Management with effect from 30 December 2019 to provide guidelines for the evaluation, determination and review of compensation of directors and senior management of the Company.

During the Reporting Period, individual attendance of each Remuneration Committee member was as follows:

Name of Remuneration Committee member	Attendance
Mr. Cheung Wing Ping *(Chairman)*	5/5
Mr. To Shing Chuen	5/5
Ms. Liao Jianrong	2/2
Mr. Liu Zhijie	2/2
Mr. Tan Yuexin	2/2
Mr. Wang Huixuan (resigned on 17 May 2019)	2/3
Mr. Wang Zhenjiang (resigned on 17 May 2019)	2/3
Mr. Yau Wai Lung (resigned on 17 May 2019)	3/3

Remuneration of Senior Management

The remuneration of the members of senior management for the Reporting Period and up to the date of this report by band is set out below:

	Number of Individuals
Nil – HK$1,000,000	3
HK$1,000,001 – HK$1,500,000	1
HK$1,500,001 – HK$5,000,000	2

Further particulars in relation to Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in notes 12 and 13, respectively, to the consolidated financial statements.

NOMINATION COMMITTEE

The Company has established the Nomination Committee since 26 March 2012. The principal function of the Nomination Committee is to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Group's corporate strategy. New Directors, being individuals who are suitably qualified and expected to make a positive contribution to the performance of the Board having regard to the individuals' skills, experience, professional knowledge and time commitments as well as the balance of skills and experience appropriate to the Company's business, are identified and submitted to the Board or Shareholders for approval either to fill vacancies on the Board or to be appointed as additional Directors. The terms of reference of the Nomination Committee adopted on 26 March 2012 and last revised on 28 March 2019 are consistent with the Code Provisions set out in the Code, which are available on the websites of the Stock Exchange and the Company. The Company has established the Succession Plan for Directors and Senior Management with effect from 30 December 2019 to ensure that whenever a Director and senior management member is unable to continue his/her service and leaves a vacancy (whether predictable or unexpected), a new Director or senior management member can be selected and elected in accordance with established procedures to ensure the continuity of the Company's business operations. During the Reporting Period and up to the date of this report, the Nomination Committee comprised Directors as detailed in the table below. During the Reporting Period, the Nomination Committee reviewed the composition of the Board and assessed the independence of the INEDs.

During the Reporting Period, individual attendance of each Nomination Committee member was as follows:

Name of Nomination Committee member	Attendance
Mr. Wang Xiaodong *(Chairman)*	3/3
Mr. To Shing Chuen	5/5
Mr. Cheung Wing Ping	5/5
Dr. Lam Lee G.	2/2
Mr. Tan Yuexin	2/2
Mr. Li Hang (resigned on 7 May 2019)	2/2
Mr. Wang Huixuan (resigned on 17 May 2019)	2/3
Mr. Yau Wai Lung (resigned on 17 May 2019)	3/3

AUDIT COMMITTEE

The Company has established the Audit Committee since 2001.

During the Reporting Period and up to the date of this report, the Audit Committee comprised the INEDs as detailed in the table below. Mr. Cheung Wing Ping possesses appropriate professional accounting qualifications. Code Provision C.3.3 requires the terms of reference of the Audit Committee should include certain minimum duties. The terms of reference of the Audit Committee were adopted on 28 April 2004 and last revised on 28 March 2019 to include all the duties set out in the Code Provision C.3.3, which among other things include reviewing financial statements of the Company, and are available on the websites of the Stock Exchange and the Company. The Audit Committee is responsible for reviewing financial information and internal control procedures such as the policy for the corporate governance of the Company, and performing the corporate governance duties set out in the Code Provision D.3.1 of the Code. Any findings and recommendations of the Audit Committee have been submitted to the Board for consideration.

The Audit Committee is authorized by the Board to investigate any activity within its terms of reference. It is authorized to seek any information it requires from any employee. It is also authorized to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary.

During the Reporting Period, individual attendance of each Audit Committee member was as follows:

Name of Audit Committee member	Attendance
Mr. Cheung Wing Ping *(Chairman)*	3/3
Mr. To Shing Chuen	3/3
Mr. Guan Huanfei	3/3
Mr. Tan Yuexin	2/2
Mr. Wang Huixuan (resigned on 17 May 2019)	1/1

In the meetings, the Audit Committee reviewed the report from the external auditors regarding their audit on annual financial statements and reviewed the interim financial information and this report on corporate governance practices of the Group.

EXECUTIVE COMMITTEE

The Company has established the Executive Committee since 11 February 2015. Pursuant to the terms of reference adopted by the Board on 11 February 2015, the Executive Committee shall have all the powers and authorities of the Board, except certain matters which require Board's approval. The principal function of the Executive Committee is to evaluate and assess the feasibility of new projects and potential transactions. During the Reporting Period and up to the date of this report, the Executive Committee comprised all executive Directors and the former CEO, Mr. Mei Weiyi since his appointment on 3 June 2019 as detailed in the table below.

During the Reporting Period, individual attendance of each Executive Committee member was as follows:

Name of Executive Committee member	Attendance
Mr. Wang Xiaodong *(Chairman)*	24/24
Mr. Liu Han *(Vice-Chairman)*	22/24
Ms. Liao Jianrong	24/24
Mr. Liu Zhijie	24/24
Mr. Liu Yao	24/24
Mr. Mei Weiyi (resigned on 14 January 2020)	19/23
Mr. Ji Kecheng (resigned on 17 May 2019)	9/9
Mr. Li Zhen Yu (resigned on 17 May 2019)	8/9
Mr. Wang Zhenjiang (resigned on 17 May 2019)	1/9
Mr. Yau Wai Lung (resigned on 17 May 2019)	7/9

AUDITORS' REMUNERATION

During the Reporting Period, fees payable to the Company's external auditors for non-audit services amounted to approximately HK$640,000 including but not limited to interim review.

The audit fee for the Reporting Period was HK$3,000,000.

The Company has established the Policy on Engaging an External Auditor to Supply Non-Audit Services with effect from 30 December 2019 which set out guidance for (1) the determination of instances where is appropriate for the existing auditors to provide non-audit services; (2) the processes by which non-audit service provision should be governed.

ACCOUNTABILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of consolidated financial statements of the Group that give a true and fair view of the Group's financial position and are in accordance with applicable accounting standards and statutory rules and guidelines. The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue on a going concern basis. The statement by the external auditors' of the Company about their reporting responsibilities is set out in the Independent Auditors' Report contained in this annual report. The Board recognises its overall responsibility for the establishment, maintenance and review of a system of internal control that provides reasonable assurance on the reliability and integrity of financial and operational information, effective and efficient operations, safeguarding of assets and compliance with laws and regulations. The system of internal control which is reviewed annually by the Audit Committee is designed to manage rather than to eliminate all risks of failure while its goal is to provide reasonable, not absolute, assurance regarding the achievement of organizational objectives.

RISK MANAGEMENT AND INTERNAL CONTROLS

During the Reporting Period, the Company has complied with Code Provision C.2 by establishing appropriate and effective risk management and internal control systems. The Board acknowledges its responsibility for the risk management and internal control systems (the "Systems") and reviewing their effectiveness annually. Such Systems are designed to manage rather than to eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Company has undertaken the overall responsibility for the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and established and maintained appropriate and effective Systems. Management is responsible for the design, implementation and monitoring of the Systems.

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions, including project management, financial reporting, human resources, legal affairs management, and compliance with the Listing Rules.

CORPORATE GOVERNANCE REPORT

The Company adheres to the sound philosophy of risk management, with commitment to constantly enhancing existing systems and procedures, continuously establishes and improves a comprehensive risk management system, optimizes risk management models and methods, and promotes the awareness of risk management among staffs to ensure the long-term and stable development of the Company.

1. Risk management structure

The Company has made full effort to establish a four-level risk management system consisting of the board of directors, management, risk management support department, business department and subsidiaries.

1) The Board

The Board is the highest decision-making body in our risk management structure, ultimately responsible for the overall risk management of the Company.

Under the authority of the Board, the Company established an Executive Committee and an Audit Committee. Among them,

The Executive Committee is primarily responsible for the Company's overall risk appetite and specifies the strategic structure and resources that are used to support the Company's risk management;

The Audit Committee is mainly responsible for supervising the Company's internal control procedures, checking the effectiveness of the Company's risk management on a regular basis, and proposing risk management recommendations.

2) *Management*

The Management bears the main responsibility for the Company's comprehensive risk management, and reviews and approves major issues involving risk management.

The main responsibilities include:

- Review and make decision for the risk management policy system and norms of the Company;
- Review and make decision for the setting and adjustment of risk management indicators for various investment businesses of the Company;
- Review and make decision for the regular risk management reports of the Company;
- Review and make decision for the internal audit report(s) of the Company;
- Review and make decision for the management of major risk issues in the business activities of the Company;
- Other duties assigned by the Board.

3) *Risk control support departments*

The risk management support departments mainly include the departments that perform risk management duties such as the Company's Risk Management Department, Legal Affairs Department and Compliance Operation Department. Among them,

the Risk Management Department is primarily responsible for the identification, evaluation, prevention and monitoring of the Company's market risks and credit risks and liquidity risks, as well as promoting the implementation of risk-related resolutions of the Company's management;

the Legal Affairs Department is primarily responsible for the identification, evaluation, prevention and monitoring of the Company's legal risks;

the Compliance and Operation Department is primarily responsible for the identification, evaluation, prevention and monitoring of the Company's compliance risks;

the Company's other risk management support departments perform corresponding risk management functions within the scope of responsibilities of each department.

4) Business departments and subsidiaries

The Company's business departments and subsidiaries are the frontline defenders against the Company's risk management, and must bear the frontline responsibility for risk management. The Company's business departments and subsidiaries establish corresponding internal management systems based on current business development status and planning to monitor, evaluate and report on specific business risks. At the same time, when each business is launched, it is necessary to ensure that all business risks are controlled within the scope of authorization.

2. Risk management system

Based on its own business characteristics and operation and management standards, the Company promotes the establishment of a sound risk management system, mainly including Risk Management Principles, and formulates specific risk management measures based on different risk types such as market risks, credit risks and liquidity risks, providing clear guidelines and guiding principles for daily risk management.

3. Measures against various risks

1) Market risks

Market risks refer to those that may cause loss to the Company due to unfavorable changes of market prices and others, which includes but not limited to equity prices, commodity prices, interest rates, and exchange rates. The businesses of the Company that involve market risks mainly include standardized fixed income investment, stock investment and other proprietary investment businesses.

The Company promotes the establishment of a sound market risk management mechanism and conducts business activities involving market risks on the premise that risks are measurable, controllable and bearable. The Company regularly monitors and reports on market risks, conducts special analysis on risk matters to provide basic information and basis for the decision-making of the Management concerning risks.

2) *Credit risks*

Credit risks refer to those that may cause loss to the Company due to failures to perform their obligations stipulated in relevant contracts by securities issuers, counterparties and debtors. The credit risks currently faced by the Company are mainly concentrated on the credit risks generated from non-standard businesses.

Prior to the launch of the non-standard business, the Company has established the assessment guidelines for credit risk businesses to clarify the bottom line of business access, due diligence requirements and risk management requirements, and provide principle-based guidance for business operation and project review to prevent credit risks.

After the launch of the non-standard business, the Company promotes the establishment of a sound post-investment management and risk disposal mechanism, mainly including the following aspects: firstly, clarify the post-investment management requirements, and regularly improve the post-investment monthly risk report; secondly, clarify the post-investment early warning mechanism; thirdly, clarify the internal management operation procedures and mechanism when business is overdue.

3) *Liquidity risks*

Liquidity risks refer to those the Company may face when it is not able to obtain sufficient funds in time at reasonable costs to repay debts that are due, fulfill other payment obligations and satisfy the funding requirements for ordinary business operation.

The Company promotes the establishment of a sound liquidity risk management mechanism and regularly produce evaluation reports. Specific indicators mainly include liquidity coverage ratios.

4) *Subsidiaries' risks*

Subsidiaries commence business within authorization, and are responsible for establishing a internal management system that matches with their businesses and proactively managing related business risks. At the same time, the Company implements a vertical risk management mechanism for each subsidiary, which requires each of the subsidiaries to report the basic accounting information and risk matters to the Company in a timely manner.

4. Internal audit

According to the relevant requirements of internal control system, the Company conducts internal audits on its subsidiaries on a regular basis. The specific scope mainly includes conducting independent and objective inspection, supervision, evaluation and suggestions on the rationality of the subsidiaries' business, the security and profitability of assets, the soundness and effectiveness of internal control.

During the year, the Board, supported by the Audit Committee as well as the management report and the internal audit findings prepared by the Risk Management Department, has reviewed the Systems pursuant to Code Provision C.2.3, including, but not limited to, the financial, operational and compliance controls, and considered that such Systems are effective and adequate for the current financial year. The Board and the Audit Committee believe that the resources, staff qualifications and experience, training programme and budget of the Company's accounting, internal audit and financial reporting functions are adequate during the year under review.

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries.

Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited (e.g. setting up relevant policies and procedures, laying out requirements for proper authorization and approval for the access and use of inside information and providing trainings to directors, officers and employees).

CORPORATE GOVERNANCE FUNCTIONS

The Board, with support from the Audit Committee, are responsible for performing the corporate governance duties as set out below:

- To develop and review the Company's policies and practices on corporate governance and make recommendations;
- To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- To review the Company's compliance with the Code and its disclosure requirements in the Corporate Governance Report;
- To develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- To review and monitor the training and continuous professional development of Directors.

The Audit Committee has reviewed the Group's policies and practices on corporate governance practices and compliance with legal and regulatory requirements including compliance with the Code for the Reporting Period.

COMPANY SECRETARY

Ms. Chan Lai Ping resigned as the company secretary of the Company with effect from 31 January 2019.

On 26 March 2019, the announcement of appointment of Mr. Tam Chong Cheong Aaron ("Mr. Tam") with effect from 27 March 2019 was made. Mr. Tam holds a Bachelor of Science degree from the University of Hong Kong, a Postgraduate Certificate in Laws from the University of Hong Kong and a Bachelor of Law degree from Peking University of China. He was admitted as solicitor of High Court in 1997, and is a member of the Law Society of Hong Kong and holds a current practising certificate. Mr. Tam previously served as in-house legal counsel of several issuers listed on stock exchanges of Hong Kong and/or the United States, in which about 6 years also acted as company secretary of issuers listed in Hong Kong. Mr. Tam confirmed that he has taken no less than 15 hours of the relevant professional training during the Reporting Period.

SHAREHOLDERS' RIGHTS

Shareholders' Enquiries

Shareholders are encouraged to maintain direct communication with the Company. Shareholders who have any questions for the Board, or would like to put forward any proposals in any general meeting, may write directly to the company secretary of the Company at the Company's Hong Kong principal place of business at Rooms 1405–1410, 14/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong, or they may send emails to cs@csfg.com.hk. The company secretary of the Company will direct the questions to the Board.

Shareholder's Meetings

Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at meetings if they are unable to attend in person.

The procedure of the Company's general meetings will be monitored and reviewed on a regular basis, and, if necessary, changes will be made to ensure that Shareholders' needs are best served.

Board members, in particular, members of Board committees, appropriate management executives and the external auditors will attend annual general meetings to answer Shareholders' questions.

Pursuant to the bye-law 57 of the Bye-laws, the Directors may, whenever they think fit, convene a special general meeting. A special general meeting shall also be convened on the written requisition of any 2 or more members holding at the date of the deposit of the requisition in aggregate not less than one-tenth of such of the paid up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company. Such requisition must state the objects of the meeting and must be signed by the requisitionists and deposited at the Company's registered office. If the Directors do not within 21 days from the date of the deposit of such requisition proceed duly to convene a special general meeting, the requisitionists themselves or any of them representing more than one half of the total voting rights of all of them may convene the special general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Directors, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Directors to convene such a meeting shall be reimbursed to them by the Company.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company has established the Shareholders Communication Policy with effect from 30 December 2019 to promote effective communication among shareholders of the Company, to ensure that shareholders exercise their rights in an informed manner, and to enable investors to obtain information on the Company in a fair and timely manner.

The Company aims to maintain good relationships with Shareholders and investors, and to enhance the transparency of its business operations. The Company disseminates information in respect of its business operations to investors and Shareholders through publishing interim reports, annual reports and circulars that are sent to Shareholders in hard copy. These and other information, such as announcements of the Company, can also be found on the websites of the Company and the Stock Exchange respectively.

INVESTOR RELATIONS

Constitutional Documents

During the Reporting Period and up to the date of this report, the Company's constitutional documents have not been amended.

國衛會計師事務所有限公司
HODGSON IMPEY CHENG LIMITED

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

To the Shareholders of China Shandong Hi-Speed Financial Group Limited
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of China Shandong Hi-Speed Financial Group Limited and its subsidiaries (collectively referred to as the "Group") set out on pages 65 to 227, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated income statement, the consolidated statement of 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 (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditors' 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 these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of finance lease receivables, loans receivables and trade and other receivables	
Refer to notes 23, 24 and 25 to the consolidated financial statements As at 31 December 2019, the carrying amounts of finance lease receivables, loans receivables and trade and other receivables were approximately HK$2,827,807,000, HK$2,687,485,000 and HK$1,036,333,000 respectively. Accumulated impairment loss of approximately HK$481,552,000, HK$76,312,000 and HK$313,869,000 was provided for finance lease receivables, loans receivables and trade and other receivables respectively. During the year ended 31 December 2019, impairment loss of approximately HK$342,076,000, HK$20,427,000 and HK$237,650,000 was provided for finance lease receivables, loans receivables and trade and other receivables respectively. Management applied judgment in assessing the expected credit losses. Receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are assessed individually for provision for impairment allowance. Expected credit losses are also estimated by grouping the remaining receivables based on shared credit risk characteristics and collectively assessed for likelihood of recovery, taking into account the nature of the customer and its ageing category, and applying expected credit loss rates to the respective gross carrying amounts of the receivables. The expected credit loss rates are determined based on historical credit losses experienced and are adjusted to reflect current and forward-looking information affecting the ability of the customers to settle the receivables.	Our procedures in relation to management's impairment assessment of finance lease receivables, loans receivables, and trade and other receivables included, but were not limited to: • Understanding and validating the credit control procedures performed by management, including its procedures on periodic review of aged receivables and assessment on expected credit losses allowance of receivables; • Testing on a sample basis, the accuracy of ageing profile of receivables by checking to the underlying agreements; • Testing on a sample basis, the subsequent settlement of receivables against bank receipts; and • Obtaining management's assessment on the expected credit losses allowance of receivables. Checking management's assessment based on the historical settlement pattern, correspondence with the customers, evidence from external sources including the relevant public search results relating to the financial circumstances of the relevant customers and market research regarding the relevant forward-looking information used in management's assessment. We considered management's conclusion to be consistent with the available information.

KEY AUDIT MATTERS (continued)

Key audit matter

Valuation of level 3 financial instruments

Refer to note 40 to the consolidated financial statements

The financial assets at fair value through other comprehensive income ("FVTOCI") and financial assets at fair value through profit or loss ("FVTPL") classified as level 3 under the fair value hierarchy ("Level 3 Financial Instruments"), amounted to approximately HK$2,305,907,000 and HK$312,687,000 respectively as at 31 December 2019.

For the year ended 31 December 2019, the net fair value gains on level 3 financial assets at FVTOCI is approximately HK$344,973,000 and the net fair value losses on level 3 financial assets at FVTPL is approximately HK$18,878,000.

In determining the fair values of Level 3 Financial Instruments, the Group engages independent professional valuers to perform valuation of the aforesaid Level 3 Financial Instruments.

We identified the valuation of the aforesaid Level 3 Financial Instruments as a key audit matter due to the degree of complexity involved in valuing the financial assets, the significance of the judgment and estimates made by the management in determining the inputs used in the valuation models and the subjectivity in determination of Level 3 fair value given the lack of availability of market-based data.

How our audit addressed the key audit matter

Our procedures in relation to valuation of Level 3 Financial Instruments included, but were not limited to:

- Obtaining understanding of the valuation models and the processes through enquiries with the independent valuers and management's review process of the work of the independent valuers with respect to the valuation of Level 3 Financial Instruments;
- Evaluating the independent valuers' competence, capabilities and their experiences in conducting valuation of similar financial instruments;
- Checking the respective independent valuation reports and discussing the valuation of the Level 3 Financial Instruments with the management, and together with our own external valuation specialists, where necessary:
  - evaluating the appropriateness of the valuation models and assumptions based on the industry knowledge;
  - evaluating the appropriateness of the key inputs by independently checking to the relevant external market data and/or relevant historical financial information;
  - checking the mathematical accuracy of valuation calculations; and
- Making inquiry for the background of the contracted parties and obtaining direct external confirmations from the contracted parties to understand the relevant investments and identifying any conditions that were relevant to the valuation of Level 3 Financial Instruments.

We found the fair values to be consistent with the key assumptions and available information.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of the carrying amount of goodwill and intangible assets	
Refer to note 19 to the consolidated financial statements The Group has intangible assets including license, computer software and goodwill with carrying amounts of approximately HK$409,304,000, HK$49,953,000 and HK$810,446,000 as at 31 December 2019 respectively, which are allocated to the cash-generating unit ("CGU") represented by financial leasing segment, financial technology segment and unallocated segment. In determining the recoverable amounts of goodwill and intangible assets, the Group engaged an independent professional valuer to perform such valuation. The valuation is determined based on the cash flow projection/value-in-use model for the CGU discounted to their present values and it requires the use of key assumptions, including the discount rate, terminal growth rate, budgeted revenue and gross margin, taking into account the financial budgets approved by the directors of the Company based on the management's experience from the financial leasing segment and financial technology segment, and also management's expectations for the market development. During the year ended 31 December 2019, impairment loss of approximately HK$8,771,000 had been recognised on goodwill for CSFG Asset Management CGU. No impairment on other goodwill and intangible assets was recognised to profit or loss.	Our procedures in relation to the management's impairment assessment of the carrying amount of goodwill and intangible assets included, but were not limited to: • Understanding the Group's impairment assessment process, including impairment model, basis of allocation of goodwill and intangible assets to CGUs, the preparation of the cash flow projections ("Cashflow Forecasts") and key assumptions adopted in these Cashflow Forecasts through enquiries with the independent valuer and management's review process of the work of the independent valuer with respect to the valuation of goodwill and intangible assets; • Evaluating the independent valuer's competence, capabilities and their experiences in conducting valuation of similar goodwill and intangible assets;

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of the carrying amount of goodwill and intangible assets (continued)	
We identified the impairment assessment of goodwill and intangible assets as a key audit matter due to its complexity and the inherent subjectivity arising from the significant management judgment.	• Checking the respective independent valuation reports and discussing the valuation of the carrying amount of goodwill and intangible assets with the management, and together with our own external valuation specialists, where necessary: • evaluating the appropriateness of the valuation models, the preparation of the Cashflow Forecasts and assumptions based on the industry knowledge; • evaluating the appropriateness of the key inputs in the Cashflow Forecasts by independently checking to the relevant external market data and/or relevant historical financial information including budgeted revenue and gross margin, and terminal growth rate by considering the approved financial budgets and the available industry and market data; • comparing the historical cash flows forecast against the performance of CGUs to test the reasonableness of projections; and • checking the mathematical accuracy of valuation calculations. We found the key assumptions were supported by the available information.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report other than the consolidated financial statements and our auditors' report thereon (the "Other Information").

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

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

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

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITORS' 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 auditors' report that includes our opinion. This report is made solely to you, as a body in accordance with Section 90 of the Bermuda Companies Act 1981, 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.

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

As part of an audit in accordance with HKSAs, we exercise professional judgment 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 auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

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

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

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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 auditors' report is Yu Chi Fat.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Yu Chi Fat
Practicing Certificate Number: P05467

Hong Kong, 25 March 2020

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2019

	Note	Year ended 31 December 2019 HK$'000	Nine months ended 31 December 2018 HK$'000
REVENUE	6	**894,149**	427,196
COST OF SERVICES		**(316,592)**	(127,257)
Gross profit		**577,557**	299,939
Other income	7	**136,041**	8,728
Other gains and losses, net	8	**(13,158)**	(146,586)
Impairment losses on financial assets recognised, net of reversal	9	**(600,153)**	(211,893)
Fair value losses on financial assets at fair value through profit or loss, net	11	**(1,363,056)**	(230,758)
Employee benefit expenses	11	**(161,912)**	(97,400)
Administrative expenses		**(147,272)**	(178,137)
Finance costs	10	**(351,033)**	(192,264)
Share of results of associates	20	**(4,217)**	47
LOSS BEFORE TAX	11	**(1,927,203)**	(748,324)
Income tax (expense)/credit	14	**(34,612)**	57,148
LOSS FOR THE YEAR/PERIOD		**(1,961,815)**	(691,176)
Loss for the year/period attributable to:			
Owners of the Company		**(2,095,524)**	(705,280)
Holders of perpetual capital instruments		**123,021**	–
Non-controlling interests		**10,688**	14,104
		(1,961,815)	(691,176)
LOSS PER SHARE			
Basic and diluted	16	**HK(8.57) cents**	HK(2.88) cents

The accompanying notes form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Note	**Year ended 31 December 2019 HK$'000**	Nine months ended 31 December 2018 HK$'000
Loss for the year/period		**(1,961,815)**	(691,176)
Other comprehensive income/(loss)			
Item that will not be classified to profit or loss:			
Fair value change on equity instrument classified as financial assets at fair value through other comprehensive income	21	**348,693**	129,189
Items that may be reclassified subsequently to profit or loss:			
Fair value changes on debt instruments classified as financial assets at fair value through other comprehensive income	21	**1,994**	(2,544)
Exchange difference arising on translation of foreign operations		**(43,460)**	(390,583)
Other comprehensive income/(loss) for the year/period		**307,227**	(263,938)
Total comprehensive loss for the year/period		**(1,654,588)**	(955,114)
Total comprehensive loss for the year/period attributable to:			
Owners of the Company		**(1,787,617)**	(969,218)
Holders of perpetual capital instruments		**123,021**	–
Non-controlling interests		**10,008**	14,104
		(1,654,588)	(955,114)

The accompanying notes form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	**2019** **HK$'000**	2018 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	**9,823**	10,011
Right-of-use assets	18	**27,249**	–
Intangible assets	19	**1,269,703**	1,269,605
Interests in associates	20	**47,460**	51,703
Financial assets at fair value through other comprehensive income	21	**3,275,811**	1,719,189
Financial assets at fair value through profit or loss	22	**656,697**	1,789,930
Finance lease receivables	23	**1,390,935**	1,736,275
Loans receivables	24	**37,474**	488,653
Total non-current assets		**6,715,152**	7,065,366
CURRENT ASSETS			
Financial assets at fair value through other comprehensive income	21	**880,707**	580,248
Financial assets at fair value through profit or loss	22	**2,200,732**	2,130,402
Finance lease receivables	23	**1,436,872**	1,083,033
Loans receivables	24	**2,650,011**	843,713
Trade and other receivables	25	**1,036,333**	991,083
Restricted cash	26	**64,923**	2,222
Cash and cash equivalents	27	**8,214,075**	681,398
Total current assets		**16,483,653**	6,312,099
CURRENT LIABILITIES			
Other payables and accruals	28	**198,895**	203,008
Lease liabilities	29	**2,025**	–
Borrowings	30	**5,436,520**	5,393,192
Convertible bonds	31	**–**	311,037
Tax payables		**24,906**	46,166
Total current liabilities		**5,662,346**	5,953,403

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
NET CURRENT ASSETS		**10,821,307**	358,696
TOTAL ASSETS LESS CURRENT LIABILITIES		**17,536,459**	7,424,062
NON-CURRENT LIABILITIES			
Borrowings	30	**7,128,121**	2,381,727
Lease liabilities	29	**25,651**	–
Other payables and accruals	28	**19,480**	37,499
Deferred tax liabilities	32	**111,750**	126,590
Total non-current liabilities		**7,285,002**	2,545,816
Net assets		**10,251,457**	4,878,246
CAPITAL AND RESERVES			
Issued capital	33	**6,113**	6,113
Reserves		**2,953,592**	4,788,913
Equity attributable to owners of the Company		**2,959,705**	4,795,026
Perpetual capital instruments	34	**7,114,799**	–
Non-controlling interests		**176,953**	83,220
Total equity		**10,251,457**	4,878,246

The consolidated financial statements were approved and authorised for issued by the board of directors on 25 March 2020 and are signed on its behalf by:

Wang Xiaodong	**Liao Jianrong**
Director	*Director*

The accompanying notes form an integral part of these consolidated financial statements.

	Attributable to owners of the Company													
	Issued capital HK$'000	Share premium account HK$'000 (Note i)	Share options reserve HK$'000 (Note ii)	Capital redemption reserve HK$'000 (Note iii)	Contribution surplus HK$'000 (Note iv)	Fair value through other comprehensive income reserve HK$'000 (Note v)	Convertible bonds reserve HK$'000 (Note vi)	Statutory reserve HK$'000 (Note vii)	Translation reserve HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Perpetual capital instruments HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 April 2018	6,138	4,801,197	40,150	1,177	1,524,577	54,424	59,734	37,995	126,910	(870,934)	5,781,368	-	69,116	5,850,484
(Loss)/profit for the period	-	-	-	-	-	-	-	-	-	(705,280)	(705,280)	-	14,104	(691,176)
Other comprehensive income/(loss) for the period:														
Fair value change on equity instrument classified as financial assets at fair value through other comprehensive income	-	-	-	-	-	129,189	-	-	-	-	129,189	-	-	129,189
Fair value changes on debt instruments classified as financial assets at fair value through other comprehensive income	-	-	-	-	-	(2,544)	-	-	-	-	(2,544)	-	-	(2,544)
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	-	-	(390,583)	-	(390,583)	-	-	(390,583)
Other comprehensive income/(loss) for the period	-	-	-	-	-	126,645	-	-	(390,583)	-	(263,938)	-	-	(263,938)
Total comprehensive income/(loss) for the period	-	-	-	-	-	126,645	-	-	(390,583)	(705,280)	(969,218)	-	14,104	(955,114)
Redemption of convertible bonds	-	-	-	-	-	-	(40,650)	-	-	40,650	-	-	-	-
Repurchase of ordinary shares	(25)	(17,099)	-	-	-	-	-	-	-	-	(17,124)	-	-	(17,124)
At 31 December 2018	6,113	4,784,098	40,150	1,177	1,524,577	181,069	19,084	37,995	(263,673)	(1,535,564)	4,795,026	-	83,220	4,878,246

	Attributable to owners of the Company													
	Issued capital HK$'000	Share premium account HK$'000 (Note i)	Share options reserve HK$'000 (Note ii)	Capital redemption reserve HK$'000 (Note iii)	Contribution surplus HK$'000 (Note iv)	Fair value through other comprehensive income reserve HK$'000 (Note v)	Convertible bonds reserve HK$'000 (Note vi)	Statutory reserve HK$'000 (Note vii)	Translation reserve HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Perpetual capital instruments HK$'000 (Note 34)	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2019	6,113	4,784,098	40,150	1,177	1,524,577	181,069	19,084	37,995	(263,673)	(1,535,564)	4,795,026	-	83,220	4,878,246
(Loss)/profit for the year	-	-	-	-	-	-	-	-	-	(2,095,524)	(2,095,524)	123,021	10,688	(1,961,815)
Other comprehensive income/(loss) for the year:														
Fair value change on equity instruments classified as financial assets at fair value through other comprehensive income	-	-	-	-	-	348,693	-	-	-	-	348,693	-	-	348,693
Fair value changes on debt instruments classified as financial assets at fair value through other comprehensive income	-	-	-	-	-	1,994	-	-	-	-	1,994	-	-	1,994
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	-	-	(42,780)	-	(42,780)	-	(680)	(43,460)
Other comprehensive income/(loss) for the year	-	-	-	-	-	350,687	-	-	(42,780)	-	307,907	-	(680)	307,227
Total comprehensive income/(loss) for the year	-	-	-	-	-	350,687	-	-	(42,780)	(2,095,524)	(1,787,617)	123,021	10,008	(1,654,588)
Issuance of perpetual capital instruments	-	-	-	-	-	-	-	-	-	-	-	6,991,778	-	6,991,778
Partial disposal of subsidiaries without losing control	-	-	-	-	-	-	-	-	-	(47,704)	(47,704)	-	83,725	36,021
Redemption of convertible bond	-	-	-	-	-	-	(19,084)	-	-	19,084	-	-	-	-
At 31 December 2019	6,113	4,784,098	40,150	1,177	1,524,577	531,756	-	37,995	(306,453)	(3,659,708)	2,959,705	7,114,799	176,953	10,251,457

Notes:

(i) Share premium account

Share premium account represents the excess of proceeds received over the nominal value of the Company's shares issued, less share issue expenses. Pursuant to the Companies Act of Bermuda, the Company's share premium account may be distributed in the form of fully paid bonus shares.

Notes: (continued)

(ii) Share options reserve

Share options reserve relates to share options granted to employees under new share option scheme. Further information about share-based payments to employees is set out in note 35 below.

(iii) Capital redemption reserve

Capital redemption reserve arose from the reduction of the nominal value of the issued capital of the Company upon the cancellation of the repurchased shares.

(iv) Contributed surplus

Contributed surplus arose from capital reorganisation in previous years. Under the Companies Act of Bermuda, the contributed surplus of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- it is, or would after the payment be, unable to pay its liabilities as they become due; or
- the realisable value of its assets would thereby be less than the aggregate of its liabilities.

(v) Fair value through other comprehensive income ("FVTOCI") reserve

As at 31 December 2019, the FVTOCI reserve included net fair value gain of approximately HK$532,306,000 (2018: HK$183,613,000) that will not be reclassified to profit or loss credited to the FVTOCI reserve and net fair value loss of approximately HK$550,000 (2018: HK$2,544,000) that may be reclassified subsequently to profit or loss.

(vi) Convertible bonds reserve

Convertible bonds reserve relates to convertible bonds issued/redeemed during the year/period.

(vii) Statutory reserve

The statutory reserve of the Group refers to the People's Republic of China (the "PRC") statutory reserve fund. Appropriations to such reserve fund are made out of profit after tax as recorded in the statutory financial statements of the PRC subsidiaries. The amount should not be less than 10% of the profit after tax as recorded in the statutory financial statements unless the aggregate amount exceeds 50% of the registered capital of the PRC subsidiaries. The statutory reserve can be used to make up prior year losses, if any, and can be applied in conversion into the PRC subsidiaries' capital by means of capitalisation issue.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the year ended 31 December 2019

	Note	**Year ended 31 December 2019 HK$'000**	Nine months ended 31 December 2018 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(1,927,203)**	(748,324)
Adjustments for:			
Realised losses from financial assets at fair value through profit or loss, net	11	**16,313**	7,535
Unrealised losses from financial assets at fair value through profit or loss, net	11	**1,346,743**	223,223
Amortisation	11	**5,050**	3,304
Depreciation	11	**7,887**	3,577
Interest expenses	10	**544,397**	277,171
Loss on disposal of an other receivable	8	**4,387**	–
Impairment loss on trade and other receivables	9	**237,650**	64,783
Impairment loss on goodwill	8	**8,771**	146,586
Impairment loss on finance lease receivables	9	**342,076**	144,890
Impairment loss on loans receivables	9	**20,427**	1,932
Impairment loss on advances to associates	9	**–**	288
Bank interest income	7	**(128,220)**	(7,312)
Share of results of associates	20	**4,217**	(47)
Operating cash flows before movements in working capital		**482,495**	117,606
Increase in loans receivables		**(1,384,716)**	(13,126)
(Increase)/decrease in financial assets at fair value through profit or loss		**(534,499)**	89,164
Increase in finance lease receivables		**(411,994)**	(277,110)
(Increase)/decrease in trade and other receivables		**(235,055)**	86,954
Decrease in other payables and accruals		**(9,743)**	(43,148)
Cash used in operations		**(2,093,512)**	(39,660)
Tax paid		**(69,779)**	(20,483)
Net cash used in operating activities		**(2,163,291)**	(60,143)

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the year ended 31 December 2019

	Note	Year ended 31 December 2019 HK$'000	Nine months ended 31 December 2018 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment	17	**(3,979)**	(1,672)
Proceeds from disposal of property, plant and equipment	17	**21**	–
Addition of intangible assets	19	**(26,743)**	(1,117)
Purchases of financial assets at fair value through other comprehensive income		**(1,360,104)**	(582,792)
Proceeds from disposal of financial assets at fair value through other comprehensive income		**78,564**	–
Net cash (outflow)/inflow resulting from acquisitions of subsidiaries	36	**(8,245)**	693
Addition of an associate		**(222)**	(4,942)
Advances to associates		**(18)**	–
(Placement)/release of restricted cash		**(62,701)**	10,573
Bank interest income received		**104,192**	7,312
Net cash used in investing activities		**(1,279,235)**	(571,945)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		**(420,479)**	(194,510)
Redemption of convertible bonds	31	**(289,069)**	(465,776)
New borrowings raised		**11,500,562**	1,028,393
Repayment of borrowings		**(6,822,794)**	(577,213)
Repayment of lease liabilities		**(3,576)**	–
Proceeds from issuance of perpetual capital instruments		**6,991,778**	–
Share repurchased		**–**	(17,124)
Net cash generated from/(used in) financing activities		**10,956,422**	(226,230)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**7,513,896**	(858,318)
Cash and cash equivalents at the beginning of the year/period		**681,398**	1,555,133
Effect of foreign exchange rate changes		**18,781**	(15,417)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD	27	**8,214,075**	681,398

The accompanying notes form an integral part of the consolidated financial statements.

1. CORPORATE INFORMATION

China Shandong Hi-Speed Financial Group Limited (the "Company") is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and the principal place of business of the Company are Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and Rooms 1405–1410, 14th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong, respectively.

In the previous financial period, the financial year end date of the Company was changed from 31 March to 31 December because the Company would like to align it with the financial year end date of the operating subsidiaries of the Group, which were incorporated in the PRC and whose accounts are statutorily required to be prepared with a financial year end date of 31 December so as to facilitate the preparation of the consolidated financial statements of the Group. Accordingly, the consolidated financial statements for the last period cover the nine months ended 31 December 2018. The corresponding comparative amounts shown for the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes cover the nine months ended 31 December 2018 and therefore may not be comparable with amounts shown for the year ended from 1 January 2019 to 31 December 2019.

Details of substantial shareholders of the Company are disclosed in the paragraph headed "Substantial Shareholders' Interests or Short Positions in Shares of the Company" in the section headed "Report of the Directors" of this annual report.

The Company acts as an investment holding company and its subsidiaries (collectively referred to as the "Group") principally engaged in various kinds of financial services, including financial leasing, operation of an asset trading platform, investments in securities, money lending, investment holding, online investment and technology-enabled lending services, online new media services and assets management.

The consolidated financial statements are presented in Hong Kong dollar ("HK$"), which is the same as the functional currency of the Company, and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

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

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

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

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

HKFRS 16 *Leases*

In the current period, the Group has adopted HKFRS 16 *Leases*. HKFRS 16 is effective for the accounting periods beginning on or after 1 January 2019. The Group has applied HKFRS 16 using the modified retrospective approach without restating comparative information retrospectively. HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees.

Prior to 1 January 2019, lease contracts were classified as operating leases or finance leases. From 1 January 2019 onwards, HKFRS 16 distinguishes lease contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets. For short-term leases and leases of low-value assets, the Group recognises lease expense on a straight-line basis as permitted by HKFRS 16. This expense is presented within operating costs in the consolidated income statement.

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

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

HKFRS 16 *Leases* (continued)

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

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

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

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

(ii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

(iii) applied a single discount rate to a portfolio of leases with similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of various offices and staff quarters in the PRC and in Hong Kong was determined on a portfolio basis;

(iv) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options; and

(v) relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review.

Right-of-use assets are initially measured at cost and subsequently carried at cost less accumulated depreciation and impairment losses. Lease liabilities are initially measured at the present value of the remaining lease payments discounted using the incremental borrowing rate of the lessee. Subsequently, lease liabilities are adjusted by interest accretion and lease payments. Lease payments are separated into principal portion and interest portion and presented within financing activities in the consolidated statement of cash flows.

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

HKFRS 16 *Leases* (continued)

At the date of initial application of HKFRS 16, the reconciliation from the operating lease commitments to the lease liabilities recognised is as follows:

	HK$'000
Operating lease commitments as at 31 December 2018	9,128
Recognition exemption for – short term leases	(9,128)
Lease liabilities as at 1 January 2019	–

On 1 January 2019, there is no impact of transition to HKFRS 16 on the assets, liabilities and accumulated loss at the date of initial application.

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICES

Statement of compliance

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

Basis of preparation

The Group incurred a loss for the year of approximately HK$1,961,815,000 (nine months ended 31 December 2018: HK$691,176,000) and net cash outflows from operating activities of approximately HK$2,163,291,000 (nine months ended 31 December 2018: HK$60,143,000) during year ended 31 December 2019. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

The directors of the Company have made an assessment and concluded that the Group is able to continue as a going concern for at least the next twelve months from the end of the reporting period and to meet its obligations, as and when they fall due, having regard to the following:

As at 31 December 2019, Coastal Emerald Limited ("Coastal Emerald"), an indirect wholly-owned subsidiary of the Company, issued the 5.95% Guaranteed Bonds, 3.95% Guaranteed Bonds and 4.3% Guaranteed Bonds (as defined in note 30(ii) to the consolidated financial statements), Shandong Hi-Speed Group Co., Ltd. ("Shandong Hi-Speed Group"), a shareholder of the Company which held 42.78% equity interests of the Company as at the date of this report, entered into a keepwell deed that Shandong Hi-Speed Group would undertake that it shall cause (i) each of Coastal Emerald and the Company to remain solvent and a going concern at all times under the laws of their respective jurisdictions of incorporation or applicable accounting standards, (ii) each of Coastal Emerald and the Company to have consolidated net assets of at least United States Dollar ("US$") 1.00 (or its equivalent in any other currency) at all times, and (iii) each of Coastal Emerald and the Company to have sufficient liquidity to ensure timely payment by it of any amounts due and payable in respect of the 5.95% Guaranteed Bonds, 3.95% Guaranteed Bonds and 4.3% Guaranteed Bonds. If either Coastal Emerald or the Company at any time determines that it will have insufficient liquidity to meet any of its payment obligations under the 5.95% Guaranteed Bonds, 3.95% Guaranteed Bonds and 4.3% Guaranteed Bonds, it shall promptly notify Shandong Hi-Speed Group of the shortfall and Shandong Hi-Speed Group will make available, or procure the availability to it before the due date of the relevant payment obligations, funds sufficient to enable it to pay such payment obligations in full as they fall due.

Consequently, the consolidated financial statements have been prepared on a going concern basis. The consolidated financial statements do not include any adjustments that would result should the Group be unable to operate as a going concern.

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Basis of preparation (continued)

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

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

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

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

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

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

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Basis of consolidation

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

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

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

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

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

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Basis of consolidation (continued)

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

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

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

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Business combinations

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

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

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

- liabilities or equity instruments related to share-based payment transactions of the acquire or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 at the acquisition date;

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

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

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

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Business combinations (continued)

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

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Goodwill

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

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

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

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost plus additional capital contribution, less any identified impairment loss, unless the investment is classified as held for sale or included in a disposal group that is classified as held for sale. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Interests in associates

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5. Any retained portion of an investment in an associate that has not been classified as held for sale continues to be accounted for using the equity method. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Interests in associates (continued)

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Revenue from contracts with customers

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Revenue from contracts with customers (continued)

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

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

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

(i) Consultancy services income and handling fee income

Consultancy services income represents income derived from advisory and consultancy services provided for customers, including but not limited, as the followings:

a) provision of advisory services on financial leasing and trading platform structure;

b) provision of advisory services on transaction arrangements; and

c) financial taxation analysis.

Fee income is recognised when the corresponding service is provided, except where the fee is charged to cover the cost of a continuing service to. In such case, the fee is recognised as income in the accounting period in which the costs or risk are incurred or is accounted for as income.

(ii) Finance lease income

The income under financial leasing is recognised in the consolidated income statement using the effective interest rate implicit in the lease over the term of the lease.

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Revenue from contracts with customers (continued)

(iii) Dividend and distribution income

Dividend and distribution income from unlisted investments is recognised when the shareholder's right to receive payment is established.

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

(iv) Interest income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset.

(v) Online new media services income

Online investment and technology-enabled lending services income and online new media services income is recognised when the related services are provided.

(vi) Management income from fund investment

Revenue from asset management services is recognised over time as the services are provided. Fees for asset management services are calculated based on a fixed percentage of the value of assets managed and deducted from the customer's account balance on a regular basis as mutually agreed.

Performance fees are recognised on the performance fee valuation day of the managed accounts when there is a positive performance for the relevant performance period and it is determined that it will not result in significant reversal in a subsequent period, taking into consideration the relevant basis of calculation for the managed accounts. Performance fees, if any, are deducted from the customer's account balance on a regular basis as mutually agreed.

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Leases

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

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

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

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

Allocation of consideration to components of a contract

For a contract that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

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

Short-term leases and leases of low-value assets

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

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Leases (continued)

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

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentive received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Leases (continued)

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

Lease liabilities

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

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Leases (continued)

The Group as a lessee (continued)

Lease modifications

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

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

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

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

The Group as a lessor

Classification and measurement of leases

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

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

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Leases (continued)

Sale and leaseback transactions (upon application of HKFRs 16 since 1 January 2019)

The Group applies the requirements of HKFRS 15 *Revenue from Contracts with Customers* to assess whether sale and leaseback transaction constitutes a sale by the Group.

The Group as a buyer-lessor

For a transfer of asset that does not satisfy the requirements of HKFRS 15 to be accounted for as a sale of asset, the Group as a buyer-lessor does not recognise the transferred asset and recognises a finance lease receivable equal to the transfer proceeds within the scope HKFRS 9.

Sale and leaseback transactions (prior to 1 January 2019)

The accounting treatment of a sale and leaseback transaction depends on the type of lease involved. The leaseback may be a finance lease if it meets the condition that substantially all the risks and rewards of ownership remain with the lessee, or it may be an operating lease (in which case, some significant risks and rewards of ownership have been transferred to the purchaser).

The Group as a buyer-lessor

For sale and leaseback transactions which are in substance a financing arrangement under HKFRS 9, the Group as a buyer-lessor does not recognise the transferred asset and recognises a finance lease receivable equal to the net investment in the lease.

Foreign currencies

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

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Foreign currencies (continued)

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) at the exchange rate prevailing at the end of the reporting period. Income and expenses are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

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

Goodwill and fair value adjustments on identifiable assets acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in the other comprehensive income.

Borrowing costs

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

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Pursuant to the relevant regulations of the government in the PRC, the subsidiaries in PRC participate in the municipal government contribution scheme whereby the subsidiaries are required to contribute to the scheme for the retirement benefit of eligible employees. The only obligation of the Group with respect to the scheme is to pay the ongoing contributions required by the scheme. The Group's contributions to the scheme are expensed as incurred.

Segment Reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's chief operating decision maker ("CODM") for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical location.

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

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Share-based payments

Equity-settled share-based payment transactions

Share option granted to employees

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

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

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

When shares granted are vested, the amount previously recognised in share option reserve will be transferred to accumulated losses.

Taxation

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

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

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Taxation (continued)

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

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

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

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

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Property, plant and equipment

Property, plant and equipment are tangible assets that held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

The principal annual rate are as follows:

Leasehold improvements	Over the shorter of the lease terms and 20%
Furniture, fixtures and office equipment	10%–20%
Motor vehicles	20%–30%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement is recognised in the consolidated income statement in the year which the asset is derecognised and such amount is determined as the difference between the net sales proceeds and the carrying amount of the relevant asset.

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, if any, on the same basis as intangible assets that are acquired separately.

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Intangible assets (continued)

Intangible assets acquired in a business combination

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

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

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

3. SIGNIFICANT ACCOUNTING POLICES (continued)

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICES (continued)

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

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

Provisions

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

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

Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Related parties

(a) A person, or a closed 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

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

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

(i) the entity and 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. If the Group is itself such a plan, the sponsoring employers are also 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 apart, provides key management personnel services to the Group or to the parent of the Group.

A related party transaction is a transfer of resources, services or obligations between the Group and a related party, regardless of whether a price is charged.

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.

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Financial instruments

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

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

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

Interest income and dividend and distribution income which are derived from the Group's ordinary course of business are presented as "Revenue" line item.

For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Financial instruments (continued)

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

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

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

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

A financial asset is held for trading if:

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

(i) Amortised cost and interest income

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

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

(ii) Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method , and foreign exchange gains and losses are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in other comprehensive income and accumulated under the heading of financial assets at FVTOCI income reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these debt instruments. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

(iii) Equity instruments designated as at FVTOCI

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

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

(iv) Financial assets at FVTPL

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

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any interest, dividend or distribution earned on the financial asset and is included in the "21" line item.

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and other receivables, loans receivables, finance lease receivables and cash and cash equivalents) which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

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

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk (continued)

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

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

(ii) Definition of default

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

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

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(iii) Credit-impaired financial assets

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

(a) significant financial difficulty of the issuer or the borrower;
(b) a breach of contract, such as a default or past due event;
(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
(e) the disappearance of an active market for that financial asset because of financial difficulties; or
(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit loss.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, 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. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(v) Measurement and recognition of ECL

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

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a finance lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the finance lease receivable in accordance with HKFRS 16 (since 1 January 2019) or HKAS 17 (prior to 1 January 2019).

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(v) Measurement and recognition of ECL (continued)

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

- Nature of financial instruments (i.e. the Group's trade and other receivables, loans receivables and finance lease receivables are each assessed as a separate group. Loans to related parties are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

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

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

Except for investments in debt instruments that are measured at FVTOCI, the Group recognises an impairment loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, loan receivables and finance lease receivables where the corresponding adjustment is recognised through a loss allowance account. For investment in debt instruments that are measured at FVTOCI, the loss allowance is recognised in other comprehensive income and accumulated in the FVTOCI reserve without reducing the carrying amount of these debt instruments. Such amount represents the changes in the FVTOCI reserve in relation to accumulated loss allowance.

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Financial instruments (continued)

Financial assets (continued)

Derecognition of financial assets

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

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

On derecognition of an investment in a debt instrument classified as at FVTOCI upon application of HKFRS 9, the cumulative gain or loss previously accumulated in the financial assets at FVTOCI reserve is reclassified to profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI upon application of HKFRS 9, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained profits.

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Financial instruments (continued)

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

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

Perpetual capital instruments issued by the Group, which includes no contractual obligation for the Group to deliver cash or another financial asset to the holders or to exchange financial assets or financial liabilities with the holders under conditions that are potentially unfavorable to the Group, are classified as equity instruments and are initially recorded at the proceeds received, net of direct issue costs.

Financial liabilities

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

Financial liabilities at amortised cost

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

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Financial instruments (continued)

Convertible bonds

The component parts of the convertible bonds are classified separately as financial liability and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component (including any embedded non-equity derivatives features) is estimated by measuring the fair value of similar liability that does not have an associated equity component.

A conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium account. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Financial instruments (continued)

Derecognition of financial liabilities

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

Non-substantial modifications of financial liabilities

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and at banks, demand deposits with banks, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired which are not restricted as to use, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in these consolidated financial statements:

Classification of financial assets

Business model assessment: Classification and measurement of financial assets depends on the results of the "SPPI" test of cash flow and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held.

Classification of leases

The Group has entered into certain property, plant and equipment leases whereby the Group has determined that it has transferred substantially all the risks and rewards incidental to ownership of the leased assets to the lessees, as the present values of the minimum lease payments of the lease amounts to at least substantially all of the fair values of the leased assets at the inception of the leases. Accordingly, the Group has excluded the property, plant and equipment from its consolidated statement of financial position and has instead, recognised finance lease receivables in their place. Otherwise the Group includes the property, plant and equipment under operating lease in property, plant and equipment. The determination of whether the Group has transferred substantially all the risks and rewards incidental to ownership depends on an assessment of the relevant arrangements relating to the lease and this has involved critical judgments by directors of the Company.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

Judgments (continued)

Investment in Shandong Hi-Speed (BVI) International Holdings Limited ("Shandong (BVI)")

Shandong (BVI) is classified as a financial asset at FVTOCI as disclosed in note 21 to the consolidated financial statements although the Group has 40% ownership interest and voting power in Shandong (BVI). Unlike the Group's direct ownership in and operation of other financial leasing business, the directors of the Company intended to leverage on the advantage of ownership and continued management of Shandong (BVI) by Shandong Hi-Speed Group. The Group invested in Shandong (BVI) as a passive investor, and as such instead of acquiring the entire or a controlling interest, the Group only acquired 40% of the issued share capital of Shandong (BVI). The Group does not and is committed that it will not appoint any representative in the board of directors of Shandong (BVI) or any of its subsidiaries. The Group's participation in policy-making processes of Shandong (BVI) is very limited as the relevant activities of Shandong (BVI) is determined by the holder of the 60% issued shares and voting power of Shandong (BVI), being Shandong Hi-Speed Group. With these facts and circumstances, the directors of the Company concluded that despite the Group owns 40% of the issued share capital and voting power of Shandong (BVI), the Group does not have significant influence over Shandong (BVI). The minority interests in Shandong (BVI) acquired by the Group are just part of its capital investment alongside with its investments in other listed or unlisted securities portfolio.

Consolidation of structured entities

深圳厚生新金融控股有限公司 ("Honesta Holding"), its subsidiaries and invested entities (collectively the "Structured Entities") are companies established in the PRC and are principally engaged in the business of, inter alia, the restricted businesses, collectively, securities investment management, conducting electronic commerce, provision of financial intermediary service through the internet, market research, internet culture operation, all of which are subject to foreign ownership restrictions under the laws of the PRC (the "Restricted Businesses"). According to the PRC legal advisors of the Company, (i) the businesses of securities investment management shall be legally owned by PRC persons, (ii) the businesses of electronic commerce, provision of financial intermediary service through the internet and market research are subject to foreign investment restrictions and (iii) the business of internet culture operation is subject to foreign investment prohibition.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

Judgments (continued)

Consolidation of structured entities (continued)

The directors of the Company concluded that, since the acquisition of the 60% equity interests in Kun Peng International Limited ("Kun Peng") and its subsidiaries (collectively referred to as "Kun Peng Group"), the Group controls the Structured Entities through 厚生諮詢管理（深圳）有限公司 (Honesta Consultancy Management (Shenzhen) Company Limited) ("Honesta Consultancy Management"), an indirect wholly-owned subsidiary of Kun Peng, and the arrangements under a series of agreements, collectively the exclusive business cooperation agreement, the exclusive option agreements, the equity pledge agreements, the director's power of attorney, the shareholder's power of attorney, the spouse consent letter and other ancillary documents relating to the contractual arrangements thereunder (the "Structured Contracts"). Key provisions of the Structured Contracts are as follows:

Exclusive Business Cooperation Agreement

Honesta Consultancy Management, Honesta Holding and the registered shareholders of Honesta Holding, namely Mr. Hua Meng ("Mr. Hua"), Mr. Guo Yong, Mr. Cheng Xiaoxin and 深圳厚生樂投八號投資管理企業（有限合夥）(Shenzhen Honesta Letou Number 8 Investment Management Limited Partnership) ("Honesta-Letou") entered into an exclusive business cooperation agreement (the "Exclusive Business Cooperation Agreement"). Pursuant to the Exclusive Business Cooperation Agreement, Honesta Consultancy Management shall provide exclusive technical services and business advisory services, including, among others, computer software technology development, website development and maintenance, information technology system development and maintenance, to Honesta Holding.

Further, Honesta Holding agrees to: (a) conduct business according to advice and opinion of Honesta Consultancy Management; (b) appoint such persons recommended by Honesta Consultancy Management to be chairman of the board, directors, chief manager, chief financial officer and other executive officers of Honesta Holding, who are charged with the duty to supervise the operation of Honesta Holding, and they may not be removed by Honesta Holding without the written consent of Honesta Consultancy Management; (c) provide books and accounts, information about its business, client, employees for inspection upon the request of Honesta Consultancy Management; (d) place all seals and operation licences with Honesta Consultancy Management; and (e) deal with the assets of Honesta Holding in accordance with the instructions of the party designated by Honesta Consultancy Management if Honesta Consultancy Management wind up.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

Judgments (continued)

Consolidation of structured entities (continued)

Exclusive Business Cooperation Agreement (continued)

Honesta Consultancy Management shall be entitled to carry out relevant business in the name of Honesta Holding, and Honesta Holding shall provide all supports to facilitate the same.

Honesta Consultancy Management shall calculate the services fee each year, which shall be equivalent to the profits of Honesta Holding during the relevant year after deducting all necessary costs, expenses and taxes, losses in the previous financial years (if applicable). Honesta Holding shall pay the services fee to Honesta Consultancy Management accordingly.

Exclusive Option Agreements

Honesta Consultancy Management, Honesta Holding and each of the registered shareholders of Honesta Holding entered into exclusive option agreements (collectively the "Exclusive Option Agreements"). Pursuant to the Exclusive Option Agreements, each of the registered shareholders of Honesta Holding irrevocably grant an exclusive option to Honesta Consultancy Management that entitles Honesta Consultancy Management to require the registered shareholders of Honesta Holding to transfer, to the extent permitted by the PRC laws, all or part of the equity interest in Honesta Holding held by registered shareholders to Honesta Consultancy Management or any person(s) designated by it at the minimum consideration permitted by the PRC laws, provided that the registered shareholders of Honesta Holding shall repay the consideration paid by Honesta Consultancy Management to it. The registered shareholders of Honesta Holding shall not, among other things, (i) transfer any of their equity interests in Honesta Holding nor create any pledge or any other security on the same or (ii) request for distribution of dividend.

Equity Pledge Agreements

Honesta Consultancy Management, Honesta Holding and each of the registered shareholders of Honesta Holding entered into equity pledge agreements (collectively the "Equity Pledge Agreements"). Pursuant to the Equity Pledge Agreements, the registered shareholders of Honesta Holding agree to pledge all of their equity interests in Honesta Holding to Honesta Consultancy Management to secure the payment obligations of all service fees payable by Honesta Holding to Honesta Consultancy Management. Without the prior written consent of Honesta Consultancy Management, the registered shareholders of Honesta Holding shall not, among other things, (i) transfer any of their equity interests in Honesta Holding nor create any new pledge or any other security thereon or (ii) reduce the registered capital of Honesta Holding.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

Judgments (continued)

Consolidation of structured entities (continued)

Director's Power of Attorney

Each of the directors of Honesta Holding authorizes Honesta Consultancy Management to exercise on his behalf all of his rights and powers as director of Honesta Holding, including, among other things (i) acting as the agent of the director to attend the board meetings of Honesta Holding and/or (ii) representing the director and exercising the voting rights on matters requiring discussion and approval at board meetings of Honesta Holding.

Shareholder's Power of Attorney

Each of the registered shareholders of Honesta Holding authorizes Honesta Consultancy Management to exercise on its/his behalf all of its/his rights and powers as shareholder of Honesta Holding, including, among other things (i) exercising all rights which may be exercised by a shareholder of a company under the PRC laws and regulations or the constitution of Honesta Holding, (ii) elect directors and supervisors of Honesta Holding, and/or (iii) inspect the books and records of Honesta Holding.

Spouse Consent Letter

The spouse of each of the individual registered shareholders of Honesta Holding unconditionally and irrevocably, among other things, (i) acknowledges that all the equity interests in Honesta Holding registered under the name of the registered shareholder of Honesta Holding do not form part of their matrimonial property, (ii) undertakes that she will not make any claim which is contrary to the intention of the Structured Contracts, and (iii) undertakes that she will not participate in the operation and management of Honesta Holding.

The directors of the Company assessed whether or not the Group has control over the Structured Entities based on whether or not the Group has power to direct the relevant activities of Structured Entities unilaterally, rights to variable returns from its involvement, and has the ability to use its power to affect its returns. In making their judgment, the directors of the Company considered the terms of the Structured Contracts as detailed above.

The directors of the Company, after consulting legal opinion, are of the view that the terms of the Structured Contracts have in substance enabled the Group to exercise control over and enjoy the economic benefits of the Structured Entities, despite the absence of formal legal equity interest held by the Group therein. Accordingly, Structured Entities are accounted for as consolidated structured entities of the Group.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

Judgments (continued)

Consolidation of structured entities (continued)

Spouse Consent Letter (continued)

In the opinion of the directors of the Company, with reference to opinion of legal counsel, the Structured Contracts are in compliance with existing PRC laws and regulations, valid, binding and enforceable, and do not result in any violation of PRC laws or regulations currently in effect in all material respects. However, uncertainties in the PRC legal system could cause the Group's current contractual arrangement structure to be found in violation of any existing and/or future PRC laws or regulations and could limit the Company's ability to enforce its rights under the Structured Contracts.

Control over Shenzhen Cashlai Financial Information Services Co. Ltd. and its subsidiaries

As disclosed in note 46 to the consolidated financial statements, Shenzhen Cashlai Financial Information Services Co. Ltd. ("Cashlai") and its subsidiaries (collectively the "Cashlai Group") are subsidiaries of the Group although the Group has only 36% effective interest and voting rights in Cashlai. Cashlai is a 46% directly-owned subsidiary of Honesta Holding. The remaining 54% shareholding of Cashlai are owned by six limited liabilities partnerships registered in the PRC and an individual. Three of those limited liabilities partnerships entered into an agreement with Honesta Holding to act in concert with Honesta Holding, resulting in Honesta Holding has control over 77% interest in Cashlai.

The directors of the Company assessed whether or not the Group has control over the Cashlai Group based on whether the Group has the practical ability to direct the relevant activities of the Cashlai Group unilaterally. In making the judgment, the directors of the Company considered the Group's absolute size of holding in Cashlai and the relative size of and dispersion of the shareholdings owned by the other shareholders. After assessment, the directors of the Company concluded that the Group has sufficiently dominant voting interest to direct the relevant activities of the Cashlai Group and therefore the Group has control over the Cashlai Group.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

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 described below.

Estimated impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset including right-of-use assets, the Group estimates the recoverable amount of the CGU to which the assets belong. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

Estimated impairment of intangible assets and goodwill

Determining whether intangible assets and goodwill are impaired require an estimation of the recoverable amount of the CGU (or group of CGUs) to which they have been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU (or a group of CGUs) and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows, a material impairment loss may arise.

Estimated impairment of financial assets at amortised cost

The loss allowances for financial assets are based on assumption about risk of default and expected loss rates. The Group use judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Fair value measurement of financial instruments

As at 31 December 2019, certain of the Group's financial assets are measured at fair value with fair value being determined based on significant unobservable inputs using valuation techniques. Judgment and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could result in material adjustments to the fair value of these instruments. Details are set out in note 40.

Income taxes

The Group is subject to Hong Kong Profits Tax and PRC Enterprise Income Tax. Judgement is required in determining the provision for income tax. There are transactions during the ordinary course of business, for which calculation of the ultimate tax determination is uncertain. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Recognition of deferred tax depends on the management's expectation of future taxable profit that will be available. The outcome of their actual utilisation may be different.

5. OPERATING SEGMENT INFORMATION

The Group determines its operating segments based on the reports that are used to make strategic decisions reviewed by the Group's CODM. For the year ended 31 December 2019, the Group had four reportable operating segments. Details are as follows:

(i) Investments in securities segment engages primarily in the purchase and sale of securities and derivatives and the holding of equity and debt investments primarily for interest income, dividend income and capital appreciation;

(ii) Money lending segment engages primarily in money lending operations and advisory services;

(iii) Financial leasing segment engages primarily in the direct financial leasing, advisory services and asset trading platform; and

(iv) Financial technology segment engages primarily in online investment and technology-enabled lending services and online new media services.

In addition to the above reportable segments, other segments that do not meet the quantitative thresholds for the reporting segments in both current and prior year were grouped in "Others". Prior year segment disclosures have been represented to conform with the current year's presentation.

CODM monitors the results of the Group's operating segments separately as described above, for the purpose of making decisions about resource allocation and assessment of the Group's performance. Segment performance is evaluated based on reportable segment results, which is a measure of adjusted loss before tax. The adjusted loss before tax is measured consistently with the Group's profit before loss except that unallocated income, unallocated finance costs, unallocated expenses and share of results of associates are excluded from such measurement.

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

- all assets are allocated to reportable segments except corporate assets; and

- all liabilities are allocated to reportable segments except corporate liabilities, deferred tax liabilities, certain borrowings and certain other payables and accruals.

5. OPERATING SEGMENT INFORMATION (continued)

	Investment in securities		Money lending		Financial leasing		Financial technology		Unallocated		Consolidated	
	Year ended 31 December 2019 HK$'000	Nine months ended 31 December 2018 HK$'000	**Year ended 31 December 2019 HK$'000**	Nine months ended 31 December 2018 HK$'000	**Year ended 31 December 2019 HK$'000**	Nine months ended 31 December 2018 HK$'000	**Year ended 31 December 2019 HK$'000**	Nine months ended 31 December 2018 HK$'000	**Year ended 31 December 2019 HK$'000**	Nine months ended 31 December 2018 HK$'000	**Year ended 31 December 2019 HK$'000**	Nine months ended 31 December 2018 HK$'000
Segment revenue	**210,501**	100,612	**76,420**	83,064	**207,873**	129,077	**399,355**	114,443	**–**	–	**894,149**	427,196
Segment results	**(1,329,504)**	(84,905)	**46,319**	74,399	**(387,792)**	(465,244)	**171,864**	26,256	**–**	–	**(1,499,113)**	(449,494)
Unallocated finance costs											**(262,968)**	(133,737)
Unallocated expenses*											**(160,905)**	(165,140)
Share of results of associates											**(4,217)**	47
Loss before tax											**(1,927,203)**	(748,324)

Segment revenue reported above represents revenue generated from external customers. There was no inter-segment revenue in current year and prior period.

Amounts included in the measurement of segment profit or loss or segment assets is as follows:

	Investment in securities		Money lending		Financial leasing		Financial technology		Unallocated		Consolidated	
	Year ended 31 December 2019 HK$'000	Nine months ended 31 December 2018 HK$'000	**Year ended 31 December 2019 HK$'000**	Nine months ended 31 December 2018 HK$'000	**Year ended 31 December 2019 HK$'000**	Nine months ended 31 December 2018 HK$'000	**Year ended 31 December 2019 HK$'000**	Nine months ended 31 December 2018 HK$'000	**Year ended 31 December 2019 HK$'000**	Nine months ended 31 December 2018 HK$'000	**Year ended 31 December 2019 HK$'000**	Nine months ended 31 December 2018 HK$'000
Finance costs	**78,256**	30,875	**8,277**	9,966	**1,101**	17,671	**431**	15	**262,968**	133,737	**351,033**	192,264
Amortisation	**–**	–	**–**	–	**42**	–	**4,730**	3,304	**278**	–	**5,050**	3,304
Depreciation for												
– property, plant and equipment	**–**	–	**–**	–	**350**	917	**1,344**	637	**2,256**	2,023	**3,950**	3,577
– right-of-use assets	**–**	–	**–**	–	**2,518**	–	**753**	–	**666**	–	**3,937**	–
Fair value losses on financial assets at FVTPL, net	**1,363,056**	230,758	**–**	–	**–**	–	**–**	–	**–**	–	**1,363,056**	230,758
Impairment losses recognised in respect of												
– goodwill	**–**	–	**–**	–	**–**	146,586	**–**	–	**8,771**	–	**8,771**	146,586
– finance lease receivables	**–**	–	**–**	–	**342,076**	144,890	**–**	–	**–**	–	**342,076**	144,890
– loans receivables	**–**	–	**23,208**	(3,079)	**(90)**	(66)	**(2,691)**	5,077	**–**	–	**20,427**	1,932
– trade and other receivables	**234,080**	59,481	**–**	271	**1,213**	1,606	**2,357**	1,212	**–**	2,213	**237,650**	64,783
– advances to associates	**–**	–	**–**	–	**–**	–	**–**	–	**–**	288	**–**	288
Capital expenditure**	**–**	–	**–**	–	**3,057**	259	**25,990**	1,238	**1,675**	1,295	**30,722**	2,792

* Unallocated expenses mainly included employee benefit expenses of approximately HK$61,373,000 (nine months ended 31 December 2018: HK$37,184,000), exchange loss of approximately HK$15,620,000 (nine months ended 31 December 2018: HK$69,723,000), legal and professional fee of approximately HK$11,013,000 (nine months ended 31 December 2018: HK$16,660,000) and depreciation of approximately HK$2,256,000 (nine months ended 31 December 2018: HK$2,023,000).

** Capital expenditure consists of additions to property, plant and equipment and intangible assets and those assets acquired from acquisition of subsidiaries.

5. OPERATING SEGMENT INFORMATION (continued)

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

	2019 HK$'000	2018 HK$'000
Segment assets:		
Investments in securities	**15,391,146**	7,174,463
Money lending	**2,273,313**	803,832
Financial leasing	**4,622,740**	4,427,582
Financial technology	**897,655**	948,975
	23,184,854	13,354,852
Unallocated assets	**13,951**	22,613
Total assets	**23,198,805**	13,377,465
Segment liabilities:		
Investments in securities	**10,147,553**	4,518,191
Money lending	**166,713**	222,256
Financial leasing	**2,369,167**	2,901,675
Financial technology	**226,619**	63,866
	12,910,052	7,705,988
Unallocated liabilities	**37,296**	793,231
Total liabilities	**12,947,348**	8,499,219

5. OPERATING SEGMENT INFORMATION (continued)

Geographical information

The Group's operations are mainly located in Hong Kong and the PRC. The geographical information about the Group's revenue based on the locations of the operations and non-current assets based on the locations of the assets is set out below:

	Revenue from external customers	
	Year ended 31 December 2019 HK$'000	Nine months ended 31 December 2018 HK$'000
Hong Kong	**323,594**	151,866
The PRC	**570,555**	275,330
	894,149	427,196

No customer of the Group has contributed over 10% of the total revenue of the Group for the current year and prior period.

Over 90% of the Group's non-current assets were located in the PRC, no geographical segment is presented in accordance with HKFRS 8 *Operating Segments*.

6. REVENUE

Disaggregation of revenue from contracts with customers

	Year ended 31 December 2019 HK$'000	Nine months ended 31 December 2018 HK$'000
Types of service		
Consultancy services income	**83,209**	81,732
Handling fee income	**281,052**	34,041
Income from asset management and performance	**4,451**	2,633
Online new media services income	**39,584**	29,466
	408,296	147,872
Timing of revenue recognition		
Recognised at a point in time	**315,365**	87,363
Recognised over time	**92,931**	60,509
	408,296	147,872

Set out below is the reconciliation of the revenue from contracts with customers with the amounts:

Revenue from contracts with customers	**408,296**	147,872
Finance lease income	**161,483**	79,046
Interest income from money lending operations	**159,683**	123,061
Interest income from financial assets at FVTPL	**49,119**	8,175
Interest income from financial assets at FVTOCI	**67,402**	18,247
Dividend and distribution income from financial assets at FVTPL	**48,166**	50,795
	894,149	427,196

Transaction price allocated to the remaining performance obligation for contracts with customers.

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its revenue such that the Group does not disclose information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts as all contract works have an original expected duration of one year or less.

7. OTHER INCOME

	Year ended 31 December 2019 HK$'000	Nine months ended 31 December 2018 HK$'000
Bank interest income	**128,220**	7,312
Government subsidy (Note)	**885**	300
Penalty on late payment	**5,531**	–
Sundry income	**1,405**	1,116
	136,041	8,728

Note: There were no unfulfilled conditions or contingencies relating to these government grants.

8. OTHER GAINS AND LOSSES, NET

	Year ended 31 December 2019 HK$'000	Nine months ended 31 December 2018 HK$'000
Impairment losses recognised in respect of		
– goodwill (note 19)	**(8,771)**	(146,586)
Loss on disposal of an other receivable (note 25(ii)(b))	**(4,387)**	–
	(13,158)	(146,586)

9. IMPAIRMENT LOSSES ON FINANCIAL ASSETS RECOGNISED, NET OF REVERSAL

	Year ended 31 December 2019 HK$'000	Nine months ended 31 December 2018 HK$'000
Impairment losses on financial assets recognised, net of reversal, in respect of:		
Finance lease receivables (note 23)	**(342,076)**	(144,890)
Loans receivables (note 24)	**(20,427)**	(1,932)
Advances to associates (note 20)	**–**	(288)
Trade and other receivables (note 25)	**(237,650)**	(64,783)
	(600,153)	(211,893)

10. FINANCE COSTS

	Year ended 31 December 2019 HK$'000	Nine months ended 31 December 2018 HK$'000
Interest on bank borrowings wholly repayable within five years	**99,554**	30,946
Interest on other borrowings	**44,050**	49,087
Interest on bonds (note 30(ii))	**379,075**	140,938
Amortised interest on convertible bonds (note 31)	**21,643**	56,200
Interest on lease liabilities	**75**	–
	544,397	277,171
Less: Finance costs included in cost of services	**(193,364)**	(84,907)
	351,033	192,264

11. LOSS BEFORE TAX

Loss before tax is arrived at after charging/(crediting):

	Year ended 31 December 2019 HK$'000	Nine months ended 31 December 2018 HK$'000
Auditors' remuneration:		
– Audit services	**3,000**	3,000
– Non-audit services	**640**	250
	3,640	3,250
Employee benefit expenses:		
Directors' remuneration:		
– Fees	**3,897**	3,165
– Salaries, allowances and benefits in kind	**12,282**	6,176
– Retirement benefit scheme contributions (defined contribution scheme) *	**82**	34
Sub-total	**16,261**	9,375
Other staff's costs:		
– Salaries, allowances and benefits in kind	**134,809**	80,313
– Retirement benefit scheme contributions (defined contribution scheme) *	**10,842**	7,712
Sub-total	**145,651**	88,025
Total employee benefit expenses	**161,912**	97,400
Sales proceeds from disposal of securities, bonds and funds	**(512,336)**	(470,105)
Carrying amount of securities, bonds and funds	**528,649**	477,640
Realised losses from financial assets at FVTPL – securities, bonds and funds, net (note 22(viii))	**16,313**	7,535
Unrealised losses from financial assets at FVTPL – securities, bonds and funds, net (note 22(vii))	**1,346,743**	223,223
Fair value losses on financial assets at FVTPL, net	**1,363,056**	230,758
Foreign exchange loss, net**	**1,560**	69,723
Borrowing costs	**33,160**	12,441
Amortisation of intangible assets	**5,050**	3,304
Depreciation of property, plant and equipment	**3,950**	3,577
Depreciation of right-of-use assets	**3,937**	–
Minimum lease payments under operating leases	**–**	16,738
Expenses relating to short term leases	**25,696**	–

11. LOSS BEFORE TAX (continued)

Notes:

* As at 31 December 2019, the Group had no material forfeited contributions available to reduce its contributions to the retirement benefit schemes in future years (31 December 2018: nil).

** For the year ended 31 December 2019 and nine months ended 31 December 2018, the foreign exchange loss, net is included in administrative expenses.

12. DIRECTORS' REMUNERATION

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

	For the year ended 31 December 2019			
	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement benefit scheme contribution HK$'000	Total HK$'000
Executive directors				
Mr. Wang Xiaodong (Note (i))	–	2,342	12	2,354
Mr. Liu Han (Note (iii))	–	3,056	12	3,068
Mr. Liu Zhijie (Note (iii))	–	1,122	12	1,134
Mr. Liu Yao (Note (iii))	–	1,123	12	1,135
Ms. Liao Jianrong (Note (iii))	–	1,622	12	1,634
Mr. Ji Kecheng (Note (v))	–	1,365	8	1,373
Mr. Li Zhen Yu (Note (vi))	–	738	7	745
Mr. Wang Zhenjiang (Note (vi))	–	–	–	–
Mr. Yau Wai Lung (Note (vi))	–	914	7	921
Non-executive directors				
Mr. Li Hang (Note (ii))	176	–	–	176
Dr. Lam Lee G.	1,500	–	–	1,500
Mr. Lo Man Tuen	1,000	–	–	1,000
Mr. Qiu Jianyang	500	–	–	500
Independent non-executive directors				
Mr. Tan Yuexin (Note (iv))	113	–	–	113
Mr. Cheung Wing Ping	180	–	–	180
Mr. Wang Huixuan (Note (vii))	68	–	–	68
Mr. Guan Huanfei	180	–	–	180
Mr. To Shing Chuen	180	–	–	180
	3,897	12,282	82	16,261
Chief executive officer				
Mr. Mei Weiyi (Note (viii))	–	2,888	11	2,899

12. DIRECTORS' REMUNERATION (continued)

Directors and chief executive officer's remuneration for the year/period, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, is as follows: (continued)

	For the nine months ended 31 December 2018			
	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement benefit scheme contribution HK$'000	Total HK$'000
Executive directors				
Mr. Ji Kecheng	–	2,694	6	2,700
Mr. Wang Zhenjiang	–	–	–	–
Mr. Yau Wai Lung	–	1,996	14	2,010
Mr. Li Zhen Yu	–	1,486	14	1,500
Non-executive directors				
Mr. Li Hang	375	–	–	375
Dr. Lam Lee G.	1,125	–	–	1,125
Mr. Qiu Jianyang	375	–	–	375
Mr. Lo Man Tuen	750	–	–	750
Independent non-executive directors				
Mr. To Shing Chuen	135	–	–	135
Mr. Cheung Wing Ping	135	–	–	135
Mr. Wang Huixuan	135	–	–	135
Mr. Guan Huanfei	135	–	–	135
	3,165	6,176	34	9,375

12. DIRECTORS' REMUNERATION (continued)

Directors and chief executive officer's remuneration for the year/period, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, is as follows: (continued)

Note:

(i) Mr. Wang Xiaodong was appointed as an executive director of the Company with effective from 7 May 2019.

(ii) Mr. Li Hang has resigned as a non-executive director of the Company with effective from 7 May 2019.

(iii) Mr. Liu Han, Mr. Liu Zhijie, Mr. Liu Yao and Ms. Liao Jianrong were appointed as executive directors of the Company with effective from 17 May 2019.

(iv) Mr. Tan Yuexin was appointed as an independent non-executive director of the Company with effective from 17 May 2019.

(v) Mr. Ji Kecheng ("Mr. Ji") has resigned as an executive director and chief executive officer of the Company with effective from 17 May 2019.

(vi) Mr. Li Zhen Yu, Mr. Yau Wai Lung and Mr. Wang Zhenjiang have resigned as executive directors of the Company with effective from 17 May 2019.

(vii) Mr. Wang Huixuan has resigned as an independent non-executive director of the Company with effective from 17 May 2019.

(viii) Mr. Mei Weiyi was appointed as the CEO of the Company with effective from 3 June 2019 and has resigned as the CEO of the Company with effective from 14 January 2020.

12. DIRECTORS' REMUNERATION (continued)

During the year ended 31 December 2019, Mr. Wang Zhenjiang waived his emoluments of approximately HK$910,000 (for the nine months ended 31 December 2018: HK$1,800,000).

Except as disclosed above, there were no other arrangement under which a director waived or agreed to waive any remuneration during the year (nine months ended 31 December 2018: nil).

Mr. Ji was also the chief executive officer of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive officer.

No emolument was paid by the Group to the directors as an inducement to join or upon joint the Group or as compensation for loss of office for both year/periods.

The Group has been providing accommodation, which is leased from third party, to the directors for use by them and their family members at no charge. The estimated money value of the benefit in kind is approximately HK$723,000 (nine months ended 31 December 2018: HK$252,000).

Salaries, allowances and other benefits paid to or for the executive directors are generally emoluments in respect of those persons' other services in connection with the management of the affairs of the Company and its subsidiaries.

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

13. FIVE HIGHEST PAID EMPLOYEES

For the year ended 31 December 2019, the five highest paid employees included one (nine months ended 31 December 2018: two) current director and one chief executive officer of the Company, details of whose remuneration are set out in note 12 above. Details of the remuneration for the year of the remaining three (nine months ended 31 December 2018: three) highest paid employees who are neither a director nor chief executive officer of the Group are as follows:

	Year ended 31 December 2019 HK$'000	Nine months ended 31 December 2018 HK$'000
Salaries and allowances	**8,617**	7,411
Retirement benefit scheme contributions	**49**	38
	8,666	7,449

The emoluments of the remaining three (nine months ended 31 December 2018: three) individual fell within the following bands:

	Year ended 31 December 2019	Nine months ended 31 December 2018
HK$1,000,001 – HK$2,000,000	**–**	1
HK$2,000,001 – HK$3,000,000	**2**	2
HK$3,000,001 – HK$4,000,000	**1**	–

During the year ended 31 December 2019 and nine months ended 31 December 2018, no emoluments were paid by the Group to the five highest paid employees, or Directors, as an inducement to join or upon joining the Group or as compensation for loss of office.

14. INCOME TAX EXPENSE/(CREDIT)

	Year ended 31 December 2019 HK$'000	Nine months ended 31 December 2018 HK$'000
Current tax		
– Hong Kong Profits Tax	–	–
– PRC Enterprise Income Tax	49,452	10,102
	49,452	10,102
Overprovision in prior years		
– PRC Enterprise Income Tax	–	(10,530)
Deferred tax credit (note 32)	(14,840)	(56,720)
Income tax expense/(credit)	34,612	(57,148)

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both year/period.

No provision for taxation in Hong Kong has been made as the Group has no assessable profits for the purpose of calculating Hong Kong Profits Tax.

The PRC Enterprise Income Tax for the PRC subsidiaries are calculated at the PRC Enterprise Income Tax rate of 25% (for the nine months ended 31 December 2018: 25%).

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

14. INCOME TAX EXPENSE/(CREDIT) (continued)

The income tax expense/(credit) for the year/period can be reconciled to loss before tax for the consolidated income statement as follows:

	Year ended 31 December 2019 HK$'000	Nine months ended 31 December 2018 HK$'000
Loss before tax	**(1,927,203)**	(748,324)
Tax at the statutory tax rates of different jurisdictions	**(298,826)**	(190,669)
Tax effect of share of results of associates	**696**	(124)
Tax effect of income not taxable for tax purposes	**(59,983)**	(7,506)
Tax effect of expenses not deductible for tax purposes	**259,031**	48,065
Tax effect of unrecognised deductible temporary differences	**127,469**	104,247
Utilisation of tax losses previously not recognised	**(16,917)**	(5,074)
Tax effect of tax losses not recognised	**23,142**	4,443
Overprovision in prior years	**–**	(10,530)
	34,612	(57,148)

15. DIVIDEND

No dividend was paid or proposed for the year ended 31 December 2019 (for the nine months ended 31 December 2018: nil), nor has any dividend been proposed since the end of the reporting period.

16. LOSS PER SHARE

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

	Year ended 31 December 2019 HK$'000	Nine months ended 31 December 2018 HK$'000
Loss for the year/period attributable to owners of the Company for the purpose of basic and diluted loss per share	**(2,095,524)**	(705,280)
Number of shares	**'000**	'000
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**24,452,450**	24,512,008

Diluted loss per share did not assume the exercise of share options since their assumed exercise had an anti-dilutive effect on loss per share for the year ended 31 December 2019.

Diluted loss per share did not assume the conversion of convertible bonds and exercise of share options since their assumed conversion and exercise had an anti-dilutive effect on loss per share for the nine months ended 31 December 2018.

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2019				
At 1 January 2019:				
Cost	10,247	12,463	5,998	28,708
Accumulated depreciation	(6,518)	(8,159)	(4,020)	(18,697)
Net carrying amounts	3,729	4,304	1,978	10,011
At 1 January 2019, net of accumulated depreciation	3,729	4,304	1,978	10,011
Additions	1,968	828	1,183	3,979
Disposal	–	(21)	–	(21)
Depreciation provided during the year	(1,356)	(1,549)	(1,045)	(3,950)
Exchange realignment	(140)	(20)	(36)	(196)
At 31 December 2019, net of accumulated depreciation	4,201	3,542	2,080	9,823
At 31 December 2019:				
Cost	12,073	12,971	7,120	32,164
Accumulated depreciation	(7,872)	(9,429)	(5,040)	(22,341)
Net carrying amounts	4,201	3,542	2,080	9,823

17. PROPERTY, PLANT AND EQUIPMENT (continued)

	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2018				
At 1 April 2018:				
Cost	10,553	12,614	5,404	28,571
Accumulated depreciation	(5,628)	(7,563)	(3,058)	(16,249)
Net carrying amounts	4,925	5,051	2,346	12,322
At 1 April 2018, net of accumulated depreciation	4,925	5,051	2,346	12,322
Acquisition of a subsidiary (note 36(a)(i))	–	3	–	3
Additions	165	750	757	1,672
Depreciation provided during the period	(1,323)	(1,226)	(1,028)	(3,577)
Exchange realignment	(38)	(274)	(97)	(409)
At 31 December 2018, net of accumulated depreciation	3,729	4,304	1,978	10,011
At 31 December 2018:				
Cost	10,247	12,463	5,998	28,708
Accumulated depreciation	(6,518)	(8,159)	(4,020)	(18,697)
Net carrying amounts	3,729	4,304	1,978	10,011

18. RIGHT-OF-USE ASSETS

	Leased properties HK$'000
31 December 2019	
At 1 January 2019:	
Cost	–
Accumulated depreciation	–
Net carrying amount	–
At 1 January 2019, net of accumulated depreciation	
Additions	31,862
Deprecation provided during the year	(3,937)
Exchange realignment	(676)
At 31 December 2019, net of accumulated depreciation	27,249
At 31 December 2019:	
Cost	31,118
Accumulated depreciation	(3,869)
Net carrying amounts	27,249
Expenses relating to short-term lease and other leases with lease terms end within 12 months of the date of initial application of HKFRS 16	25,696
Expenses relating to leases of low-value assets, excluding short-term leases of low value assets	–
Total cash outflows for leases	29,347

For current year, the Group leases various offices and staff quarters for its operations. Lease contracts are entered into for fixed term of 1 year to 8 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for use as various office and staff quarters. At 31 December 2019, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in note 11 to the consolidated financial statements.

19. INTANGIBLE ASSETS

	License HK$'000	Computer software HK$'000	Goodwill HK$'000	Total HK$'000
At 1 April 2018	459,757	34,007	969,951	1,463,715
Additions	–	1,117	–	1,117
Acquisition of a subsidiary (note 36(a)(i))	–	–	14,925	14,925
Impairment	–	–	(146,586)	(146,586)
Amortisation provided during the period	–	(3,304)	–	(3,304)
Exchange realignment	(41,560)	(2,992)	(15,710)	(60,262)
At 31 December 2018 and 1 January 2019	418,197	28,828	822,580	1,269,605
Additions	–	26,743	–	26,743
Impairment	–	–	(8,771)	(8,771)
Amortisation provided during the year	–	(5,050)	–	(5,050)
Exchange realignment	(8,893)	(568)	(3,363)	(12,824)
At 31 December 2019	**409,304**	**49,953**	**810,446**	**1,269,703**

Computer software have finite useful lives and is amortised on a straight-line basis over 5 to 10 years.

19. INTANGIBLE ASSETS (continued)

Impairment testing on goodwill and intangible assets

For the purposes of impairment testing, goodwill and intangible assets have been allocated to the following four individual CGUs under three segments. The details of the amount (net of impairment) allocated are as follows:

	Goodwill		Intangible assets		Total	
	2019	2018	**2019**	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Financial technology segment						
– Kun Peng Group CGU	**129,469**	132,283	**46,217**	28,828	**175,686**	161,111
Financial leasing segment						
– Hong Kong Leasing Group CGU	**649,570**	649,570	**411,873**	418,197	**1,061,443**	1,067,767
– China Innovative Finance Zhonghong CGU	**25,253**	25,802	**–**	–	**25,253**	25,802
Unallocated segment						
– CSFG Asset Management CGU	**6,154**	14,925	**–**	–	**6,154**	14,925
– Others	**–**	–	**1,167**	–	**1,167**	–
	810,446	822,580	**459,257**	447,025	**1,269,703**	1,269,605

During the year ended 31 December 2019, the management of the Group determines that an impairment loss of approximately HK$8,771,000 is recognised for goodwill allocated to CSFG Asset Management CGU.

During the nine months ended 31 December 2018, the management of the Group determines that an impairment loss of approximately HK$146,586,000 is recognised for goodwill allocated to Hong Kong Leasing Group CGU.

Details of the above CGUs and the determination of their recoverable amounts and their major underlying assumptions are summarised below:

19. INTANGIBLE ASSETS (continued)

Impairment testing on goodwill and intangible assets (continued)

Kun Peng Group CGU

The recoverable amount of the Kun Peng Group CGU under the financial technology segment was determined based on a value-in-use calculation and used cash flow projections based on financial budgets approved by the directors of the Company with reliance on the valuation performed by an independent valuer covering a five-year period and pre-tax discount rate from 14.3% to 21.2% (2018: 15.1% to 22.7%) per annum. Cash flows beyond that five-year period have been extrapolated at 3% (2018: 3%) growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Key assumptions used in the preparation of the financial budgets included revenue and gross margin which were determined by the directors of the Company based on past performance and its expectation for market development. The values assigned to key assumptions were based on historical experience, current market condition and approved forecasts and consistent with external information sources. The directors of the Company believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the CGU to exceed its recoverable amount.

For the purpose of impairment testing, the carrying amounts of goodwill and intangible assets after impairment loss allocated to the Kun Peng Group CGU are as follows:

	2019	2018
	HK$'000	HK$'000
Goodwill	**129,469**	132,283
Intangible asset		
– Computer software	**46,217**	28,828
	175,686	161,111

19. INTANGIBLE ASSETS (continued)

Impairment testing on goodwill and intangible assets (continued)

Hong Kong Leasing Group CGU

License arose from the acquisition of China Shandong Hi-Speed Hong Kong Leasing Limited ("Hong Kong Leasing") and its subsidiaries (collectively referred to as the "Hong Kong Leasing Group") represented the license to operate an asset trading platform in Shenzhen granted by the Development of the Shenzhen Municipal Government Financial Services Office. The license does not have an expiry date and hence is considered to have an indefinite useful life. The platform can be used for trading business relating to leasing facilities, leasing assets and other related leasing properties, provision of spot trading platform and market services and consultancy services. As at 31 December 2019 and 2018, there was no foreseeable limit to the product life cycles of such leasing facilities, leasing assets and other related leasing properties, provision of spot trading platform and market services and consultancy services and hence no foreseeable limit to the period over which the license for operating financial transactions platform could be used by the Group. In the opinion of the directors of the Company, the license is expected to generate positive cash flows indefinitely. Accordingly, the license will not be amortised until its useful life is determined to be finite upon reassessment of its useful life annually by the management. Instead, it will be tested for impairment and whenever there is an indication that it may be impaired.

The recoverable amount of the Hong Kong Leasing Group CGU under the financial leasing segment was determined based on a value-in-use calculation and used cash flow projections based on financial budgets approved by the directors of the Company with reliance on the valuation performed by an independent valuer covering a five-year period and pre-tax discount rates from 16% to 18.5% (2018: 17.2% to 19.7%) per annum. Cash flows beyond that five-year period have been extrapolated at 3% (2018: 3%) growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Key assumptions used in the preparation of the financial budgets included revenue and gross margin which were determined by the directors of the Company based on past performance and its expectation for market development. The values assigned to key assumptions were based on historical experience, current market condition and approved forecasts and consistent with external information sources. As at 31 December 2019, the directors of the Company believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the CGU to exceed its recoverable amount.

19. INTANGIBLE ASSETS (continued)

Impairment testing on goodwill and intangible assets (continued)

Hong Kong Leasing Group CGU (continued)

As at 31 December 2018, the directors of the Company considered that due to the global economic growth expected to slow down, the Group's financial leasing business would be more prudent. The directors, therefore, reduced the financial budgeted revenue estimation, which caused the carrying amount of the Hong Kong Leasing Group CGU as at 31 December 2018 exceeds its value in use based on cash flow projections. Accordingly, an impairment loss of approximately HK$146,586,000 was recognised to goodwill allocated to the Hong Kong Leasing Group CGU during the nine months ended 31 December 2018. The recoverable amount of the Hong Kong Leasing Group CGU was approximately HK$1,078,166,000 as at 31 December 2018. Any adverse change in the assumptions used in the value-in-use calculation may lead to further impairment loss on the goodwill.

For the purpose of impairment testing, the carrying amounts of goodwill and intangible assets after impairment loss allocated to the Hong Kong Leasing Group CGU are as follows:

	2019 **HK$'000**	2018 HK$'000
Goodwill	**649,570**	649,570
Intangible assets		
– Computer software	**2,569**	–
– License	**409,304**	418,197
	1,061,443	1,067,767

19. INTANGIBLE ASSETS (continued)

Impairment testing on goodwill and intangible assets (continued)

China Innovative Finance Zhonghong CGU

The recoverable amount of China Innovative Finance Zhonghong (Shenzhen) Business Factoring Company Limited ("China Innovative Finance Zhonghong") CGU under the financial leasing segment was determined based on a value-in-use calculation and used cash flow projections based on financial budgets approved by the directors of the Company with reliance on the valuation performed by an independent valuer covering a five-year period and a pre-tax discount rate of 16.1% (2018: 16.7%) per annum. Cash flows beyond that five-year period have been extrapolated at 3% (2018: 3%) growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Key assumptions used in the preparation of the financial budgets included revenue and gross margin which were determined by the directors of the Company based on past performance and its expectation for market development. The values assigned to key assumptions were based on historical experience, current market condition and approved forecasts and consistent with external information sources. The directors of the Company believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the CGU to exceed its recoverable amount.

For the purpose of impairment testing, the carrying amount of goodwill after impairment loss allocated to the China Innovative Finance Zhonghong CGU is as follows:

	2019	2018
	HK$'000	HK$'000
Goodwill	**25,253**	25,802

19. INTANGIBLE ASSETS (continued)

Impairment testing on goodwill and intangible assets (continued)

CSFG Asset Management CGU

The recoverable amount of the CSFG Asset Management Limited (formerly known as "Wing Yue Asset Management Limited") ("CSFG Asset Management") CGU under the advisory and asset management business which is included in the unallocated segment was determined based on the fair value less cost to disposal calculation that are classified as Level 3 (2018: Level 2) fair value hierarchy under HKFRS 13 *Fair Value Measurement*. The recoverable amount of the CSFG Asset Management CGU was determined based on the market comparable approach that reflects recent transaction prices for licenses for similar licenses corporations.

As at 31 December 2019, the Group engaged an independent professional valuer to assess the fair value of the goodwill. The valuer considered that due to the lack of recent market transactions on the similar license corporations, therefore, a discount of lack of marketability of 35% (2018: nil) has been applied in assessing the fair value. The directors of the Company carried out a review of the recoverable amount of goodwill and concluded that the recoverable amount is less than its carrying amount. Accordingly, an impairment loss of approximately HK$8,771,000 (nine months ended 31 December 2018: nil) was recognised to goodwill allocated to the CSFG Asset Management CGU during the year ended 31 December 2019. The recoverable amount of the CSFG Asset Management CGU was approximately HK$6,154,000 as at 31 December 2019. Any adverse change in the assumptions used in the fair value less cost to disposed calculation may lead to further impairment loss on goodwill.

For the purpose of impairment testing, the carrying amounts of goodwill after impairment loss allocated to the CSFG Asset Management CGU are as follows:

	2019 **HK$'000**	2018 HK$'000
Goodwill	**6,154**	14,925

20. INTERESTS IN ASSOCIATES

	2019 HK$'000	2018 HK$'000
Cost of investments, unlisted	**20,828**	20,727
Share of post-acquisition losses and other comprehensive income	**(4,920)**	(703)
Exchange realignment	**(180)**	(35)
	15,728	19,989
Advances to associates	**31,732**	31,714
	47,460	51,703
Amount due to an associate (note 28)	**1,585**	1,530

The following set out the particulars of the principal associates of the Group as at 31 December 2019 and 2018:

Name of associate	Place of incorporation/ registration	Class of share held	Proportion of ownership held by the Group 2019	2018	Nature of business
China Innovative Finance Securities Limited ("CIFS")	Hong Kong	Ordinary shares	25%	25%	Securities brokerage business
China Innovative Finance Securities (Holdings) Limited	Hong Kong	Ordinary shares	25%	25%	Investment holding
Eternal Billion Holding Group Limited	British Virgin Island ("BVI")	Ordinary shares	25%	25%	Investment holding
Fairy Ambition Limited	Hong Kong	Ordinary shares	25%	25%	Advisory on securities and asset management activities
Top Wish Holdings Limited	BVI	Ordinary shares	25%	25%	Investment holding
深圳利用投資管理有限公司 (Note (i))	PRC	Registered capital	13%	13%	Investment holding
濟南高厚睿康股權投資基金管理有限公司 (Note (i))	PRC	Registered capital	7%	7%	Investment holding
深圳前海厚生財富管理有限公司 (Note (i))	PRC	Registered capital	16%	16%	Investment holding
深圳金數信息技術有限公司 (Note (i))	PRC	Registered capital	7%	N/A	Software technology development

20. INTERESTS IN ASSOCIATES (continued)

Note:

(i) The above represented effective interest indirectly held by the Group. These entities were associates of non-wholly owned subsidiaries of the Group, which held more than 20% equity interest in them, and therefore the directors of the Company consider that the Company has significant influence over these entities through control of these subsidiaries.

The directors of the Company consider that there are no material associates and hence no summarised financial information in respect of the individual associate is presented.

The associates of the Group are accounted for using the equity method in these consolidated financial statements.

The advances to associates are unsecured, interest-free and no fixed repayment terms.

The amount due to an associate is unsecured, interest-free and repayable on demand.

Aggregate financial information of associates that are not individually material:

	2019 **HK$'000**	2018 HK$'000
Group's share of results and other comprehensive (loss)/income for the year/period	**(4,217)**	47
Group's share of total comprehensive (loss)/income for the year/period	**(4,217)**	47
Group's aggregate interests in these associates and the carrying amounts	**15,728**	19,989

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019 **HK$'000**	2018 HK$'000
Non-current assets		
Unlisted equity investment		
– in elsewhere (Notes (i), (ii) and (iii))	**2,067,882**	1,719,189
Notes		
– in elsewhere (Notes (ii), (iii) and (iv))	**243,166**	–
Listed bonds		
– in elsewhere (Notes (ii), (iii) and (iv))	**940,998**	–
– in the PRC (Notes (ii), (iii) and (iv))	**23,765**	–
	3,275,811	1,719,189
Current assets		
Notes		
– in elsewhere (Notes (ii), (iii) and (iv))	**140,368**	543,649
Listed bonds		
– in elsewhere (Notes (ii), (iii) and (iv))	**502,314**	36,599
Unlisted bond		
– in Hong Kong (Notes (ii), (iii) and (iv))	**238,025**	–
	880,707	580,248

Notes:

(i) Unlisted securities represent the Group's 40% equity interest in Shandong (BVI). Shandong (BVI) and its subsidiaries were principally engaged in financial leasing business in the PRC. Its fair value accounted for 8.91% (2018: 12.85%) of the total assets of the Group at 31 December 2019. The directors of the Company consider that the Group has no significant influence over Shandong (BVI), which is held for long term strategic purposes and hence have elected to designate this investment in financial assets at FVTOCI.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)

Notes: (continued)

(ii) Details of financial assets at FVTOCI:

Nature of investments	Number of shares/ unit held 2019	2018	Percentage of share holding 2019 %	2018 %	Fair value 2019 HK$'000	2018 HK$'000	Net gain/(loss) during the year/period 2019 HK$'000	2018 HK$'000	Percentage to the Group's net assets 2019 %	2018 %	Investment cost 2019 HK$'000	2018 HK$'000
Non-current asset												
Unlisted equity investment in elsewhere												
Shandong (BVI)	**20,000**	20,000	**40**	40	**2,067,882**	1,719,189	**348,693**	129,189	**20.17**	35.24	**1,530,000**	1,530,000
Note												
– in elsewhere	**N/A**	N/A	**N/A**	N/A	**243,166**	–	**10,843**	–	**2.37**	–	**233,230**	–
Listed bonds												
– in elsewhere	**N/A**	N/A	**N/A**	N/A	**940,998**	–	**(18,365)**	–	**9.18**	–	**963,120**	–
– in the PRC	**N/A**	N/A	**N/A**	N/A	**23,765**	–	**370**	–	**0.23**	–	**23,530**	–
					3,275,811	1,719,189	**341,541**	129,189	**31.95**	35.24	**2,749,880**	1,530,000
Current assets												
Notes												
– in elsewhere	**N/A**	N/A	**N/A**	N/A	**140,368**	543,649	**–**	–	**1.37**	11.14	**140,901**	543,649
Listed bonds												
– in elsewhere	**N/A**	N/A	**N/A**	N/A	**502,314**	36,599	**12,866**	(2,544)	**4.90**	0.75	**490,777**	39,143
Unlisted bond												
– in Hong Kong	**N/A**	N/A	**N/A**	N/A	**238,025**	–	**(3,720)**	–	**2.32**	–	**241,745**	–
					880,707	580,248	**9,146**	(2,544)	**8.59**	11.89	**873,423**	582,792

(iii) Net unrealised gains/(losses) from financial assets at FVTOCI:

	Year ended 31 December 2019 HK$'000	Nine months ended 31 December 2018 HK$'000
Net unrealised gains/(losses) from financial assets at FVTOCI for the year/period:		
Unlisted equity investment		
– in elsewhere	**348,693**	129,189
Note		
– in elsewhere	**10,843**	–
Listed bonds		
– in elsewhere	**(5,499)**	(2,544)
– in the PRC	**370**	–
Unlisted bond		
– in Hong Kong	**(3,720)**	–
	350,687	126,645

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)

Notes: (continued)

(iv) Details of the debt instruments are as follow:

Nature of investments	Interest Rate %	Maturity date	Fair Value 2019 HK$'000	2018 HK$'000
Non-current assets				
Note in elsewhere:				
Note A	7.125	May 2021	**243,166**	–
Listed bonds in elsewhere:				
Bond A	7.950	Aug 2021	**209,420**	–
Bond B	7.500	Nov 2021	**156,508**	–
Bond C	6.850	Sep 2022	**152,949**	
Bond D	5.750	Nov 2024	**115,733**	–
Bond E	5.600	Nov 2022	**114,894**	–
Bond F	9.000	Jul 2021	**40,426**	–
Bond G	7.450	Apr 2021	**39,889**	–
Bond H	5.250	Mar 2022	**39,091**	–
Bond I	7.625	Mar 2021	**31,742**	–
Bond J	7.500	Aug 2021	**16,206**	–
Bond K	8.375	Jan 2021	**16,078**	–
Bond L	7.625	Mar 2021	**8,062**	–
			940,998	–
Listed bond in the PRC:				
Bond M	5.600	Oct 2022	**23,765**	–
			1,207,929	–

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)

Notes: (continued)

(iv) Details of the debt instruments are as follow: (continued)

Nature of investments	Interest Rate %	Maturity date	Fair Value 2019 HK$'000	2018 HK$'000
Current assets				
Notes in elsewhere:				
Note C	5.500	Jun 2019	**140,368**	–
Note A	7.125	May 2021	**–**	233,230
Note B	7.500	Nov 2019	**–**	156,574
Note D	10.500	Jun 2019	**–**	153,845
			140,368	543,649
Listed bonds in elsewhere:				
Bond N	10.500	Jul 2020	**159,879**	–
Bond O	11.500	Aug 2020	**156,160**	–
Bond P	4.550	Nov 2020	**78,266**	–
Bond Q	11.000	Jul 2020	**40,154**	–
Bond R	5.950	Jul 2020	**39,082**	–
Bond S	8.625	Jul 2020	**23,903**	–
Bond T	8.750	Dec 2020	**4,870**	–
Bond F	9.000	Jul 2021	**–**	36,599
			502,314	36,599
Unlisted bond in Hong Kong:				
Bond U	6.000	Dec 2020	**238,025**	–
			880,707	580,248

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 HK$'000	2018 HK$'000
Non-current assets		
Listed equity investment		
– In Hong Kong (Notes (i) and (vi))	**327,875**	1,440,764
Unlisted equity investments (Note (vi))		
– In the PRC	**–**	511
– In elsewhere (Note (ii))	**289,407**	308,365
	289,407	308,876
Investment fund (Note (vi))		
– In the PRC	**33,365**	34,090
Club membership debenture		
– In Hong Kong (Notes (iii) and (vi))	**6,050**	6,200
	656,697	1,789,930
Current assets		
Held-for-trading listed equity investments (Notes (i) and (vi))		
– In Hong Kong	**382,533**	639,819
– In elsewhere	**77,981**	–
	460,514	639,819
Guaranteed structure note (Note (vi))		
– In the PRC	**–**	77,167
Held-for-trading investment funds (Note (vi))		
– In Hong Kong	**543,697**	540,419
– In elsewhere (Note (iv))	**528,684**	600,557
– In the PRC	**3,280**	36,456
	1,075,661	1,177,432
Other investment funds		
– In elsewhere (Notes (v) and (vi))	**664,557**	–
Held-for-trading bonds (Note (vi))		
– In Hong Kong	**–**	235,984
	2,200,732	2,130,402

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

Notes:

(i) The fair value of the listed equity investments were determined by quoted prices in the Stock Exchange or the New York Stock Exchange.

(ii) The balance represented an unlisted equity investment in a private entity incorporated in the BVI principally engaged in provision of integrated financial services, securities brokerage services, money lending, securities and other direct investments mainly in Hong Kong. The fair value was determined with reference to the valuation report issued by a firm of independent professional valuer using the market approach. This is classified as Level 3 fair value measurement under HKFRS 13. Details of the fair value measurement are set out in note 40 to the consolidated financial statements.

(iii) Club membership debenture is stated at fair value at the end of the reporting period.

During the year ended 31 December 2019, fair value loss of approximately HK$150,000 (nine months ended 31 December 2018: fair value gain of approximately HK$1,000,000) on club membership debenture was recognised in profit or loss with reference to open market price. This is classified as Level 2 fair value measurement under HKFRS 13. Details of the fair value measurement are set out in note 40 to the consolidated financial statements.

(iv) The held-for-trading investment funds in elsewhere include the following:

(a) Altair Asia Investment Limited

The Group invested in Altair Asia Investment Limited ("Altair Asia") with a guaranteed return of 15% internal rate of return per annum. Pursuant to the terms of the subscriptions of Altair Asia, the Group has issued a written notice to Altair Asia on 4 January 2018 requesting the redemption of the entire participating shares of cost of investment in value of HK$200,000,000 and subsequently on 23 January 2018 agreed to waive its rights to request for early redemption of part of the participating shares of HK$140,000,000 on the ground of certain cumulative conditions being met within the prescribed time.

Since the conditions of waiver were not fully satisfied and Altair Asia failed to redeem all the participating shares pursuant to the subscription terms, the Group commenced legal proceedings in the High Court of Hong Kong against Altair Asia's two guarantors, including (1) a winding-up petition against China Silver Asset Management (Hong Kong) Limited ("CSAMHK"); and (2) a bankruptcy petition against Frank Dominick; and a winding-up petition against Altair Asia in the Grant Court of the Cayman Islands (the "Cayman Court") for the recovery of the investment.

On 11 March 2020, the High Court of Hong Kong handed down its decision ordering, among others, that (1) CSAMHK be wound up; and (2) the bankruptcy petition against Frank Dominick be adjourned. On 19 March 2020, CSAMHK lodged its notice of appeal to appeal against the said decision. The date of the hearing is yet to be fixed pending for the High Court of Hong Kong's further decisions.

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

Notes: (continued)

(iv) The held-for-trading investment funds in elsewhere include the following: (continued)

(a) Altair Asia Investment Limited (continued)

The petition against Altair Asia was heard on 21 January 2020 at the Cayman Court with judgment reserved. On 16 March 2020, the Cayman Court handed down its decision, ordering, among others, that the petition be adjourned in order to avoid inconsistent judgments between the Hong Kong and Cayman Courts.

Based on the legal opinion from an independent lawyer thereon, the directors of the Company considered that there is strong legal argument to win the case. The Group has engaged an independent professional valuer to assist the Group to assess the fair value of the investment in Altair Asia. As at 31 December 2019, based on the valuation performed, the directors of the Company considered that the carrying amount of the investment in Altair Asia was approximately HK$20,000,000 (2018: HK$20,000,000).

(b) OBOR Stable Growth Fund Limited

The principal investment objective of OBOR Stable Growth Fund Limited (the "OBOR Fund") is to seek to achieve long term capital appreciation by investing primarily in listed companies in Asia countries. The OBOR Fund will invest mainly in a portfolio of listed equities, but may also invest in equity related instruments including convertible bonds, options and warrants relating to listed equities and index future contracts. The OBOR Fund will make investments in companies located in Greater China and throughout Asia (ex-Japan) in countries participating in or expected to benefit from One Belt One Road. The OBOR Fund may also invest in debt securities mainly through investing in convertible bonds.

(v) The other investment funds in elsewhere include the following:

(a) Haitong Freedom Multi-Tranche Bond Fund

The Haitong Freedom Multi-Tranche Bond Fund (the "Haitong Freedom Fund") primarily invests in fixed income securities such as government, corporate or convertible bonds, private placement debt, notes linked to fixed income instruments or preferred shares, other bond funds, money market funds or cash. The Haitong Freedom Fund may invest in debt securities that are rated below investment grade or which are unrated by any relevant agency.

(b) SCCS Investment Fund LP

The SCCS Investment Fund LP (the "SCCS Fund") invests in equity, equity-related or debt investment in logistics real estate, pension real estate, student residence, internet data centres and other real estate assets or real estate related portfolios, and/or any other investment in US$ denominated bonds.

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

Notes: (continued)

(vi) Details of financial assets at FVTPL

	Number of shares/units held		Percentage of share holding		Fair value		Fair value gain/(loss) during the year/period		Percentage to the Group's net assets		Investment cost	
Nature of investments	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
			%	%	HK$'000	HK$'000	HK$'000	HK$'000	%	%	HK$'000	HK$'000
Non-current assets												
Listed equity investment in Hong Kong												
Jiayuan International Group Limited (Stock code: 2768)	107,500,227	99,500,227	2.73	3.96	327,875	1,440,764	(1,132,888)	334,863	3.20	29.53	615,858	595,859
Unlisted equity investments in the PRC												
Yunnan Highway	29,951,000	29,951,000	8.32	8.32	–	–	–	(217,812)	–	–	39,539	39,539
北京樓宇通信息科技有限公司	900,000	900,000	9.00	9.00	–	511	(511)	–	–	0.01	511	511
Unlisted equity investment in elsewhere												
Satinu Resources Group Limited	48,000,000	48,000,000	3.87	4.63	289,407	308,365	(18,958)	(73,290)	2.82	6.32	381,655	381,655
					289,407	308,876	(19,469)	(291,102)	2.82	6.33	421,705	421,705
Other investment fund in the PRC												
陸家嘴信託尊瑩1號集合資金信託計劃	30,000,000	30,000,000	N/A	N/A	33,365	34,090	–	–	0.33	0.70	34,090	34,090
Club membership debenture in Hong Kong	N/A	N/A	N/A	N/A	6,050	6,200	(150)	1,000	0.06	0.13	4,200	4,200
					656,697	1,789,930	(1,152,507)	44,761	6.41	36.69	1,075,853	1,055,854
Current assets												
Held-for-trading listed equity investments in Hong Kong												
China Smarter Energy Group Holding Limited (Stock code: 1004)	666,372,364	677,736,000	7.23	7.23	279,877	542,189	(252,312)	(54,219)	2.73	11.11	448,136	455,778
Code Agriculture (Holdings) Limited (Stock code: 8153)	60,000,000	60,000,000	2.24	2.24	4,200	4,440	(240)	(2,160)	0.04	0.09	3,000	3,000
Far East Holdings International Limited (Stock code: 36)	11,814,000	11,814,000	1.08	1.08	2,528	4,608	(2,079)	(4,489)	0.02	0.09	24,009	24,009
Hao Tian Development Group Limited (Stock code: 474)	385,000,000	385,000,000	7.86	7.86	80,080	88,550	(8,470)	(21,175)	0.78	1.82	99,000	99,000
Huatai Securities Company Limited (Stock code: 6886)	102,600	2,600	0.00	0.00	1,414	32	8	(7)	0.01	0.00	1,438	64
Poly Property Development Company Limited (Stock code: 6049)	11,200	–	0.00	–	524	–	215	–	0.01	–	393	–

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

Notes: (continued)

(vi) Details of financial assets at FVTPL (continued)

	Number of shares/units held		Percentage of share holding		Fair value		Fair value gain/(loss) during the year/period		Percentage to the Group's net assets		Investment cost	
Nature of investments	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	2019	2018	2019	2018
			%	%	**HK$'000**	HK$'000	**HK$'000**	HK$'000	%	%	HK$'000	HK$'000
Current assets (continued)												
Held-for-trading listed equity investments in Hong Kong (continued)												
Tencent Holdings Limited (Stock code: 700)	**2,000**	–	**0.00**	–	**751**	–	**5**	–	**0.01**	–	**746**	–
AIA Group Limited (Stock code: 1299)	**10,000**	–	**0.00**	–	**818**	–	**19**	–	**0.01**	–	**799**	–
KWG Group Holdings Limited (Stock code: 1813)	**80,000**	–	**0.00**	–	**874**	–	**14**	–	**0.01**	–	**860**	–
Shimao Property Holdings Limited (Stock code: 813)	**25,000**	–	**0.00**	–	**755**	–	**8**	–	**0.01**	–	**747**	–
Powerlong Commercial Management Holdings Limited (Stock code: 9909)	**66,000**	–	**0.00**	–	**648**	–	**21**	–	**0.01**	–	**627**	–
China Molybdeum Company Limited (Stock code: 3993)	**399,000**	–	**0.00**	–	**1,333**	–	**(7)**	–	**0.01**	–	**1,340**	–
Xiaomi Corporation (Stock code: 1810)	**150,00**	–	**0.00**	–	**1,617**	–	**6**	–	**0.02**	–	**1,611**	–
An Hui Conch Cement Company Limited (Stock code: 914)	**27,000**	–	**0.00**	–	**1,534**	–	**2**	–	**0.01**	–	**1,532**	–
Seazen Group Limited (Stock code: 1030)	**160,000**	–	**0.00**	–	**1,517**	–	**(21)**	–	**0.01**	–	**1,538**	–
CIFI Holdings (Group) Company Limited (Stock code: 884)	**230,000**	–	**0.00**	–	**1,519**	–	**(7)**	–	**0.01**	–	**1,526**	–
China Life Insurance Company Limited (Stock code: 2628)	**70,000**	–	**0.00**	–	**1,512**	–	**–**	–	**0.01**	–	**1,512**	–
Xiny Glass Holdings Limited (Stock code: 868)	**100,000**	–	**0.00**	–	**1,032**	–	**(2)**	–	**0.01**	–	**1,034**	–
					382,533	639,819	**(262,840)**	(82,050)	**3.72**	13.11	**589,848**	581,851
Held-for-trading listed equity investment in elsewhere												
New Froniter Health Corporation (Stock code: NFH)	**1,000**	–	**1**	–	**77,981**	–	**–**	–	**0.76**	–	**77,981**	–
Guaranteed structure note issued by Haitong International Products & Solutions Limited	**N/A**	N/A	**N/A**	N/A	**–**	77,167	**–**	–	**–**	1.58	**–**	77,167
Debt investment in Hong Kong managed by Sinolink Securities (HK) Co. Limited	**N/A**	N/A	**N/A**	N/A	**543,697**	540,419	**3,278**	(6,409)	**5.30**	11.08	**550,000**	550,000

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

Notes: (continued)

(vi) Details of financial assets at FVTPL (continued)

	Number of shares/units held		Percentage of share holding		Fair value		Fair value gain/(loss) during the year/period		Percentage to the Group's net assets		Investment cost	
Nature of investments	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
			%	%	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**%**	%	**HK$'000**	HK$'000
Current assets (continued)												
Held-for-trading investment funds in elsewhere												
Altair Asia	**5,292,982**	5,292,982	**N/A**	N/A	**20,000**	20,000	**–**	(123,434)	**0.20**	0.41	**200,000**	200,000
OBOR Fund	**668,210**	668,210	**N/A**	N/A	**508,684**	434,375	**76,311**	(65,386)	**4.96**	8.90	**525,611**	527,663
Haitong International Investment Limited	**N/A**	200,000	**N/A**	–	**–**	146,182	**(17,757)**	(4,239)	**–**	3.00	**–**	155,500
					528,684	600,557	**58,554**	(193,059)	**5.16**	12.31	**725,611**	883,163
Held-for trading investment funds in the PRC	**N/A**	N/A	**N/A**	N/A	**3,280**	36,456	**1,715**	(2,135)	**0.03**	0.75	**3,352**	38,590
Investments funds in elsewhere												
Haitong Freedom Fund	**500,222**	–	**N/A**	N/A	**428,193**	–	**(710)**	–	**4.18**	–	**428,903**	–
SCCS Fund	**3**	–	**23.07**	N/A	**236,364**	–	**(9,280)**	–	**2.31**	–	**245,644**	–
					664,557	–	**(9,990)**	–	**6.49**	–	**674,547**	–
Held-for-trading investment bonds in Hong Kong												
Jiarui Investment (Hong Kong) Company Limited	**N/A**	30	**N/A**	N/A	**–**	235,984	**(1,123)**	8,134	**–**	4.84	**–**	227,850
Hong Kong International (Qingdao) Company Limited	**N/A**	N/A	**N/A**	N/A	**–**	–	**(143)**	–	**–**	–	**–**	–
					–	235,984	**(1,266)**	8,134	**–**	4.84	**–**	227,850
					2,200,732	2,130,402	**(210,549)**	(275,159)	**21.46**	43.67	**2,621,339**	2,358,621

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

Notes: (continued)

(vii) Net unrealised gains/(losses) from financial assets at FVTPL:

	Year ended 31 December 2019 HK$'000	Nine months ended 31 December 2018 HK$'000
Net unrealised gains/(losses) from financial assets at FVTPL for the year/period:		
Listed equity investment		
– In Hong Kong	**(1,132,888)**	334,863
Unlisted equity investments		
– In the PRC	**(511)**	(217,812)
– In elsewhere	**(18,958)**	(73,290)
Club membership debenture		
– In Hong Kong	**(150)**	1,000
Held-for-trading listed equity investments		
– In Hong Kong	**(263,835)**	(82,050)
Held-for-trading investment funds		
– In Hong Kong	**3,278**	(6,409)
– In the PRC	**–**	(2,135)
– In elsewhere	**76,311**	(185,524)
Other investment funds		
– In elsewhere	**(9,990)**	–
Held-for-trading investment bonds		
– In the PRC	**–**	8,134
	(1,346,743)	(223,223)

(viii) Net realised gains/(losses) from financial assets at FVTPL:

	Year ended 31 December 2019 HK$'000	Nine months ended 31 December 2018 HK$'000
Net realised gains/(losses) from financial assets at FVTPL for the year/period:		
Held-for-trading listed equity investments		
– In Hong Kong	**995**	–
Held-for-trading investment funds		
– In elsewhere	**(17,757)**	(7,535)
– In the PRC	**1,715**	–
Held-for-trading investment bonds		
– In Hong Kong	**(1,266)**	–
	(16,313)	(7,535)

23. FINANCE LEASE RECEIVABLES

The present value of minimum finance lease receivables are set out below:

	2019	2018
	HK$'000	HK$'000
Within one year	**1,634,145**	1,242,401
Later than one year and not later than second year	**954,664**	906,598
Later than third year and not later than fifth year	**523,856**	977,516
Gross amount of finance lease receivables	**3,112,665**	3,126,515
Less: unearned finance income	**(284,858)**	(307,207)
Present value of minimum lease payment receivables	**2,827,807**	2,819,308

The carrying amount of finance lease receivables are set out below:

	2019	2018
	HK$'000	HK$'000
Within one year	**1,436,872**	1,083,033
Later than one year and not later than second year	**890,173**	818,444
Later than third year and not later than fifth year	**500,762**	917,831
Carrying amount of finance lease receivables	**2,827,807**	2,819,308
Analysed for reporting purpose as:		
Non-current assets	**1,390,935**	1,736,275
Current assets	**1,436,872**	1,083,033
	2,827,807	2,819,308

	2019	2018
	HK$'000	HK$'000
At the beginning of the year/period	**2,819,308**	2,954,097
Movement for the year/period	**411,994**	277,110
Impairment	**(342,076)**	(144,890)
Exchange realignment	**(61,419)**	(267,009)
At the end of the year/period	**2,827,807**	2,819,308

23. FINANCE LEASE RECEIVABLES (continued)

The Group entered into finance lease arrangements as a lessor for machine and equipment. The average terms of finance lease entered into usually range from 1 to 5 years.

Interest rates implicit in the above finance leases range from 4.75% to 12.00% (2018: 4.75% to 9.20%).

The Group's finance lease receivables are denominated in Renminbi ("RMB").

As at 31 December 2019, included in the Group's finance lease receivables balances are lessees with an aggregate carrying amount of approximately HK$466,589,000 (2018: HK$316,739,000) which had been past due as at the end of the reporting period. In the event that an installment repayment of a finance lease receivable is past due, the entire outstanding balances of the finance lease receivables are deemed as past due.

An aging analysis of the finance lease receivables which had been past due based on the number of past due days is as follows:

	2019	2018
	HK$'000	HK$'000
Within 30 days	**598**	344,959
31 days to 90 days	**10,555**	112,042
More than 90 days	**455,436**	109,212
	466,589	566,213

Finance lease receivables were considered credit-impaired when the customers fail to settle according to the settlement terms for more than 90 days after taking into consideration the recoverability of collateral and deposits. As such, as at 31 December 2019, finance lease receivables of approximately HK$455,436,000 (2018: HK$109,212,000) was credit-impaired under the lifetime ECL.

23. FINANCE LEASE RECEIVABLES (continued)

Included in the carrying amount of the above finance lease receivables as at 31 December 2019 is accumulated impairment losses of approximately HK$481,552,000 (2018: HK$149,837,000).

As at 31 December 2019, finance lease receivables with carrying amount of approximately HK$282,102,000 (2018: HK$132,122,000) have been pledged to secure for bank borrowings.

Movement of allowance for credit losses is as follow:

	12m ECL HK$'000	Lifetime ECL not credit-impaired HK$'000	Lifetime ECL credit-impaired HK$'000	Total HK$'000
At 1 April 2018	10,637	2,705	–	13,342
Movement during the period	(3,444)	77,232	71,102	144,890
Exchange realignment	(186)	(1,755)	(6,454)	(8,395)
At 1 December 2018 and 1 January 2019	7,007	78,182	64,648	149,837
Movement during the year	(689)	206,321	136,444	342,076
Exchange realignment	(134)	(5,990)	(4,237)	(10,361)
At 31 December 2019	**6,184**	**278,513**	**196,855**	**481,552**

23. FINANCE LEASE RECEIVABLES (continued)

The following table sets forth the finance lease receivables (after impairment) attributable to individual customer:

	At 31 December 2019		At 31 December 2018	
	HK$'000	**%**	HK$'000	%
Customer A[1]	**505,242**	**17.87**	566,587	20.10
Customer B	**471,641**	**16.68**	547,684	19.42
Customer C	**213,144**	**7.54**	–	0.00
Customer D	**183,571**	**6.49**	45,049	1.60
Customer E[1]	**181,401**	**6.41**	238,805	8.47
Customer F	**153,250**	**5.42**	226,585	8.04
Customer G	**152,594**	**5.40**	226,593	8.04
Customer H	**148,111**	**5.24**	271,096	9.61
Customer I	**129,012**	**4.56**	268,299	9.51
Customer J	**100,701**	**3.56**	159,563	5.66
Customer K	**78,198**	**2.77**	–	0.00
Customer L	**62,804**	**2.22**	50,678	1.80
Customer M	**62,783**	**2.22**	–	0.00
Customer N	**55,430**	**1.96**	–	0.00
Customer O	**49,779**	**1.76**	–	0.00
Customer P	**46,981**	**1.66**	–	0.00
Customer Q	**46,678**	**1.65**	–	0.00
Customer R	**42,681**	**1.51**	62,306	2.21
Customer S	**36,953**	**1.31**	56,648	2.01
Customer T	**34,920**	**1.23**	50,975	1.81
Customer U	**33,044**	**1.17**	–	0.00
Customer V	**20,597**	**0.73**	48,440	1.72
Customer W	**18,292**	**0.64**	–	0.00
	2,827,807	**100.00**	2,819,308	100.00

1 Customer A and E are within the same group.

23. FINANCE LEASE RECEIVABLES (continued)

During the year ended 31 December 2019 and nine months ended 31 December 2018, all the lessees of the Group are located in the PRC. If any of them experiences financial difficulties, the recovery of the Group's finance lease receivables through regular lease payments might be adversely affected and the Group may have to resort to recovery through repossession of the leased assets.

As at 31 December 2019, the Group's finance lease receivables were secured by collaterals, being deposits of approximately HK$19,463,000 (2018: HK$50,485,000) (note 28) and plant and machinery. Estimates of fair value of collateral are made during the credit approval process. These estimates of valuations are made at the inception of finance lease, and generally not updated except when the receivable is individually impaired. When a finance lease receivable is identified as impaired, the corresponding fair value of collateral of that receivable is updated by reference to market value such as recent transaction price of the assets.

The Group is not permitted to sell, or repledge the collaterals of the finance lease receivables without consent from the lessees in the absence of default by the lessees. No assets have been repledged to secure borrowings of the Group as at 31 December 2019 (2018: nil).

To manage this risk, the Group assesses the business performance of the lessees on a regular basis. In view of the fact that the lessees are operating smoothly and the sound collection history of the receivable due from them, management believes that the credit risk inherent in the Group's outstanding finance lease receivable balances from lessees is low.

Further details of impairment assessment for the year ended 31 December 2019 and nine months ended 31 December 2018 are set out in note 41 to the consolidated financial statements.

24. LOANS RECEIVABLES

	2019 **HK$'000**	2018 HK$'000
Loans receivables	**2,763,797**	1,388,356
Less: allowance for impairment loss	**(76,312)**	(55,990)
	2,687,485	1,332,366
Analysed for reporting purpose as:		
Non-current assets	**37,474**	488,653
Current assets	**2,650,011**	843,713
	2,687,485	1,332,366

24. LOANS RECEIVABLES (continued)

Loans receivables represent receivables arising from the money lending business of the Group, and bear interest at rates ranging from 4% to 20% per annum (2018: from 4% to 20% per annum). The grants of these loans were approved and monitored by the Group's management.

	2019 **HK$'000**	2018 HK$'000
Type of borrowers that loans receivables are arising from:		
Individual customers	**185,538**	223,630
Corporate customers	**2,578,259**	1,164,726
	2,763,797	1,388,356
Less: allowance for impairment loss		
Individual customers	**(4,442)**	(3,060)
Corporate customers	**(71,870)**	(52,930)
	(76,312)	(55,990)
	2,687,485	1,332,366

	2019 **HK$'000**	2018 HK$'000
Analysis of loans receivables by types of collateral:		
Corporate guarantee	**1,740,434**	–
Share charges	**509,789**	604,818
Share charges and personal guarantee	**–**	360
Personal guarantee and USD bonds	**194,475**	194,506
Unsecured	**242,787**	532,682
	2,687,485	1,332,366

An aging analysis of loans receivables (net of impairment), determined based on the time to maturity of the loans receivables, as at the end of the reporting period is as follows:

	2019 **HK$'000**	2018 HK$'000
To be due within:		
Within 90 days	**512,686**	248,861
91 days to 180 days	**–**	228,867
181 days to 1 year	**2,137,325**	365,985
1 year to 2 years	**37,474**	488,653
	2,687,485	1,332,366

24. LOANS RECEIVABLES (continued)

The Group's loans receivables are mainly denominated in:

	2019	2018
	HK$'000	HK$'000
HK$	**527,925**	619,622
US$	**1,740,434**	–
RMB	**419,126**	712,744
	2,687,485	1,332,366

As at 31 December 2019, included in the Group's loans receivables balances are debtors with aggregate carrying amount of approximately HK$333,448,000 (2018: HK$179,460,000) which has been past due as at the end of the reporting period. In the event that an installment repayment of a loans receivable is past due, the entire outstanding balances of the loans receivables are deemed as past due.

An aging analysis of the loans receivables which had been past due based on the number of past due days is as follows:

	2019	2018
	HK$'000	HK$'000
Within 30 days	**155,175**	–
31 days to 90 days	**178,273**	–
More than 90 days	**–**	179,460
	333,448	179,460

As at 31 December 2019, loans receivables which are past due but not credit-impaired amounted to approximately HK$nil (2018: HK$179,460,000), represented the contractual payments have not been settled by debtors more than 90 days but were considered not to be credit-impaired as the management considered the reputation of these debtors were sound and the loans receivables were secured by collaterals including share charges.

Included in the carrying amount of loans receivables as at 31 December 2019 is accumulated impairment losses of approximately HK$76,312,000 (2018: HK$55,990,000).

24. LOANS RECEIVABLES (continued)

Movement of allowance for impairment losses:

	12m ECL HK$'000	Lifetime ECL not credit-impaired HK$'000	Lifetime ECL credit-impaired HK$'000	Total HK$'000
At 1 April 2018	7,220	2,016	45,000	54,236
Movement during the period	1,428	–	504	1,932
Exchange realignment	(178)	–	–	(178)
At 1 December 2018 and 1 January 2019	8,470	2,016	45,504	55,990
Movement during the year	13,436	4,579	2,412	20,427
Exchange realignment	(105)	–	–	(105)
At 31 December 2019	**21,801**	**6,595**	**47,916**	**76,312**

Further details of impairment assessment for the year ended 31 December 2019 and nine months ended 31 December 2018 are set out in note 41 to the consolidated financial statements.

25. TRADE AND OTHER RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade receivables	**82,553**	38,620
Less: Allowance for credit losses	**(2,426)**	(592)
	80,127	38,028
Prepayments	**40,021**	11,391
Deposits (Note (i))	**70,721**	54,421
Interest receivables	**134,538**	68,624
Other receivables (Note (ii))	**710,926**	818,619
	956,206	953,055
	1,036,333	991,083

25. TRADE AND OTHER RECEIVABLES (continued)

Notes:

(i) The deposits mainly represent:

(a) guarantee deposits of approximately HK$58,154,000 (2018: HK$29,461,000) paid to various entities in accordance with the cooperation agreements entered into between Shangao Puhui (Shenzhen) Information Services Co., Ltd.* (山高普惠(深圳)信息服務有限公司) ("Shangao Puhui"), an indirect non-wholly-owned subsidiary of Kun Peng, and these entities, for the purpose of Shangao Puhui providing financial guarantee to borrowers that obtained financing from lenders via these entities through Shangao Puhui money lending referral service business. In the opinion of the directors of the Company, to the best knowledge, belief, information of and after making all reasonable enquiries, these entities are independent third parties of the Group. Shangao Puhui is exposed to the guaranteed loan principal of the borrowers and the respective interests. The Group has assessed the credit worthiness and past payment history of the borrowers, pledge of collaterals and the Group has provided sufficient guarantee deposits in accordance with the cooperation agreements. In the opinion of the directors of the Company, 12 months ECL in respect of these deposits paid of approximately HK$534,000 (2018: HK$265,000) have been provided as at 31 December 2019; and

(b) rental and utility deposits with carrying amount of approximately HK$7,926,000 (2018: HK$5,931,000).

(ii) Other receivables mainly represent:

(a) an amount due from China Hover Dragon Group Limited ("China Hover Dragon") of approximately RMB123,121,000 (equivalent to approximately of HK$136,932,000) (2018: RMB123,121,000 (equivalent to approximately of HK$139,907,000)) which had been past due from 30 August 2017.

The amount is secured by the shares issued by the Company upon acquisition of Hong Kong Leasing. Pursuant to the Hong Kong Leasing Sale and Purchase Agreement (as defined in note 45(a)), 737,774,989 shares issued by the Company (the "Bad Debt Repurchase Shares") could be repurchased by the Company from the shareholders of China Hover Dragon at nil consideration.

The Bad Debt Repurchase Shares have an aggregate fair value of approximately HK$176,328,000 as at 31 December 2019 (2018: HK$232,399,000). The directors of the Company considered that the fair value of the Bad Debt Repurchase Shares is higher than the carrying amount of the amount due from China Hover Dragon as at 31 December 2019, therefore, the amount is fully recoverable and no impairment loss has been provided as at 31 December 2019 and 2018.

The repurchase of the Bad Debt Repurchase Shares is under legal proceedings as at 31 December 2019 and the date of approval of the consolidated financial statements of the Group for the year ended 31 December 2019. However, as described in note 45(a), the directors of the Company considered that the Bad Debt Repurchase Shares could be repurchased by the Company at nil consideration. Details of the legal proceeding are disclosed in note 45(a).

The amount due from China Hover Dragon is non-interest bearing.

(b) proceeds with an aggregate amount of approximately HK$351,000,000 (2018: HK$590,400,000) arising from the disposals of certain investments in prior year. These receivables were matured in August 2019. The Group has entered into supplemental agreements with the buyers to extend the maturity date to April 2020. The remaining consideration is interest bearing at 9% per annum and secured by share charges over the entire issued share capital of entities owned the disposed investments.

25. TRADE AND OTHER RECEIVABLES (continued)

Notes: (continued)

(ii) Other receivables mainly represent: (continued)

(b) During the year ended 31 December 2019, the Group has entered into an agreement with an independent third party to dispose a consideration receivable of approximately HK$239,400,000 with interest of approximately HK$29,987,000, which was due in August 2019 and pledged with share charges, at a cash consideration of approximately HK$265,000,000. The amount was fully settled after the end of the reporting period.

The Group has engaged an independent professional valuer to assist the Group to assess fair value of the collateral. Based on the valuation performed, the directors of the Company considered that accumulated lifetime ECL in respect of these venders amounted to approximately HK$298,350,000 (2018: HK$65,534,000) as at 31 December 2019;

(c) commercial bills receivables which factored by independent third parties to the Group with principal amounts of approximately HK$124,007,000 (2018: HK$32,918,000). The commercial bills receivables were with recourse and factored with discount rates ranging from 6.5% to 11% (2018: 11%) per annum and repayable within one year. 12-months ECL in respect of these receivables of approximately HK$1,116,000 (2018: HK$304,000) have been provided as at 31 December 2019;

(d) value added tax receivables, net, of approximately HK$nil (2018: HK$29,621,000).

The following is an aging analysis of trade receivables, net of allowance for credit losses, presented based on the invoice date (or date of revenue recognition, if earlier):

	2019	2018
	HK$'000	HK$'000
Within 90 days	**48,165**	30,188
91 days to 180 days	**3,526**	1,559
181 days to 1 year	**11,144**	637
Over 1 year	**17,292**	5,644
	80,127	38,028

The Group has a policy of granting trade customers with credit of generally within 90 (2018: 90) days.

25. TRADE AND OTHER RECEIVABLES (continued)

As at 31 December 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$38,584,000 (2018: nil) which are past due as at the reporting date.

The aging analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	2019 HK$'000	2018 HK$'000
Not yet past due	**41,543**	38,028

The Group does not hold any collateral over these balances.

Movement of allowance for expected credit losses on trade receivables with the simplified approach set out in HKFRS 9 for the year ended 31 December 2019 and nine months ended 31 December 2018:

	Lifetime ECL not credit-impaired HK$'000
At 1 April 2018	131
Movement during the period	470
Exchange realignment	(9)
At 1 December 2018 and 1 January 2019	592
Movement during the year	2,153
Exchange realignment	(319)
At 31 December 2019	**2,426**

25. TRADE AND OTHER RECEIVABLES (continued)

Movement of allowance for impairment losses on deposits, interest receivables and other receivables:

	12m ECL HK$'000	Lifetime ECL not credit-impaired HK$'000	Lifetime ECL credit-impaired HK$'000	Total HK$'000
At 1 April 2018	8,216	1,279	2,991	12,486
Movement during the period	(2,786)	67,248	(150)	64,312
Exchange realignment	(229)	(34)	(121)	(384)
At 1 December 2018 and 1 January 2019	5,201	68,493	2,720	76,414
Movement during the year	1,963	231,721	1,813	235,497
Exchange realignment	(345)	(28)	(95)	(468)
At 31 December 2019	**6,819**	**300,186**	**4,438**	**311,443**

26. RESTRICTED CASH

	2019 HK$'000	2018 HK$'000
Client monies for loan arrangement service	**17,024**	–
Pledged for bank borrowings	**14,585**	–
Client monies for asset trading platform	**33,314**	2,222
	64,923	2,222

The restricted bank deposits bear interest at the prevailing market rates.

27. CASH AND CASH EQUIVALENTS

Cash and cash equivalents were denominated in the following currencies:

	2019	2018
	HK$'000	HK$'000
HK$	**89,844**	217,991
RMB	**259,391**	252,788
Singapore Dollar ("SGD")	**–**	10
US$	**7,864,840**	210,609
	8,214,075	681,398

Cash at banks earn interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

As at 31 December 2019, the Group maintained cash and cash equivalents amounting to approximately HK$225,837,000 (2018: HK$252,788,000) in the PRC, the remittance of which is subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

28. OTHERS PAYABLES AND ACCRUALS

	2019 HK$'000	2018 HK$'000
Accrued expenses	**51,189**	35,768
Guarantee deposits received from finance lease lessees (note 23)	**19,463**	50,485
Receipt in advance	**32,082**	23,941
Amount due to an associate	**1,585**	1,530
Amounts due to non-controlling interests	**57**	57
Deposits received from customers in trading platform business	**2,409**	2,761
Payable for acquisition of a subsidiary (note 36(a)(i))	**–**	8,245
Other payables		
– Interest payables	**9,043**	3,156
– Others (Note (i))	**102,547**	114,564
	218,375	240,507
Analysed for reporting purpose as:		
Non-current liabilities	**19,480**	37,499
Current liabilities	**198,895**	203,008
	218,375	240,507

Note:

(i) The amount mainly represents (a) balances received on behalf of customers in the online investment and technology-enabled lending platform in the PRC of approximately HK$1,128,000 (2018: HK$13,345,000); and (b) other tax payable and surcharge of approximately HK$10,967,000 (2018: HK$37,742,000).

29. LEASE LIABILITIES

	Minimum lease payments 2019 HK$'000	Present value of minimum lease payments 2019 HK$'000
Lease liabilities payable:		
– within one year	2,382	2,025
– more than one year but not more than two years	9,361	8,911
– more than two years but not more than five years	17,589	15,673
– more than five years	3,760	1,067
	33,092	27,676
Less: Future finance costs	(5,416)	–
Present value of lease liabilities	27,676	27,676
Less: Amount due for settlement with 12 months shown under current liabilities		(2,025)
Amount due for settlement after 12 months shown under non-current liabilities		25,651

Lease obligations are mainly denominated in RMB and HK$.

30. BORROWINGS

	2019 **HK$'000**	2018 HK$'000
Bank borrowings (Note (i))		
– Repayable within one year	**464,818**	343,174
– Repayable after one year but within two years	**777,756**	–
– Repayable after two years but within five years	**1,583,001**	795,890
Bonds (Note (ii))		
– Repayable within one year	**4,816,820**	4,739,322
– Repayable after one year but within two years	**–**	–
– Repayable after two years but within five years	**3,973,523**	20,100
– Repayable after five years	**793,841**	–
Other borrowings (Note (iii))		
– Repayable within one year	**154,882**	310,696
– Repayable after one year but within two years	**–**	–
– Repayable after two years but within five years	**–**	1,565,737
	12,564,641	7,774,919
Analysed for reporting purpose as:		
Non-current liabilities	**7,128,121**	2,381,727
Current liabilities	**5,436,520**	5,393,192
	12,564,641	7,774,919
Analysed as:		
Secured (Note (iv))	**146,888**	134,395
Unsecured	**12,417,753**	7,640,524
	12,564,641	7,774,919

30. BORROWINGS (continued)

Notes:

(i) Bank borrowings

	2019		2018	
	HK$'000	**Effective interest rate**	HK$'000	Effective interest rate
Term loans				
– Variable rate (note 38(a))	**553,306**	**5.655%-6.175%**	568,169	5.655%-6.175%
Unsecured loans				
– Variable rate (Note (a))	**1,996,146**	**2.45%-2.92%**	436,500	2.45%-3.53%
– Fixed rate (Note (a))	**129,235**	**7.99%**	–	–
Secured loans				
– Fixed rate (Note (b))	**146,888**	**6.50%-8.50%**	134,395	7.99%-8.50%
	2,825,575		1,139,064	

Notes:

(a) As at 31 December 2019, the unsecured loan included loans with carrying amounts of approximately HK$1,996,146,000 (2018: HK$436,500,000) that were guaranteed by Shandong Hi-Speed Group and approximately HK$129,235,000 (2018: HK$ nil) was guaranteed by the Company.

(b) As at 31 December 2019, the secured loan included loans with carrying amounts of approximately HK$ 86,208,000 (2018: HK$132,122,000) and secured by restricted cash of amount approximately HK$11,470,000; approximately HK$ 1,112,000 (2018: HK$2,273,000) was guaranteed by a director of a subsidiary of the Company approximately HK$129,235,000 (2018: HK$ nil) was guaranteed by the Company and secured by restricted cash of amount approximately HK$6,000 and approximately HK$59,568,000 (2018: HK$ nil) was guaranteed by a subsidiary of the Company.

30. BORROWINGS (continued)

Notes: (continued)

(ii) Bonds

	Note	**2019 HK$'000**	2018 HK$'000
US$ denominated bonds			
3.90% bonds mature in 2019	(a)	**–**	4,739,322
5.95% bonds mature in 2020	(b)	**4,806,638**	–
3.95% bonds mature in 2022	(c)	**3,963,252**	–
4.3% bonds mature in 2029	(d)	**793,841**	–
HK$ denominated bonds			
5% bonds mature in 2020		**10,182**	10,029
5% bonds mature in 2021		**10,271**	10,071
		9,584,184	4,759,422

	2019 HK$'000	2018 HK$'000
At beginning of the year/period	**4,759,422**	4,662,357
Net proceeds from issuance of bonds during the year/period	**9,379,168**	–
Repayment	**(4,687,793)**	–
Interest charged calculated at effective interest rate (note 10)	**379,075**	140,938
Interest paid during the year/period	**(234,343)**	(91,675)
Exchange realignment	**(11,345)**	47,802
At end of the year/period	**9,584,184**	4,759,422

30. BORROWINGS (continued)

Notes: (continued)

(ii) Bonds (continued)

The interests charged are calculated at effective interest rate and included in cost of services of approximately HK$193,364,000 (nine months ended 31 December 2018: HK$63,399,000) in related to financing for the money lending and financial leasing business and finance costs of approximately HK$185,711,000 (nine months ended 31 December 2018: HK$77,539,000) (note 10).

(a) On 6 March 2018, Coastal Emerald issued 3.9% guaranteed bonds in the principal amount of US$400,000,000 guaranteed by the Company and with the benefit of a keepwell deed by Shandong Hi-Speed Group (the "Original Guaranteed Bonds") to the independent third parties. On 13 March 2018, Coastal Emerald further issued an additional 3.9% guaranteed bonds in the principal amount of US$200,000,000 (the "Second 3.9% Guaranteed Bonds") to the independent third parties. The Second 3.9% Guaranteed Bonds were consolidated to form a single series with the First 3.9% Guaranteed Bonds. The First 3.9% Guaranteed Bonds and the Second 3.9% Guaranteed Bonds (collectively the "3.9% Guaranteed Bonds") in an aggregate amount of US$600,000,000 (equivalent to approximately HK$4,642,130,000) were matured on 3 March 2019. Under the keepwell deed, Shandong Hi-Speed Group undertakes that it shall cause each of Coastal Emerald and the Company to have sufficient liquidity to ensure timely payment by it of any amounts due and payable in respect of the 3.9% Guaranteed Bonds. If either Coastal Emerald or the Company at any time determines that it will have insufficient liquidity to meet any of its payment obligations under the 3.9% Guaranteed Bonds, Shandong Hi-Speed Group will make available, or procure the availability to it before the due date of the relevant payment obligations, funds sufficient to enable it to pay such payment obligations in full as they fall due. The amount was fully repaid during the year ended 31 December 2019. Further details are set out in the announcements of the Company dated 5 March 2018, 6 March 2018 and 12 March 2018.

30. BORROWINGS (continued)

Notes: (continued)

(ii) Bonds (continued)

(b) On 15 January 2019, Coastal Emerald issued 5.95% guaranteed bonds with a principal amount of US$550,000,000 (the "First 5.95% Guarantee Bonds") to independent third parties. On 20 February 2019, Coastal Emerald further issued an additional 5.95% guaranteed bonds with principal amount of US$50,000,000 (the "Second 5.95% Guaranteed Bonds") to independent third parties. The Second 5.95% Guaranteed Bonds were consolidated to form a single series with the First 5.95% Guaranteed Bonds. The First 5.95% Guaranteed Bonds and the Second 5.95% Guaranteed Bonds (collectively referred to as the "5.95% Guaranteed Bonds") in aggregate amount of approximately HK$4,678,937,000) will mature on 13 January 2020. The 5.95% Guaranteed Bonds are guaranteed by the Company and with the benefit of a keepwell deed by Shandong Hi-Speed Group. Under the keepwell deed, Shandong Hi-Speed Group undertakes that it shall cause each of Coastal Emerald and the Company to have sufficient liquidity to ensure timely payment by it of any amounts due and payable in respect of the 5.95% Guaranteed Bonds. If either Coastal Emerald or the Company at any time determines that it will have insufficient liquidity to meet any of its payment obligations under the Guaranteed Bonds, Shandong Hi-Speed Group will make available, or procure the availability to it before the due date of the relevant payment obligations, funds sufficient to enable it to pay such payment obligations in full as they fall due.

Further details are set out in the announcements of the Company dated 8 January 2019, 15 January 2019 and 19 February 2019.

(c) On 1 August 2019, Coastal Emerald issued 3.95% guaranteed bonds (the "3.95% Guaranteed Bonds") with a principal amount of US$500,000,000 to independent third parties. The 3.95% Guaranteed Bonds will mature on 1 August 2022. The 3.95% Guaranteed Bonds are guaranteed by the Company with the benefit of a keepwell deed and a deed of equity interest purchase undertaking provided by Shandong Hi-Speed Group. Under the keepwell deed, Shandong Hi-Speed Group undertakes that it shall cause each of Coastal Emerald and the Company to have sufficient liquidity to ensure timely payment by it of any amounts due and payable in respect of the 3.95% Guaranteed Bonds. If either Coastal Emerald or the Company at any time determines that it will have insufficient liquidity to meet any of its payment obligations under the Guaranteed Bonds, Shandong Hi-Speed Group will make available, or procure the availability to it before the due date of the relevant payment obligations, funds sufficient to enable it to pay such payment obligations in full as they fall due. Further details are set out in the announcements of the Company dated 26 July 2019.

(d) On 25 July 2019, Coastal Emerald issued 4.3% guaranteed bonds (the "4.3% Guaranteed Bonds") with a principal amount of US$100,000,000 to an independent third party. The 4.3% Guaranteed Bonds will mature on 31 July 2029 are guaranteed by Shandong Hi-Speed Group.

30. BORROWINGS (continued)

Notes: (continued)

(iii) Other borrowings

As at 31 December 2018, the Group has four outstanding other borrowings including: (a) a borrowing with an amount of USD200,000,000 (equivalent to approximately HK$1,567,737,000) from a subsidiary of Shandong Hi-Speed Group, which is unsecured, bearing interest at 4.5% per annum and repayable during the year ending 31 December 2020. The directors of the Company considered that the above borrowings were conducted on normal commercial terms or better; (b) two borrowings with an amount of approximately USD9,826,000 (equivalent to approximately HK$76,922,000) and USD10,000,000 (equivalent to approximately HK$78,287,000) from a securities company, which are unsecured, bearing interest at 2.6% plus 3-month LIBOR rate and 3% plus 3-month LIBOR rate per annum respectively and repayable in the year ended 31 December 2019; and (c) a borrowing with an amount of approximately USD19,861,000 (equivalent to approximately HK$155,487,000) from a securities company, which are unsecured, bearing interest at 5.186% per annum and repayable in the year ended 31 December 2019. The above four other borrowings were fully settled during the year ended 31 December 2019.

As at 31 December 2019, the Group has a borrowing with an amount of approximately USD19,861,000 (equivalent to approximately HK$154,882,000) from a securities company, which is unsecured, bearing interest at 5.05% per annum and repayable in the year ended 31 December 2020.

(iv) As at 31 December 2019, (a) bank borrowings of approximately HK$145,776,000 (2018: HK$132,122,000) were secured by finance lease receivables with carrying value HK$282,102,000 (2018: HK$132,122,000) (note 23) and (b) bank borrowings of approximately HK$1,112,000 (2018: HK$2,273,000) has guaranteed by a director of a subsidiary and the equity interest of a subsidiary of the Group.

31. CONVERTIBLE BONDS

During the year ended 31 December 2019, the Company had fully redeemed the convertible bond 5 ("CB 5"). During the nine months ended 31 December 2018, the Company had fully redeemed the convertible bond 1 ("CB 1") and issued convertible bond 4 ("CB 4").

CB 1

On 28 October 2015, the Company issued 8% US$ denominated convertible bonds with the aggregate principal amount of US$50,000,000 (equivalent to approximately HK$387,500,000). Each bond entitles the holder to convert to the Company's ordinary shares at a conversion price of HK$0.68 and maturity on 28 October 2018. The CB 1 was fully redeemed by the Company in October 2018. Details of the CB 1 are set out in the Company's announcements dated 13 October 2015 and 28 October 2015.

The CB 1 bears interest from the date of issue at 8% per annum on the principal amount of the convertible bonds and payment to be made on the maturity date. The CB 1 is secured by a share charge of the entire share capital of Hong Kong Leasing.

The CB 1 contains two components: liability and equity elements. The equity element is presented in equity heading "convertible bonds reserve". The effective interest rate of the liability component on initial recognition is 12.08% per annum.

CB 4

On 16 August 2016, the Company issued 8% US$ denominated convertible bonds with the aggregate principal amount of US$40,000,000 (equivalent to approximately HK$310,000,000). The proceed of the CB 4 was used to redeem the CB 3 in full in an aggregate amount of US$40,000,000 (equivalent to approximately HK$310,000,000). Each bond entitles the holder to convert to Company's ordinary share at a conversion price of HK$0.72 and maturity on 16 August 2018. On 17 October 2016 and 5 January 2017, the Company early redeemed the CB 4 in the principal amount of US$10,000,000 and US$20,000,000 (equivalent to approximately HK$77,500,000 and HK$155,000,000) and recognised losses of approximately HK$6,884,000 and HK$12,096,000 in profit or loss for the year ended 31 March 2017 respectively. The remaining principal amount of the CB4 of US$10,000,000 was fully redeemed by the Company in August 2018. Details of the CB 4 are set out in the Company's announcements dated 27 July 2016, 16 August 2016, 7 December 2016 and 5 January2017.

The CB 4 bears interest at 8% per annum payable in arrears every six months after the date of issue.

The CB 4 contains two components: liability and equity elements. The equity element is presented in equity heading "convertible bonds reserve". The effective interest rate of the liability component on initial recognition is 13.19% per annum.

31. CONVERTIBLE BONDS (continued)

CB 5

On 6 February 2018, the Company issued 6% US$ denominated convertible bonds with the aggregate principal amount of US$40,000,000 (equivalent to approximately HK$310,000,000). The proceed of the CB 5 was used to redeem the CB 2 in full in an aggregate amount of US$40,000,000 (equivalent to approximately HK$310,000,000). CB 5 is divided into two tranches, namely Tranche A Bonds and Tranche B Bonds. Tranche A Bonds in the principal amount of US$20,000,000 (equivalent to approximately HK$155,000,000) entitles the holder to convert to the Company's ordinary shares at a conversion price of HK$0.35 and Tranche B Bonds in the principal amount of US$20,000,000 (equivalent to approximately HK$155,000,000) entitles the holder to convert to the Company's ordinary shares at a conversion price of HK$0.42. If the average closing price of the shares of the Company for any five consecutive trading days is equal to or greater than HK$0.38, the Tranche A Bonds shall immediately become convertible into shares of the Company. Both the maturity date of Tranche A Bonds and Tranche B Bonds are on 6 August 2019. The CB 5 was fully redeemed by the Company in 2019. Details of the CB 5 are set out in the Company's announcements dated 23 January 2018 and 6 February 2018.

The CB 5 bears interest at 6% per annum payable in arrears every six months after the date of issue.

The CB 5 contains two components: liability and equity elements. The equity element is presented in equity heading "convertible bonds reserve". The effective interest rate of the liability component on initial recognition is 11.32% per annum.

CB 1, CB 4 and CB 5 ("All CBs")

All CBs may be converted into shares of the Company at any time on or after issue date up to the close of business on the maturity date.

Unless previously redeemed, converted, purchased or cancelled, the Company will redeem each CB at its principal amount with accrued and unpaid interest thereon on the maturity date.

31. CONVERTIBLE BONDS (continued)

CB 1, CB 4 and CB 5 (“All CBs”) (continued)

The information of all CBs is presented as follows:

	CB1 HK$'000	CB4 HK$'000	CB5 HK$'000
Principal amounts:			
– as at issue date	387,500	310,000	310,000
Interest:	8% p.a. payable semi-annually	8% p.a. payable semi-annually	6% p.a. payable semi-annually
Issue date:	28 October 2015	16 August 2016	6 February 2018
Maturity date:	28 October 2018	16 August 2018	6 August 2019
Conversion price per share:	HK$0.68	HK$0.72	HK$0.35 (Tranche A Bonds)/ HK$0.42 (Tranche B Bonds)

31. CONVERTIBLE BONDS (continued)

CB 1, CB 4 and CB 5 ("All CBs") (continued)

The convertible bonds recognised in the statement of financial position were calculated as follows:

	CB1 HK$'000	CB4 HK$'000	CB5 HK$'000	Total HK$'000
Principal amounts:				
Liability component	345,789	282,113	306,728	934,630
Equity component	41,711	27,887	3,272	72,870
Redeemed	(387,500)	(310,000)	(310,000)	(1,007,500)
Nominal value of CB				
– as at issue date	387,500	310,000	310,000	1,007,500
At 1 April 2018	385,915	77,565	291,885	755,365
Imputed interest charge (note 10)	27,064	3,811	25,325	56,200
Interest paid and payable	(25,479)	(3,100)	(9,300)	(37,879)
Redemption	(387,500)	(78,276)	–	(465,776)
Exchange realignment	–	–	3,127	3,127
At 31 December 2018 and 1 January 2019	–	–	311,037	311,037
Imputed interest charge (note 10)	–	–	21,643	21,643
Interest paid and payable	–	–	(42,532)	(42,532)
Redemption	–	–	(289,069)	(289,069)
Exchange realignment	–	–	(1,079)	(1,079)
At 31 December 2019	–	–	–	–

At 31 December 2018, the fair value of the liability component of CB 5 was approximately of HK$308,215,000.

Convertible bond was classified as current liability at 31 December 2018.

32. DEFERRED TAX LIABILITIES

	Convertible bonds HK$'000	Financial assets at FVTPL HK$'000	Fair value adjustments arising from business combination HK$'000 (note)	Total HK$'000
At 1 April 2018	3,240	71,529	111,750	186,519
Redemption of convertible bonds (note 14)	(251)	–	–	(251)
Credited to profit or loss for the period (note 14)	(2,644)	(53,825)	–	(56,469)
Exchange realignment	–	(3,209)	–	(3,209)
At 31 December 2018 and 1 January 2019	345	14,495	111,750	126,590
Credited to profit or loss for the year (note 14)	(345)	(14,495)	–	(14,840)
At 31 December 2019	**–**	**–**	**111,750**	**111,750**

Note: As at 31 December 2019, the deferred tax liabilities on fair value adjustments arising from business combination of approximately HK$111,750,000 (2018: HK$111,750,000) represents the deferred tax effect on the fair value movement of license arose from the acquisition of Hong Kong Leasing.

As at 31 December 2019, the Group had tax losses arising in Hong Kong of approximately HK$358,014,000 (2018: HK$208,014,000) that are subject to the agreement by the Hong Kong Inland Revenue Department and are available indefinitely for offsetting against future taxable profits arising in Hong Kong of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of those losses due to the unpredictability of future taxable profit streams of those companies and, accordingly, in the opinion of the directors of the Company, it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

33. ISSUED CAPITAL

	2019 No. of shares '000	**2019** Amount HK$'000	2018 No. of shares '000	2018 Amount HK$'000
Ordinary shares of HK$0.00025 each				
Authorised:				
At the beginning and the end of the reporting period	**2,000,000,000**	**500,000**	2,000,000,000	500,000
Issued and fully paid:				
At the beginning of the reporting period	**24,452,450**	**6,113**	24,551,714	6,138
Repurchase and cancellation of shares (Note)	**–**	**–**	(99,264)	(25)
At the end of the reporting period	**24,452,450**	**6,113**	24,452,450	6,113

Note:

During the nine months period ended 31 December 2018, the Company repurchased 99,264,000 shares at prices from HK$0.148 to HK$0.21 per share at a total consideration of approximately HK$17,124,000 (before brokerage and expenses in amount of HK$25,000). The 99,264,000 repurchased ordinary shares were cancelled during the period. The premium of approximately HK$17,099,000 paid on the repurchase of such shares was debited to share premium account.

33. ISSUED CAPITAL (continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business operations and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares.

As at 31 December 2019 and 2018, a subsidiary of the Group licensed by the development of the Shenzhen Municipal Government Financial Services Office is required to maintain a minimum registered share capital of RMB100,000,000 at all times.

Save as disclosed above, no changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2019 and the nine months ended 31 December 2018.

The Group monitors capital using a gearing ratio, which is total borrowings divided by total assets. Total borrowings represent borrowings and convertible bonds. The Group's policy is to maintain the gearing ratio at a reasonable level. The gearing ratios at the end of the reporting periods were as follows:

	2019 **HK$'000**	2018 HK$'000
Total borrowings	**12,564,641**	8,085,956
Total assets	**23,198,805**	13,377,465
Gearing ratio	**54.16%**	60.44%

34. PERPETUAL CAPITAL INSTRUMENT

On 1 August 2019, Coastal Emerald issued a total of US$900,000,000 perpetual capital instrument. The instrument is perpetual, non-callable by Coastal Emerald in the first five years. The holders can receive distribution at a distribution rate of 4.3% per annuum, payable semi-annually in arrears. Coastal Emerald may, at its sole discretion, elect to defer any distribution pursuant to the terms and conditions of the instrument if Coastal Emerald and the Company do not declare or pay dividends to their shareholders. The instrument is irrevocably guaranteed by Shangdong Hi-Speed. The holders can receive step-up interest of 5% per annum upon occurrence of any of the following step-up events:

Change of Control

(i) The State-owned Assets Supervision and Administration Commission ("SASAC") of Shandong Provincial People's Government or its successor SASAC and any other person controlled by the central government of the PRC together cease to control Shandong Hi-Speed Group; (ii) Shandong Hi-Speed Group ceases to own not less than 40% of the issued share capital of the Company or ceases to be the single largest shareholder of the Company; (iii) the Company ceases to wholly own the issued share capital of Coastal Emerald.

Breach of Covenant Event

Non-compliance or non-performance by Coastal Emerald or Shandong Hi-Speed Group of any one or more of its obligations and covenants and the deed of guarantee.

Relevant Indebtedness Default Event

Occurrence of one or more of the following events (and such event is continuing): (i) any indebtedness of Coastal Emerald, Shandong Hi-Speed Group or any of their respective subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period, (ii) any such indebtedness becomes due and payable prior to its stated maturity otherwise than at the option of Coastal Emerald, Shandong Hi-Speed Group or (as the case may be) the relevant subsidiary or (provided that no event of default, howsoever described, has occurred) any person entitled to such indebtedness, or (iii) Coastal Emerald, Shandong Hi-Speed Group or any of their respective subsidiaries fails to pay when due any amount payable by it under any guarantee of any indebtedness; provided that the amount of indebtedness referred to in sub-paragraph (a) and/or sub-paragraph (b) above and/or the amount payable under any guarantee referred to in sub-paragraph (c) above individually or in the aggregate exceeds US$30,000,000 (or its equivalent in any other currency or currencies);

34. PERPETUAL CAPITAL INSTRUMENT (continued)

Dividend Stopper Breach Event

Non-compliance or non-performance by Coastal Emerald or Shandong Hi-Speed Group of any of the restrictions in the case of deferral including (i) not to declare or pay any discretionary dividends or distributions or make any other discretionary payment, and shall procure that no discretionary dividend, distribution or other discretionary payment is made, in each case, on any parity securities or junior securities of Coastal Emerald or Shandong Hi-Speed Group; and (ii) not, at its discretion, redeem, reduce, cancel, buy-back or otherwise acquire for any consideration any parity securities or junior securities of Coastal Emerald or Shandong Hi-Speed Group.

35. SHARE OPTION SCHEME

The Company's share option scheme ("Old Share Option Scheme") was adopted pursuant to an ordinary resolution passed at a special general meeting of the Company held on 28 September 2004 for the primary purpose providing incentives to selected participants for their contribution to the Group, and has expired on 27 September 2014. On 18 August 2014, the Company adopted a new share option scheme (the "New Share Option Scheme") pursuant to an ordinary resolution passed at the annual general meeting of the Company and the New Share Option Scheme has been effective immediately after the Old Share Option Scheme expired. The New Share Option Scheme will remain in force for a period of 10 years until 27 September 2024. Under the New Share Option Scheme, the board of directors of the Company may grant options to the Company's directors, including the INEDs, and other employees of the Group and of the Group's investee entities, and any advisor or agent engaged by any member of the Group or any investee entity.

The maximum number of unexercised share options permitted to be granted under the New Share Option Scheme was an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue as at 25 September 2014 on which refreshment of the scheme mandate limit was approved at the special general meeting. As at the date of this annual report, the total number of shares available for issue under the New Share Option Scheme is 1,694,371,824 shares of the Company, representing 8.83% of the issued share capital of the Company. The maximum number of shares issuable under share options to each eligible participant in the New Share Option Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

35. SHARE OPTION SCHEME (continued)

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

Under the New Share Option Scheme, the offer of a grant of share options may be accepted within 15 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. There is no provision as to the minimum period for which the share options must be held or the performance targets which must be achieved before the share options can be exercised. The exercise period of the share options granted is determinable by the directors of the Company and commences on the date of grant and ends on a date which is not later than 10 years from the date of offer of the share options or the expiry date of the New Share Option Scheme, if earlier.

The exercise price of share options is determinable by the directors of the Company, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the Company's shares. Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

35. SHARE OPTION SCHEME (continued)

Details of the share options granted under New Share Option Scheme are as follows:

Name of participant	At 1 January 2019 '000	Granted during the period '000	Adjustment due to subdivision '000	At 31 December 2019 '000	Date of grant of share options	Exercise period of share options	Adjusted exercise price of share options* HK$ per share	At grant date of share options HK$ per share	Immediately before the exercise date HK$ per share	At exercise date of share options HK$ per share
	Number of share option*						Adjusted price of the Company's shares**			
Mr. Yau Wai Lung	**169,400**	**–**	**–**	**169,400**	**5-12-2014**	**5-12-2014 to 4-12-2024**	**0.42**	**0.405**	**N/A**	**N/A**

Name of participant	At 1 April 2018 '000	Granted during the period '000	Adjustment due to subdivision '000	At 31 December 2018 '000	Date of grant of share options	Exercise period of share options	Adjusted exercise price of share options* HK$ per share	At grant date of share options HK$ per share	Immediately before the exercise date HK$ per share	At exercise date of share options HK$ per share
	Number of share option*						Adjusted price of the Company's shares**			
Mr. Yau Wai Lung	169,400	–	–	169,400	5-12-2014	5-12-2014 to 4-12-2024	0.42	0.405	N/A	N/A

* The exercise price and the number of share options are subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

** The price of the Company's shares disclosed as at the date of grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of grant of the options after the adjustment due to share subdivision.

35. SHARE OPTION SCHEME (continued)

The estimated fair value of the share options granted on 5 December 2014 was HK$0.948 per share option before adjustment due to share subdivision. The fair value was calculated using the Binomial Model. The inputs into the model were as follows:

	5 December 2014
Expected volatility (%) (Note i)	104.81
Risk-free interest rate (%)	1.73
Option life (year)	10
Dividend yield (%)	0
Weighted average share price before adjustment due to share subdivision (HK$ per share)	1.62
Exercise multiple (Note ii)	2.47

Notes:

(i) The expected volatility is determined based on the historical volatility of the share prices of the Company.

(ii) The exercise multiple defines the early exercise strategy.

No vesting conditions are set for the share options granted on 5 December 2014.

Because the Binomial Model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

For the year ended 31 December 2019 and the nine months period ended 31 December 2018, there is no share-based payment expenses as the Company did not grant any share options in that year/period.

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Acquisition of subsidiaries

For the nine months ended 31 December 2018

(i) Acquisition of CSFG Asset Management

On 27 December 2018, the Group acquired the entire share capital of CSFG Asset Management from an independent third party pursuant to a sale and purchase agreement dated 10 March 2017 and a supplemental agreement date on 27 December 2018 at a total consideration of approximately HK$15,745,000.

CSFG Asset Management is principally engaged in assets management business. The consideration was settled by cash of approximately HK$7,500,000 was paid in prior year and the remaining of approximately HK$8,245,000 was fully settled in January 2019.

As a result of the acquisition, the Group expects to diversify its business to capture the benefits from the trend of investment in securities. Goodwill of approximately HK$14,925,000 arising from the acquisition is attributable as a separate CGU under the unallocated segment of the Group.

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(a) Acquisition of subsidiaries (continued)

For the nine months ended 31 December 2018 (continued)

(i) Acquisition of CSFG Asset Management (continued)

The following table summarises the consideration paid for the acquisition and the amounts of assets acquired and liabilities assumed recognised at the date of acquisition.

	HK$'000
Recognised amounts of identifiable assets acquired and liabilities assumed at fair value:	
Property, plant and equipment (note 17)	3
Trade and other receivables	176
Cash and cash equivalents	693
Other payables and accruals	(52)
	820
Goodwill (note 19)	14,925
	15,745
Total consideration satisfied by:	
Cash consideration	15,745
Net cash outflow arising on the acquisition of CSFG Asset Management:	
Cash consideration paid	(7,500)
Cash consideration payable (note 28)	(8,245)
Cash and cash equivalents acquired	693
	(15,052)

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(a) Acquisition of subsidiaries (continued)

For the nine months ended 31 December 2018 (continued)

(i) Acquisition of CSFG Asset Management (continued)

The fair value of the identifiable assets acquired and liabilities assumed have been arrived at on the basis of the valuation of CSFG Asset Management at data of acquisition carried out by Peak Vision Appraisals Limited, an independent valuer not connected with the Group.

The fair value of other receivables at the date of acquisition approximated to the gross contractual amount and amounted to approximately HK$176,000.

Goodwill was determined as the excess of the consideration over the fair values of the identifiable assets acquired and liabilities assumed as at the completion date. Goodwill arose in the acquisition of CSFG Asset Management because the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of CSFG Asset Management. These benefits were not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The directors of the Company have assessed the recoverable amount of the goodwill based on the higher of fair value less costs of disposal and value in use and determined that there is no impairment of the goodwill at the date of acquisition and at the end of the reporting period. Details of the assessment at the end of the reporting period are set out in note 16 to the consolidated financial statements.

None of the goodwill arising on the acquisition was expected to be deductible for tax purposes.

During the nine months ended 31 December 2018, no revenue and net profit have been contributed by CSFG Asset Management to the consolidated income statement from the date of acquisition to 31 December 2018. Had the acquisition been completed on 1 April 2018, the consolidated income statement of the Group would have instead included revenue of approximately HK$431,406,000 and loss of approximately HK$690,574,000.

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Equity transaction with non-controlling interest

For the year ended 31 December 2019

(i) Laecap

For the year ended 31 December 2019, under the directions of Shenzhen Municipal Financial Regulatory Bureau (Shenzhen Municipal Financial Service Office)（深圳市地方金融監督管理局（深圳市政府金融工作辦公室））and to the Opinions on the Safe Handling of Remaining Issues and Risks of Local Trading Places*（《關於穩妥處置地方交易場所遺留問題和風險的意見》）issued by the China Securities Regulatory Commission, the Group entered into an agreement with Shenzhen Qianhai Financial Leasing Financial Trading Center Co., Ltd.*（深圳市前海融資租賃金融交易中心有限公司）(now known as "Shenzhen Guangjin United Investment Co., Ltd*"（深圳廣金聯合投資有限公司））, an independent third party, (the "Laecap Investor") that (i) to transfer the Group's 50% equity interest in Shenzhen Asia-Pacific Leasing Assets Exchange Centre Co., Ltd*（深圳亞太租賃資產交易中心有限公司）("Laecap") (the "Leacap Interest") to the Laecap Investor on 30 December 2019; (ii) the Laecap Investor has guaranteed to refrain from engaging in similar business of Laecap; and (iii) the Laecap Investor shall transfer its existing business which are the same and similar to Laecap, related staff and customer relationship to Laecap.

The directors of the Company consider that the Group can exercise control over Laecap through control its board of directors which can direct the relevant activities.

The details of the effect arising on transfer of the Laecap Interest were as follow:

	HK$'000
Carrying amount of net asset	167,450
Non-controlling interests	83,725
Cash receivable by the Group	36,021
Equity movements recognised in accumulated losses	(47,704)

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(c) Major non-cash transactions

Save as disclosed elsewhere in these consolidated financial statements, the Group entered into the following major non-cash transactions:

(i) During the year, the Group entered into new lease agreements for the use of various offices and staff quarters for 1 to 8 years. On the lease commencement, the Group recognised approximately HK$31,862,000 of right-of-use asset and approximately HK$31,862,000 lease liability.

37. COMMITMENTS

Operating lease arrangements

The Group as lessee

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 HK$'000
Within one year	9,128

The future minimum lease payments presented above for 2018 represent payment in respect of short term leases of less than one year duration.

Capital commitments

In addition to the operating lease commitments detailed above, the Group had the following capital commitments at the end of the reporting period:

	2019 **HK$'000**	2018 HK$'000
Contracted for acquisition of computer software	–	358

38. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these consolidated financial statements, the Group had the following material transactions with related parties during the year/period.

(a) Transactions and balances with affiliates of Shandong Hi-Speed Group

As at 31 December 2019, the Company is 42.78% (2018: 42.78%) owned by Shandong Hi-Speed Group. Save as disclosed to the consolidated financial statements, the Group entered into the following material transactions with the affiliates of Shandong Hi-Speed Group:

	2019	2018
	HK$'000	HK$'000
Balances with affiliates of Shandong Hi-Speed Group		
With a bank, which is a subsidiary of Shandong Hi-Speed Group		
– bank deposits	**443,390**	26,778
– interest-bearing bank borrowings (note 30(i))	**553,306**	568,169
Other borrowings (note 30(iii))		
– from a subsidiary of Shandong Hi-Speed Group	**–**	1,565,737

	Year ended 31 December 2019	Nine months ended 31 December 2018
	HK$'000	HK$'000
Transactions with affiliates of Shandong Hi-Speed Group		
With a bank, which is a subsidiary of Shandong Hi-Speed Group		
– bank interest income	**(3,429)**	(495)
– interest expenses on bank borrowings	**34,041**	15,117
– sale of loans receivables	**–**	23,295
Interest expenses on other borrowings to		
– an associate of Shandong Hi-Speed Group	**–**	52,382
– a subsidiary of Shandong Hi-Speed Group	**42,083**	56,553

38. MATERIAL RELATED PARTY TRANSACTIONS (continued)

(b) Transactions and balances with other government-related entities in the PRC

During the year ended 31 December 2019 and nine months ended 31 December 2018, certain bank deposits, cash and cash equivalents and bank borrowings as of 31 December 2019 and 31 December 2018 and the relevant interest earned or paid during the year/period are transacted with banks and other financial institutions controlled by the PRC government. In the opinion of the directors of the Company, all such transactions were conducted in the ordinary course of business and on normal commercial terms.

(c) Transactions and balances with a company controlled by a former director of the Company

As at 31 December 2019, the Group has an amount due from China Hover Dragon, in which Mr. Ji, the former director of the Company, has interest in it, of approximately HK$136,932,000 (2018: HK$139,907,000). Further details are set out in note 25(ii)(a) to the consolidated financial statements.

(d) Balances with non-controlling interests

As at 31 December 2019, included in "Other payables and accruals" in the consolidated statement of financial position was an aggregate amount due to the non-controlling interests of an amount of approximately HK$57,000 (2018: HK$57,000) (note 28).

(e) Compensation of key management personnel of the Group:

	Year ended 31 December 2019 HK$'000	Nine months ended 31 December 2018 HK$'000
Short-term employee benefits	**11,124**	7,186

Further details of directors' emoluments and the five highest paid employees are included in notes 12 and 13, respectively, to the consolidated financial statements.

39. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments at the end of the reporting period are as follows:

	2019 HK$'000	2018 HK$'000
Financial assets		
Financial assets at FVTOCI	**4,156,518**	2,299,437
Financial assets at FVTPL	**2,857,429**	3,920,332
Amortised cost	**14,790,602**	5,814,986
	21,804,549	12,034,755
Financial liabilities		
Amortised cost	**12,783,016**	8,326,463

40. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS

The management of the Group is responsible to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of a financial asset or a financial liability, the Group uses market observable data to the extent it is available. When Level 1 inputs are not available, the Group engaged independent qualified external valuers to perform the valuation. The management of the Group works closely with qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The management of the Group reports to executive directors of the Company semi-annually to explain the cause of fluctuations in the fair value of the financial assets.

40. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS (continued)

(a) Fair value of financial assets that are measured at fair value

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

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
At 31 December 2019				
Financial assets at FVTOCI	**–**	**1,850,611**	**2,305,907**	**4,156,518**
Financial assets at FVTPL	**788,389**	**1,756,353**	**312,687**	**2,857,429**
	788,389	**3,606,964**	**2,618,594**	**7,013,947**
At 31 December 2018				
Financial assets at FVTOCI	–	580,248	1,719,189	2,299,437
Financial assets at FVTPL	2,080,583	1,238,433	601,316	3,920,332
	2,080,583	1,818,681	2,320,505	6,219,769

40. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS (continued)

(a) Fair value of financial assets that are measured at fair value (continued)

Items	Fair value as at 2019 HK$'000	Fair value as at 2018 HK$'000	Fair value hierarchy	Valuation technique(s)	Significant unobservable impacts
Financial assets at FVTOCI					
Unlisted equity investment					
– in elsewhere	**2,067,882**	1,719,189	Level 3	Discounted cash flow	Growth rate: 9% (2018: 9%) Gross margin rate: 71.5% (2018: 74.8%) Discount rate: 9.6% (2018: 10.3%) (Note) Terminal growth rate: 3% (2018: 3%) (Note)
Notes					
– in elsewhere	**383,534**	543,649	Level 2	Latest transaction price	N/A
Unlisted bond					
– in Hong Kong	**238,025**	–	Level 3	Discounted cashflow	Discount rate: 8% (2018: N/A)
Listed bonds					
– in elsewhere	**1,443,312**	36,599	Level 2	Latest transaction price	N/A
– in the PRC	**23,765**	–	Level 2	Latest transaction price	N/A
Financial assets at FVTPL					
Unlisted equity investments					
– in the PRC	**–**	511	Level 3	Net asset value	N/A
– in elsewhere	**289,407**	308,365	Level 3	Market approach	Discount for lack control:10% (2018: 4%)
Investment funds					
– in elsewhere	**20,000**	20,000	Level 3	Discounted cash flow	Discount rate: 1.8% (2018: 1.8%)
– in elsewhere	**508,684**	580,557	Level 2	Latest transaction price	N/A
– in the PRC	**3,280**	36,456	Level 3	Discounted cash flow	Discount rate: 9.4%-9.6% (2018: 9.4%-9.6%)
Debt investment					
– in Hong Kong	**543,697**	540,419	Level 2	Latest transaction price	N/A
Guaranteed structure notes					
– in elsewhere	**–**	77,167	Level 2	Market comparsion	N/A
Club membership debenture	**6,050**	6,200	Level 2	Market comparison	N/A
Listed equity investments					
– in Hong Kong	**710,408**	2,080,583	Level 1	Quoted price in active markets	N/A
– in elsewhere	**77,981**	–	Level 1	Quoted price in active markets	N/A
Other investment funds					
– in the PRC	**33,365**	34,090	Level 2	Latest transaction price	N/A
– in elsewhere	**664,557**	–	Level 2	Latest transaction price	N/A
Investment bonds					
– in Hong Kong	**–**	235,984	Level 3	Hull white model	Discount rate: N/A (2018: 10.6%–11.4%)

40. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS (continued)

(a) Fair value of financial assets that are measured at fair value (continued)

Note:

The following table details the Group's sensitivity to the increase and decrease in discount rate, terminal growth rate and discount for lack of control, with all other variables held constant, on the Group's profit or loss and other comprehensive income for the year ended 31 December 2019 and nine months ended 31 December 2018:

Year ended 31 December 2019

	Increased/ (decreased)	**(Increase)/ decrease in loss** HK$'000	**(Increase)/ decrease in other comprehensive loss** HK'000
Discount rate increased by	**10%**	**(407)**	**(319,736)**
Discount rate decreased by	**(10%)**	**417**	**428,018**
Terminal growth rate increased by	**10%**	**–**	**101,520**
Terminal growth rate decreased by	**(10%)**	**–**	**(92,719)**
Discount for lack of control increased by	**10%**	**(3,215)**	**–**
Discount for lack of control decreased by	**(10%)**	**3,215**	**–**

Nine months ended 31 December 2018

	Increased/ (decreased)	(Increase)/ decrease in loss HK$'000	(Increase)/ decrease in other comprehensive loss HK'000
Discount rate increased by	10%	(5,116)	(299,363)
Discount rate decreased by	(10%)	5,243	397,864
Terminal growth rate increased by	10%	–	87,532
Terminal growth rate decreased by	(10%)	–	(80,623)
Discount for lack of control increased by	10%	(1,285)	–
Discount for lack of control decreased by	(10%)	1,285	–

40. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS (continued)

(b) Reconciliation of level 3 fair value measurements

The movement during the year/period in the balances of Level 3 fair value measurement is as follows:

	Financial assets at FVTPL HK$'000	Financial assets at FVTOCI HK$'000	Total HK$'000
At 1 April 2018	525,089	1,590,000	2,115,089
Additions	266,951	–	266,951
Fair value (loss)/gain			
– in profit or loss	(190,724)	–	(190,724)
– in other comprehensive income	–	129,189	129,189
At 31 December 2018 and 1 January 2019	601,316	1,719,189	2,320,505
Additions	24,992	241,745	266,737
Disposal	(294,638)	–	(294,638)
Fair value (loss)/gain			
– in profit or loss	(18,878)	–	(18,878)
– in other comprehensive income	–	344,973	344,973
Exchange realignment	(105)	–	(105)
At 31 December 2019	**312,687**	**2,305,907**	**2,618,594**

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments comprise loans receivables, finance lease receivables, trade and other receivables, advances to associates, financial assets at FVTOCI, financial assets at FVTPL, restricted cash, cash and cash equivalents, other payables and accruals, convertible bonds and borrowings. Details of these financial instruments are disclosed in respective notes. The main risks arising from the Group's financial instruments are interest rate risk, credit risk, liquidity risk, foreign currency risk and equity price risk as further detailed below. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing financial assets and financial liabilities. As at 31 December 2019, certain of the Group's finance lease receivables, loans receivables, lease liabilities, and borrowings are at fixed rate. Although subject to interest rate risk, they are not remeasured in the consolidated financial statements in response to changes in interest rates and therefore change in interest rate risk variables would not affect reported profit or loss in the short term. Variable-rate borrowings amounted to approximately HK$2,695,228,000 out of the total borrowings of approximately HK$12,564,641,000 (2018: HK$1,136,791,000 out of the total borrowings of approximately HK$8,085,956,000). The Group currently does not have interest rate hedging policy. However, the management of the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

An increase of 50 basis points in interest rates at the reporting date would have increased or decreased loss for the year/period by the amounts shown below. This analysis assumes that all other variables remain constant.

	Year ended 31 December 2019 HK$'000	Nine months ended 31 December 2018 HK$'000
Variable-rate borrowings	**10,644**	5,023

There was no material impact to the other components of equity for the year ended 31 December 2019 and nine months ended 31 December 2018.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

As at 31 December 2019, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to the failure to perform an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets including loans receivables, finance lease receivables, financial assets at FVTOCI, financial assets at FVTPL, trade and other receivables, advances to associates, bank balances and restricted cash as stated in the consolidated statement of financial position.

The Group's finance lease receivables and loans receivable arise from the ordinary course of business of the Group and are closely monitored by the executive directors in charge of the Group's finance lease operation and money lending operation on an ongoing basis. In order to minimise the credit risk, the Group has established policies and systems for the monitoring and control of credit risk. The management has delegated different divisions responsible for determination of credit limits, credit approvals and other monitoring processes to ensure that follow-up action is taken to recover overdue debts. The Board has overall responsibility for the Group's credit policies and oversees the credit quality of the Group's advance portfolio. In addition, management reviews the recoverable amount of finance lease receivables and loans receivables individually or collectively at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, management considers that the Group's credit risk is significantly reduced. Further quantitative data in respect of the Group's exposure to credit risk arising from finance lease receivables and loans receivables are disclosed in notes 23 and 24 to the consolidated financial statements respectively.

The Group also monitors the credit rating and market news of the issuers of respective equity, debts and unlisted financial products for any indication of potential credit deterioration.

The Group applies with simplified approach to provide for expected credit losses presented by HKFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics. The Group has performed historical analysis and identified the economic variable credit risk and expected credit loss. This considers available reasonable and supportive forwarding-looking. At the end of the reporting period, the trade receivables of the Group relate to a large number of diversified customers. There was no significant concentration of credit risk.

Other receivables and advances to associates relating to accounts that are long overdue with significant amounts, known insolvencies or non-response to collection activities, they are assessed individually for impairment allowance. The Group recognised the provision for expected credit losses by assessing the credit risk characteristics of debtor, discount rate and the likelihood of recovery and considering the prevailing economic conditions.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

In relation to the Group's bank deposits and restricted cash, the Group limits its exposure to credit risk by placing deposits with financial institution with high credit rating and no recent history of default. The directors of the Company consider that the Group's credit risk on the deposits is low. Management continues to monitor the position and will take appropriate action if their ratings are changed.

Liquidity risk

The Group's liquidity risk is managed by management on an ongoing basis by the raising of loans and/or equity funding to meet expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, if any, to ensure that it maintains sufficient reserves of cash and bank balances to meet its liquidity requirements in the short and long terms.

As part of its ordinary brokerage activities, the Group is also exposed to liquidity risk arising from timing difference between settlements with clearing houses or brokers and customers. The goal of liquidity risk management is to ensure the Group maintains adequate liquid capital to fund its business commitments as well as to comply with the relevant FRR applying to the licensed subsidiary.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

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

	At 31 December 2019					
	On demand/ less than 3 months HK$'000	**3 to less than 12 months HK$'000**	**1 to 5 years HK$'000**	**5 to 10 years HK$'000**	**Total undiscounted cash flows HK$'000**	**Total carrying amount HK$'000**
Financial liabilities included in other payables and accruals	**184,473**	**14,422**	**19,480**	**–**	**218,375**	**218,375**
Borrowings:						
– bonds	**4,863,848**	**162,961**	**4,351,245**	**869,578**	**10,247,632**	**9,584,184**
– interest-bearing bank borrowings	**79,686**	**497,034**	**2,467,496**	**–**	**3,044,216**	**2,825,575**
– other borrowings	**2,145**	**252,557**	**–**	**–**	**254,702**	**154,882**
	5,130,152	**926,974**	**6,838,221**	**869,578**	**13,764,925**	**12,783,016**

	At 31 December 2018					
	On demand/ less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	5 to 10 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
Financial liabilities included in other payables and accruals	188,287	14,721	37,499	–	240,507	240,507
Borrowings:						
– bonds	8,594	4,784,278	976	–	4,793,848	4,759,422
– interest-bearing bank borrowings	9,262	598,228	591,319	–	1,198,809	1,139,064
– other borrowings	17,615	208,053	1,944,934	–	2,170,602	1,876,433
Convertible bonds	2,805	8,416	313,147	–	324,368	311,037
	226,563	5,613,696	2,887,875	–	8,728,134	8,326,463

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

Certain cash and cash equivalents and financial assets included in trade and other receivables are denominated in HK$ and RMB, currencies other than functional currencies of respective group entities. The Group currently does not have a foreign currency hedging policy. However, the management of the Group will monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

With transaction in the US$, the impact of it is insignificant as the HK$ is pegged to US$. Therefore, no sensitivity analysis was presented.

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

	At 31 December 2019		At 31 December 2018	
	RMB against HK$	**HK$ against RMB**	RMB against HK$	HK$ against RMB
	HK$'000	**HK$'000**	HK$'000	HK$'000
Cash and cash equivalents	**–**	**4**	–	6

The following table details the Group's sensitivity analysis for increase and decrease in the functional currencies of the respective group entities against relevant foreign currencies and all other variables were held constant.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

	Strengthen/ (weaken by) %	Increase/ (decrease) in equity HK$'000	Decrease/ (increase) in profit after tax HK$'000
Year ended 31 December 2019			
HK$ strengthen against RMB by	**5**	**–**	**–**
HK$ weaken against RMB by	**(5)**	**–**	**–**
Nine months ended 31 December 2018			
HK$ strengthen against RMB by	5	–	–
HK$ weaken against RMB by	(5)	–	–

The sensitivity rate used above represents management's assessment of the reasonably possible change in foreign exchange rates. The analysis is performed on the same basis for nine months ended 31 December 2018.

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as held for trading equity investments (notes 21 and 22) as at 31 December 2019 and 2018. The Group's major listed investments are listed on the Hong Kong Stock Exchange and are valued at quoted market prices at the end of the reporting period. The management managed this exposure by maintaining a portfolio of investments with different risks. The management considers that there is no significant equity price risk for Yunnan Highway and other investments in unlisted equity securities and those investments were excluded for sensitivity analysis.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Equity price risk (continued)

The following table demonstrates the sensitivity to every 15% (2018: 15%) change in equity prices of the listed equity investments, with all other variables held constant, based on their carrying amounts at the end of the reporting period.

	Increase/ (decrease) in equity prices	Carrying amount of equity investments	Increase/ (decrease) in equity	Decrease/ (increase) in profit after tax
	%	HK$'000	HK$'000	HK$'000
Year ended 31 December 2019				
Investments listed in:				
– Hong Kong	**15**	**710,408**	**88,979**	**88,979**
– elsewhere	**15**	**77,981**	**9,767**	**9,767**
Nine months ended 31 December 2018				
Investments listed in:				
– Hong Kong	15	2,080,583	343,296	343,296

The sensitivity analysis above had been determined based on the exposure to equity price risks as at 31 December 2019 and 2018. For sensitivity analysis purpose, 15% (2018: 15%) was used as the sensitivity rate for the year ended 31 December 2019 as a result of the volatile financial markets. In management's opinion, the sensitivity analysis was unrepresentative of the inherent equity price risk as it only reflects the impact of equity price changes to equity securities held as at the end of the reporting period.

42. EVENTS AFTER THE END OF THE REPORTING PERIOD

There is no significant event took place subsequent to the end of the reporting period.

43. 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 as cash flows from financing activities in the Group's consolidated statement of cash flows.

	Borrowings	**Liability component of convertible bonds**	**Lease liabilities**	**Interest payable**	**Total**
	HKS'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2018	7,273,490	755,365	–	18,251	8,047,106
Financing cash flows	451,180	(465,776)	–	(194,510)	(209,106)
Total interest expenses	–	56,220	–	220,951	277,171
Exchange realignment	50,249	(34,772)	–	(41,536)	(26,059)
At 31 December 2018 and 1 January 2019	7,774,919	311,037	–	3,156	8,089,112
Financing cash flows	4,677,768	(289,069)	(3,576)	(420,479)	3,964,644
Total interest expenses	–	21,643	75	522,679	544,397
New leases entered	–	–	31,862	–	31,862
Exchange realignment	111,954	(43,611)	(685)	(138,845)	(71,187)
At 31 December 2019	**12,564,641**	**–**	**27,676**	**(33,489)**	**12,558,828**

44. CONTINGENT LIABILITIES

As disclosed in note 25(i)(a) to the consolidated financial statements, during the year ended 31 December 2019 and nine months ended 31 December 2018, Shangao Puhui entered into cooperation agreements with various independent entities for the purpose of Shangao Puhui providing financial guarantees on behalf of borrowers that obtained financing from lenders via these entities through Shangao Puhui's money lending referral service business. Shangao Puhui is exposed to the guaranteed loan principal of the borrowers and the respective interests.

As at 31 December 2019, the guaranteed loan principal was amounted to approximately HK$868,135,000 (2018: HK$780,802,000). Shangao Puhui provided guarantee deposits of approximately HK$58,154,000 (2018: HK$29,461,000) to these entities (note 25(i)(a)). The Group has assessed the credit worthiness and past payment history of the borrowers, pledge of collaterals and the Group has provided sufficient guarantee deposits in accordance with the cooperation agreements. In the opinion of the directors of the Company, the fair value of the provision for guaranteed liabilities to the Group is insignificant as at the dates of grants of the financial guarantees and the expected credit losses on these financial guarantees were insignificant as at 31 December 2019 and 2018.

45. PROFIT GUARANTEE

(a) Hong Kong Leasing

Pursuant to a share purchase agreement entered into by Shinning Seas Limited ("Shinning Seas"), a wholly owned subsidiary of the Company, the Company, China Hover Dragon, Mr. Gao Chuanyi ("Mr. Gao"), Ms. Wang Zi Yi ("Ms. Wang") and Mr. Ji dated 8 April 2015 and as varied by a supplemental agreement dated 29 July 2015 (together, the "Hong Kong Leasing Sale and Purchase Agreement"), Shinning Seas has agreed to buy and China Hover Dragon and Mr. Gao (collectively as the "Vendors") have agreed to sell the entire issued share capital of Hong Kong Leasing at a consideration of approximately HK$1,581,945,000. The acquisition was completed on 1 September 2015 (the "Acquisition Date"). The consideration was settled by way of allotment and issue of 2,361,112,121 shares (the "Base Consideration Shares") of the Company (equivalent to an aggregate amount of approximately HK$1,581,945,000 based on the closing price on 1 September 2015 of HK$0.67 per share as quoted on the Stock Exchange). There was an arrangement of profits guarantee from the Vendors that if the audited net profits after tax of the relevant year of Hong Kong Leasing is less than the guaranteed amounts (as disclosed below), the base consideration for the acquisition shall be reduced by way of repurchase by the Company of part of the consideration shares.

Relevant year	**Guaranteed Amount**
1 September 2015 to 30 August 2016 ("1st Year")	HK$100,000,000
1 September 2016 to 30 August 2017 ("2nd Year")	HK$200,000,000

Further details are set out in the Company's announcements dated 10 April and 2 September 2015 and the circular dated 30 July 2015.

The profit guarantee was met and there was no adjustment for the 1st Year. For the 2nd Year, the audited net profits after tax as shown in audited consolidated accounts for the period from 1 September 2016 to 30 August 2017 of the Hong Kong Leasing was less than HK$200,000,000, the Vendors were obligated to sell 1,213,939,394 consideration shares ("Profit Guarantee Shares"), as calculated using the formula as stipulated in the Hong Kong Leasing Share and Purchase Agreement, to the Company at nil consideration.

45. PROFIT GUARANTEE (continued)

(a) Hong Kong Leasing (continued)

A stop notice had been served by the Company on 16 March 2018 pursuant to the Rules of High Court to stop the transfer of 1,951,714,383 ordinary shares of the Company (including the Profit Guarantee Shares and the Bad Debt Repurchase Shares (note 25(ii)) held by the shareholders of China Hover Dragon ("Subject Shares"), and payment of dividend. Shinning Seas (as 1st Plaintiff) and the Company (as 2nd Plaintiff) has commenced an action in the High Court of Hong Kong on 31 July 2018 against China Hover Dragon (as 1st Defendant), Mr. Gao (as 2nd Defendant), Chinanet Consultancy Limited ("Chinanet", a shareholder of China Hover Dragon) (as 3rd Defendant), Ms. Wang (as 4th Defendant)) and Mr. Ji (as 5th Defendant) for, among others, the release of and deliver up of possession of the shares certificates for the Subject Shares. The action is at pleadings stage. After the service of the said writ on China Hover Dragon, Chinanet, Ms. Wang and Mr. Ji, a defence and counterclaim was filed by China Hover Dragon, Chinanet, Ms. Wang and Mr. Ji against Shinning Seas and the Company in December 2018. In April 2019, China Hover Dragon, Chinanet, Ms. Wang and Mr. Ji served a counterclaim against Mr. Yau Wai Lung, a former executive director of the Company, as 3rd defendant by counterclaim. After service of a concurrent writ of summons out of jurisdiction on Mr. Gao, Mr. Gao had filed a defence and counterclaim in November 2019. Upon application, the High Court of Hong Kong granted leave on 13 March 2020 for the 5 defendants to file and serve a consolidated defence and counterclaim, and for the plaintiffs and the 3rd defendant by counterclaim to file and serve their reply and defence to the defendants' consolidated defence and counterclaim.

The repurchase of the Profit Guarantee Shares and the Bad Debt Repurchase Shares are under legal proceedings as at 31 December 2019 and the date of approval of the consolidated financial statements of the Group for the year ended 31 December 2019.

Based on the understanding of the directors of the Company on the Defence and Counterclaim and a legal opinion from an independent lawyer thereon, the directors of the Company considered that China Hover Dragon, Mr. Gao, Chinanet, Ms. Wang and Mr. Ji have no disagreement on the Bad Debt Repurchase Shares, and therefore the Bad Debt Repurchase Shares could be repurchased by the Company at nil consideration. However, there is disagreement on the Profit Guarantee Shares. The directors of the Company considered that the repurchase of the Profit Guarantee Shares is uncertain as at 31 December 2019 and the date of approval of the consolidated financial statements of the Group for the year ended 31 December 2019.

45. PROFIT GUARANTEE (continued)

(b) Kun Peng

Pursuant to the Share Purchase Agreement, Honesta Investment and Mr. Hua jointly and severally agree that the Minimum Net Profit for the year ended 31 December 2018 and 2019 and year ending 2020 will be RMB32,270,000, RMB58,170,000 and RMB95,700,000 respectively. In the event that Cashlai, Honesta Asset Management and their subsidiaries fail to achieve the above aggregate Minimum Net Profit during the three financial years ending 31 December 2020, the Company will buy back a portion of the Consideration Shares in the number which shall be calculated in accordance with the formula as stipulated in the Share Purchase Agreement at nil consideration based on the shortfall of the net profit upon the financial statements of the financial year ending 31 December 2020 are ready, subject to the approval of the Securities and Futures Commission and compliance with the Code of Share Buy-backs and all regulatory requirements or compensate the Group the shortfall in cash.

In the opinion of the directors of the Company, the fair value of such contingent consideration, being the right to buy back the Considerations Shares at nil consideration, is insignificant at initial recognition and at 31 December 2018.

Further details are set out in the Company's announcements dated 29 December 2017 and 26 March 2018.

Based on the unaudited financial statements of Cashlai, Honesta Asset Management and their subsidiaries for the year ended 31 December 2018 and 2019 respectively, the directors of the Company considered that unaudited Minimum Net Profit for the year ended 31 December 2018 and 2019 would be less than RMB32,270,000 and RMB58,170,000 respectively. The directors of the Company considered that the buy back of Consideration Shares is probable as at 31 December 2019. However, the contingent share consideration has not been recognised as at 31 December 2019 because (i) the directors of the Company considered that aggregate Minimum Net Profit during the three financial years ending 31 December 2020 is subjected to future performance of Cashlai, Honesta Asset Management, their subsidiaries and performance risks of the counter-parties; and (ii) the Consideration Shares have been issued to the Vendor in previous year and there may have recoverability risk on the buy back.

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Company at 31 December 2019 and 2018 are as follows:

Name	Place of incorporation/ establishment	Issued and fully paid ordinary share capital/ registered capital	Attributable equity interest held by the Company Directly 2019	Directly 2018	Indirectly 2019	Indirectly 2018	Principal activities
C.I.F. Financial Limited	Hong Kong	HK$530,000,001 and US$50,000,000	–	–	**100%**	100%	Money lending
China Shandong Hi-Speed Capital Limited	BVI	US$1	**100%**	100%	–	–	Investment in securities
Hong Kong Leasing	Hong Kong	HK$310,000,000	–	–	**100%**	100%	Investment holding
Heritage Management (Hong Kong) Company Limited	Hong Kong	HK$2	–	–	**100%**	100%	Provision of corporate services
Prostar Hong Kong Limited	Hong Kong	HK$2	**100%**	100%	–	–	Provision of corporate services
Mass Nation Investments Limited	BVI	US$1	–	–	**100%**	100%	Investment holding
Safe Castle Limited	BVI	US$1	–	–	**100%**	100%	Investment in securities
Viewlock Limited	BVI	US$1	**100%**	100%	–	–	Investment in securities
Coastal Silk Limited	BVI	US$1	–	–	**100%**	100%	Investment holding
Coastal Emerald	BVI	US$1	–	–	**100%**	100%	Issuer of guaranteed bonds and perpetual securities
山高融資租賃(上海)有限公司[α]	PRC	RMB500,000,000	–	–	**100%**	100%	Provision of financial leasing
山高國際融資租賃(深圳)有限公司[α]	PRC	US$48,000,000	–	–	**100%**	100%	Provision of financial leasing
山高融資租賃(北京)有限公司[β]	PRC	RMB500,000,000	–	–	**100%**	100%	Provision of financial leasing
Laecap[@**]	PRC	RMB100,000,000	–	–	**50%**	100%	Provision of asset trading platform
山高國際商業保理(深圳)有限公司[μ]	PRC	RMB100,300,000	–	–	**100%**	100%	Provision of business factoring
中新金(深圳)投資有限公司*	PRC	USD874,000	–	–	**100%**	100%	Investment holding
山高(深圳)投資有限公司*	PRC	RMB2,000,000,000	–	–	**100%**	100%	Provision of financial leasing
深圳前海厚生資產管理有限公司#	PRC	RMB30,000,000	–	–	**36%**	36%	Provision of asset management in the PRC
Cashlai**	PRC	RMB45,920,001	–	–	**36%**	36%	Provision for online investment and technology-enabled lending services
Shangao Puhui[μ]	PRC	RMB30,000,000	–	–	**36%**	36%	Provision for investment management

@ Although the Group hold 50% equity interest of Laecap, the directors of the Company consider that the Group can exercise control over this entity through control its board of directors which can direct the relevant activities.

α A Taiwan, Hong Kong or Macao and domestic joint venture enterprise established in the PRC.

β A Sino-foreign equity joint venture enterprise established in the PRC.

μ A limited liability company (solely invested by legal person) established in the PRC.

* A limited liability company (solely invested by Taiwan, Hong Kong or Macao legal person) established in the PRC.

** Other limited liability company established in the PRC.

The above represented effective interest indirectly held by the Group. These entities were subsidiaries of Kun Peng, a non-wholly owned subsidiary of the Group and therefore the directors of the Company consider that the Company can exercise control over these entities through control of Kun Peng.

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

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

Saved as disclosed in note 30(ii), none of the subsidiaries had issued any debt securities at the end of the reporting period.

Details of non-wholly owned subsidiary that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	**Place of incorporation and principal place of business**	**Proportion of ownership interests and voting rights held by non-controlling interests**		**Profit allocated to non-controlling interests**		**Accumulated non–controlling interests**	
		At 31 December		**Year ended 31 December**	Nine months ended 31 December		
		2019	2018	**2019**	2018	**2019**	2018
Laecap	PRC	50%	–	–	–	83,725	–

Summarised financial information in respect of the Group's subsidiary that has material noncontrolling interest is set out below. The summarised financial information below represents amounts before intragroup eliminations.

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

The Laecap Group

	2019 HK$'000
Non-current assets	3,134
Current assets	219,114
Current liabilities	(54,798)
Equity attributable to owners of the Company	83,725
Non-controlling interests of the Laecap Group	83,725
Revenue	263,446
Expenses	(172,235)
Profit for the year attributable to:	
– Owners of the Company	91,211
– Non-controlling interests	–
	91,211
Total comprehensive income for the year attributable to:	
– Owners of the Company	86,547
– Non-controlling interests	–
	86,547
Net cash inflow from operating activities	95,021
Net cash inflow from investing activities	26,635
Net cash outflow from financing activities	(2,160)
Net cash inflow	119,496

47. THE STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) The statement of financial position of the Company

	2019	2018
	HK$'000	HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**1**	1
Amounts due from subsidiaries	**15,637,762**	11,790,545
Financial assets at FVTPL	**333,926**	1,446,964
Advances to associates	**31,732**	31,714
Total non-current assets	**16,003,421**	13,269,224
CURRENT ASSETS		
Prepayments and other receivables	**50,281**	20,655
Cash and cash equivalents	**7,763,221**	433,563
Total current assets	**7,813,502**	454,218
CURRENT LIABILITIES		
Other payables and accruals	**13,034**	5,362
Borrowings	**10,182**	–
Convertible bonds	**–**	311,037
Amounts due to subsidiaries	**17,929,485**	6,130,457
Total current liabilities	**17,952,701**	6,446,856
NET CURRENT LIABILITIES	**(10,139,199)**	(5,992,638)
Total assets less current liabilities	**5,864,222**	7,276,586

47. THE STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (continued)

(a) The statement of financial position of the Company (continued)

	2019	2018
	HK$'000	HK$'000
NON-CURRENT LIABILITIES		
Borrowings	**2,006,417**	2,022,337
Deferred tax liabilities	**–**	345
Total non-current liabilities	**2,006,417**	2,022,682
Net assets	**3,857,805**	5,253,904
CAPITAL AND RESERVES		
Issued capital	**6,113**	6,113
Reserves	**3,851,692**	5,247,791
Total equity	**3,857,805**	5,253,904

Approved and authorised for issued by the board of directors on 25 March 2020 and are signed on its behalf by:

Wang Xiaodong
Director

Liao Jianrong
Director

47. THE STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (continued)

(b) Reserve movement of the Company

	Issued capital HK$'000	Share premium account HK$'000 (Note i)	Share options reserve HK$'000 (Note ii)	Capital redemption reserve HK$'000 (Note iii)	Contributed surplus HK$'000 (Note iv)	Convertible bonds reserve HK$'000 (Note v)	Accumulated losses HK$'000	Total equity HK$'000
At 1 April 2018	6,138	4,801,197	40,150	1,177	1,524,577	59,734	(1,421,867)	5,011,106
Profit and total comprehensive income for the period	–	–	–	–	–	–	259,922	259,922
Redemption of convertible bonds	–	–	–	–	–	(40,650)	40,650	–
Repurchase of ordinary shares	(25)	(17,099)	–	–	–	–	–	(17,124)
At 31 December 2018 and 1 January 2019	6,113	4,784,098	40,150	1,177	1,524,577	19,084	(1,121,295)	5,253,904
Loss and total comprehensive loss for the year	–	–	–	–	–	–	(1,396,099)	(1,396,099)
Redemption of convertible bonds	–	–	–	–	–	(19,084)	19,084	–
At 31 December 2019	**6,113**	**4,784,098**	**40,150**	**1,177**	**1,524,577**	**–**	**(2,498,310)**	**3,857,805**

47. THE STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (continued)

(b) Reserve movement of the Company (continued)

Notes:

(i) Share premium account

Share premium account represents the excess of proceeds received over the nominal value of the Company's shares issued, less share issue expenses. Pursuant to the Companies Act of Bermuda, the Company's share premium account may be distributed in the form of fully paid bonus shares.

(ii) Share options reserve

Share options reserve relates to share options granted to employees under New Share Option Scheme. Further information about share-based payments to employees is set out in note 35 above.

(iii) Capital redemption reserve

Capital redemption reserve arose from the reduction of the nominal value of the issued capital of the Company upon the cancellation of the repurchased shares.

(iv) Contributed surplus

Contributed surplus arose from capital reorganisation in previous years. Under the Companies Act of Bermuda, the contributed surplus of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- it is, or would after the payment be, unable to pay its liabilities as they become due; or
- the realisable value of its assets would thereby be less than the aggregate of its liabilities.

(v) Convertible bonds reserve

Convertible bonds reserve relates to convertible bonds issued/redeemed during the year.

48. APPROVAL FOR CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 25 March 2020.

FIVE YEAR FINANCIAL SUMMARY

For the year ended 31 December 2019

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below. Accordingly, certain prior year comparative amounts have been reclassified and restated to confirm to the current year's presentation.

RESULTS

	Year ended 31 December 2019 HK$'000	Nine months ended 31 December 2018 HK$'000	Year ended 31 March 2018 HK$'000	Year ended 31 March 2017 HK$'000	Year ended 31 March 2016 HK$'000
Continuing operations					
REVENUE	**894,149**	427,196	458,440	193,511	96,992
(LOSS)/PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	**(1,927,203)**	(748,324)	726,252	190,798	111,939
Income tax (expense)/credit	**(34,612)**	57,148	(55,527)	(31,442)	(41,459)
(LOSS)/PROFIT FOR THE YEAR/PERIOD FROM CONTINUING OPERATIONS	**(1,961,815)**	(691,176)	670,725	159,356	70,480
Discontinued operations					
Profit for the year/period from discontinued operations	**–**	–	–	–	1,216
(LOSS)/PROFIT FOR THE YEAR/PERIOD	**(1,961,815)**	(691,176)	670,725	159,356	71,696
(Loss)/profit for the year/period attributable to:					
Owners of the Company	**(2,095,524)**	(705,280)	671,330	159,356	71,696
Holders of perpetual capital instruments	**123,021**	–	–	–	–
Non-controlling interests	**10,688**	14,104	(605)	–	–
	(1,961,815)	(691,176)	670,725	159,356	71,696

ASSETS AND LIABILITIES

	As at 31 December 2019 HK$'000	As at 31 December 2018 HK$'000	As at 31 March 2018 HK$'000	As at 31 March 2017 HK$'000	As at 31 March 2016 HK$'000
TOTAL ASSETS	**23,198,805**	13,377,465	14,414,673	4,735,830	5,897,307
TOTAL LIABILITIES	**(12,947,348)**	(8,499,219)	(8,569,849)	(1,549,161)	(2,737,952)
NET ASSETS	**10,251,457**	4,878,246	5,844,824	3,186,669	3,159,355