



FUTURE WORLD FINANCIAL HOLDINGS LIMITED

未來世界金融控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 572)

2019

ANNUAL REPORT



This product is made of material from well-managed, FSC™-certified forests and other controlled sources.

Contents

	<i>Pages</i>
Corporate Information	2
Chairman's Statement	3
Management Discussion and Analysis	7
Biographical Details of Directors and Senior Management	13
Report of the Directors	17
Corporate Governance Report	29
Environmental, Social and Governance Report	38
Independent Auditor's Report	46
Consolidated Statement of Profit or Loss and Other Comprehensive Income	52
Consolidated Statement of Financial Position	54
Consolidated Statement of Changes in Equity	55
Consolidated Statement of Cash Flows	56
Notes to the Consolidated Financial Statements	58
Five-year Financial Summary	148

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Wang Fei (*Chairman*)¹
Mr. Liang Jian (*Vice Chairman and Chief Executive Officer*)¹
Mr. Yu Zhenzhong (*Vice Chairman*)¹
Mr. Cai Linzhan²
Mr. Lau Fai Lawrence
Mr. Siu Yun Fat³
Mr. Yu Qingrui

Independent Non-Executive Directors

Mr. Chen Pei⁴
Mr. Siu Siu Ling, Robert
Mr. Tam Tak Wah
Mr. Wang Ning⁴
Mr. Zheng Zongjia

1. Appointed on 13 March 2019
2. Resigned as Chief Executive Officer on 13 March 2019
3. Resigned as Chairman on 13 March 2019
4. Appointed on 1 November 2019

AUDIT COMMITTEE

Mr. Tam Tak Wah (*Chairman*)
Mr. Siu Siu Ling, Robert
Mr. Zheng Zongjia

REMUNERATION COMMITTEE

Mr. Siu Siu Ling, Robert (*Chairman*)
Mr. Tam Tak Wah
Mr. Zheng Zongjia

NOMINATION COMMITTEE

Mr. Tam Tak Wah (*Chairman*)
Mr. Siu Siu Ling, Robert
Mr. Zheng Zongjia

COMPANY SECRETARY

Mr. Lau Cheuk Pun

COMPANY WEBSITE

www.fw-fh.com

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 3711, 37/F,
West Tower, Shun Tak Centre,
168-200 Connaught Road Central,
Hong Kong

REGISTERED OFFICE

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

AUDITOR

Moore Stephens CPA Limited
801-806 Silvercord, Tower 1
30 Canton Road, Tsimshatsui
Kowloon, Hong Kong

SHARE REGISTRAR

Hong Kong
Computershare Hong Kong Investor Services Limited
Shop 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

Cayman Islands
Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL BANKERS

Public Bank (Hong Kong) Limited
Shanghai Commercial Bank Limited
Chong Hing Bank Limited
The Hongkong and Shanghai Banking Corporation Limited

Chairman's Statement

Dear Shareholders,

On behalf of the board of directors (the “**Board**”), of Future World Financial Holdings Limited (the “**Company**”), I am pleased to present the annual results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2019.

PROSPECTS AND OUTLOOK

The Group are principally engaged in (i) property investment; (ii) provision of financing services; (iii) securities trading and investment; (iv) investment in film industry; (v) trading business and related services and (vi) licensing of e-commerce platform. The Group will continue to explore opportunities in these core businesses so as to create long-term value for its shareholders.

Other than the existing business as named hereinabove which is on an on-going basis, the management will explore other business opportunities to diversify its business portfolio with a view to broaden its income stream which shall be in the best interests of the Company and its shareholders as a whole. In March 2019, the Board has initiated a restructure by appointing new Directors, new Chairman and new Chief Executive Officer of the Group. Leveraging on the expertise and experience of the new Directors and key management personnel, the Group intends to take initiatives in developing business in relation to intelligent robotics and related services.

Facing the current outbreak of the novel coronavirus (COVID-19) pandemic, the worldwide spread thereof and the continuous shortage of mask products, the Group has ordered ten one-to-two flat mask production lines which will be delivered to Hong Kong in or around April 2020. It is expected that the mask production will commenced in or around April 2020. The Group will deploy high-end production equipment, monitor the quality of raw materials and strictly comply with the cleanliness requirements of professional production environments. The Group will also apply for relevant certification for the masks to be produced to ensure that the masks to be produced will meet the relevant certification standards. Melt-blown non-woven fabric is a key material in the production of masks, essentially the core component of the masks. As such, melt-blown non-woven fabric is in higher scarcity with a constantly increasing price. As the Group is committed to providing guaranteed quantity and quality of raw material supply for mask production and maintaining its price advantage, a wholly-owned subsidiary of the Company (the “**Subsidiary**”) has now ordered a melt-blown production line to produce melt-blown non-woven fabric. The Subsidiary will have outstanding melt-blown technologies and a production procedure with high stability. It is expected that the production of melt-blown non-woven fabric will commence in April 2020.

On 24 June 2019, the Company entered into a global strategic co-operation agreement with HIT Robot Group Co., Ltd. (哈工大機器人集團股份有限公司) (“**HIT Robot Group**”), pursuant to which each of the Company and HIT Robot Group will become global strategic co-operation partner and will co-operate with each other on their respective business areas including but not limited to intelligent robotics, artificial intelligence, new energy products and commodities trading in accordance with the terms and conditions of the Strategic Co-operation Agreement. HIT Robot Group will utilise their edge, technology and expertise to assist the Group in production of masks. HIT Robot Group will also provide relevant assistance in respect of the production of meltblown non-woven fabric.

Chairman's Statement

On 4 March 2020, the decision makers stressed at the meeting held by the Standing Committee of the Political Bureau of the CPC Central Committee that, efforts should be made to accelerate the major engineering and infrastructure construction specified in the national planning, including the progress of "new infrastructure construction" such as 5G network and data center. New infrastructure construction refers to the infrastructure construction related to science and technology, mainly including seven fields, i.e. 5G infrastructure, ultra-high voltage, intercity high-speed rail and intercity rail transit, NEV charging stations, big data center, artificial intelligence, and Industrial Internet, and covering several key industries related to social people's livelihood such as the communication, power, transport and digital industry.

Seven segmented fields and applications of "new infrastructure construction"

Field	Application
5G infrastructure construction	Industrial Internet, Internet of Cars, Internet of Things, enterprise clouding, AI, remote medical treatment, etc.
Ultra-high voltage	Energy industries such as power industry
Intercity high-speed rail and intercity rail transit	Transport industry
NEV charging stations	NEVs
Big data center	Financial, security, energy and business fields, as well as every aspect in daily life (including travelling, shopping, sport and wealth management)
AI	Intelligent home furnishing Service robots Mobile equipment/UAV Automatic driving Applications in other industries: Home furnishing, finance, security, medical treatment, enterprise service, education, customer service, video/entertainment, retail/e-commerce, architecture, law, news information and recruitment
Industrial Internet	Intelligent manufacture within the enterprise, inter-enterprise networked collaboration, custom-tailored production for users by enterprises, service extension of enterprises and products

Looking into 2020, the Group plans to develop five businesses, namely (1) robotics products and application solutions; (2) artificial intelligence products and application solutions; (3) new energy products and application solutions; (4) technological equipment and products related to culture and entertainment; and (5) technology incubators. These business plans are in line with the aforesaid national development direction and policies.

Chairman's Statement

In terms of robotics products and application solutions, the Group will focus on the development of intelligent industrial welding robots and equipment, set up a top welding tooling expert team for research and development, and be committed to the development, design, production and sales of a full range of non-standard customized positioner, all kinds of special welding and cutting tooling devices, and all kinds of unmanned and intelligent non-standard production lines. Our products will be applied to pressure vessels, low-temperature equipment, special vehicles, rail transit, offshore wind power, engineering machinery and other industries. In terms of artificial intelligence products and application solutions, the application of technologies such as vision, voice, navigation and mechanical arms will be extended to services and special fields to promote more product applications. The main products are intelligent robots for public service, intelligent electronic consumption products, intelligent mobile equipment, household, security and financial intelligent robots, etc. Also, the Group has transformed the business nature of a wholly-owned subsidiary established in Shenzhen, China to provide artificial intelligence and robotics products and original equipment manufacturing (OEM) services of intelligent technology products and sell the products through cross-border e-commerce platform. In terms of new energy products and application solutions, during the Year, the Group has established a subsidiary in Indonesia for sale, assembly and design of electric motorcycles and EV charging stations. Instead of focusing on flashy designs or high-end specs, the bike provides convenient travelling mode for domestic riders, saving energy and money and protecting the environment. In terms of technological equipment and products related to culture and entertainment, the Company will focus on the operation of intellectual property rights in film, television and animation. In terms of technology incubators, the Company will focus on incubating and accelerating projects based on leading international technologies and China's domestic market development. HIT Robot Group Co., Ltd. will provide support for the intelligent industrial welding robots and equipment, artificial intelligence products and application solutions of the Group, and offer premises and production sites free of charge for the Group in its base in the mainland China in 2020.

On 17 December 2019, the Company entered into a strategic co-operation agreement with Shanghai R&F Real Estate Development Co., Ltd. (上海富力房地產開發有限公司) ("**Shanghai R&F**"), pursuant to which each of the Company and Shanghai R&F will become strategic co-operation partners integrating the advantages in their respective fields, and starting from the Eastern China region, jointly build an international high-tech innovation center and an innovative service platform for leading high-tech companies across China.

The Board considers that the development in the intelligent robotics business will contribute positively to the revenue and profit of the Group and will be beneficial to the Group, thereby creating values to the Company and its shareholders.

In 2015, the Group invested in securities brokerage business in Hong Kong through investment in associates. The Group disposed the associates to Central Wealth Group Holdings Limited, ("**Central Wealth**", stock code: 139) listed on the Stock Exchange subsequently in 2017.

The Directors are optimistic to the securities market development in Hong Kong and now continue securities brokerage business. The Group is now applying the Stock Exchange Trading Right from the Stock Exchange and licenses from the Securities and Futures Commission to carry out Type 1 (Dealing in Securities) and Type 4 (Advising on Securities) regulated activities through a wholly owned subsidiary Oriental Power Securities Investment Limited ("**Oriental Power**"). Oriental Power aims at providing broader and more diversified services to customers. Oriental Power targets to provide securities dealing and advising securities services to its customers. Oriental Power will provide broker-dealer services covering the stocks and investment-linked instruments listed in the Stock Exchange. The Company will also apply for a trading right at the Stock Exchange and become a direct clearing participant at Hong Kong Exchange and Clearing Limited and Hong Kong Securities Clearing Company Limited and also apply the China Connect Clearing Participants. Oriental Power will act as an underwriter or a sub-underwriter or a placing agent or a sub-placing agent for companies listed or to be listed on the Stock Exchange or shareholders of companies listed or to be listed on the Stock Exchange for their fund raising exercises such as IPOs, rights issues, open offers or placing of new and/or existing shares and debt securities. We will charge placing or underwriting commission at a rate determined by negotiation with clients which is generally in line with market practice.

Chairman's Statement

APPRECIATION

I would like to take this opportunity to express the Board's sincere gratitude to all shareholders, investors, bankers, business associates and customers for their continuous support to the Group, and to all employees for their hard work and contributions during the past year.

Wang Fei

Chairman

Hong Kong, 26 March 2020

Management Discussion and Analysis

FINANCIAL RESULTS

The Group recorded a net loss of approximately HKD53,991,000 attributable to shareholders of the Company (2018: net loss of HKD79,839,000) and basic loss per share of HK0.44 cents (2018: basic loss per share of HK0.72 cents) for the year ended 31 December 2019. The loss is mainly attributable to (i) the Group recognised share-based payment expenses of approximately HKD17,893,000 of which there was no such item in the corresponding period of 2018; (ii) revaluation loss of approximately HKD27,790,000 arising from change in fair value of investment properties (2018: revaluation loss of approximately HKD2,000,000); and (iii) increase in operating expenses during the year of 2019.

For the year ended 31 December 2019, the Group recorded a revenue of approximately HKD80,916,000 (2018: HKD39,674,000) and did not record any net realised gain/loss from securities trading (2018: loss of HKD4,549,000).

BUSINESS REVIEW

Properties investment

The Group is currently holding two residential properties located in Hong Kong which are on No. 19, Cumberland Road, Kowloon Tong (approximate saleable area of 5,808 square feet) and No. 1, Lincoln Road, Kowloon Tong (approximate saleable area of 6,892 square feet) respectively.

Aiming to generate stable rental income and/or for capital appreciation, the Group has also expanded its investment property portfolio to the People's Republic of China (the "PRC") by acquisition of Rich Power International Holdings Limited ("**Rich Power**"). Rich Power owns 19 retail units in a development district known as "Fortune Town" (振業城) located at Henggang Road, Longgang District, Shenzhen, the PRC (中國深圳市龍崗區橫崗街道). The acquisition was completed on 31 July 2019. For more information, please refer to the Company's announcements on 3 July 2019 and 31 July 2019.

During the year ended 31 December 2019, the Group recorded rental income of HKD3,340,000 (2018: HKD7,600,000) and fair value loss of HKD27,790,000 (2018: fair value loss of HKD2,000,000) arising from change in fair value of investment properties from the property investment segment.

The Group will continue to look for opportunity to expand and optimise its investment property portfolio with an aim to generate stable rental income and/or for capital appreciation.

Treasury business

The treasury business includes securities trading and investment business and money lending business.

Securities trading and investment business

The Group identified its investments based on the share price, the gain potential and the future prospect of the investments. The securities investments were classified under financial assets at fair value through other comprehensive income ("**FVTOCI**") and financial assets at fair value through profit or loss ("**FVTPL**") in the consolidated financial statements. During the year, the Group's securities trading portfolio comprised of equity securities of CMBC Capital Holdings Limited ("**CMBC Capital**", stock code: 1141) and Central Wealth Group Holdings Limited, ("**Central Wealth**", stock code: 139) listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

During the year, the Group did not invest in cryptocurrency and did not record any loss on disposal of cryptocurrency (2018: loss of HKD17,945,000).

Management Discussion and Analysis

As a whole, the securities trading and investment segment recorded a loss of approximately HKD14,411,000 (2018: loss of HKD66,404,000). The loss was mainly due to financial costs of approximately HKD19,698,000 (2018: HKD18,132,000). Besides, the Group recorded HKD4,061,000 dividend income (2018: Nil) and an unrealised gain of securities investments under FVTPL of approximately HKD4,133,000 (2018: net unrealised loss of HKD47,533,000). For the securities under FVTOCI, the Group recorded a net unrealised loss of approximately HKD372,831,000 (2018: net unrealised loss of HKD496,306,000) through other comprehensive income.

As at 31 December 2019, details of the securities investments held are as follows:

Name of the investees	Number of shares held	Percentage of equity interests as at 31.12.2019	Closing value as at 31.12.2019 HKD	Market value of the interests as at 31.12.2019 HKD'000	Fair value gain/(loss) for the year HKD'000
FVTOCI					
CMBC Capital (Stock code: 1141)	1,694,930,000	3.555%	0.143	242,375	(377,263)
Central Wealth (Stock code: 139)	553,954,650	3.763%	0.051	28,252	4,432
Total				270,627	(372,831)
FVTPL					
Central Wealth	516,666,666	3.510%	0.051	26,350	4,133
Total				26,350	4,133
Grand-Total				296,977	(368,698)

As at 31 December 2019, the Group held securities investment portfolio with market value of approximately HKD296,977,000 (31 December 2018: HKD720,237,000). Except for the investments in CMBC Capital and Central Wealth, at 31 December 2019, there were no investments held by the Group which value was more than 5% of the net assets of the Group.

Management Discussion and Analysis

Performance and prospects of the investees

CMBC

CMBC Capital and its subsidiaries (the “**CMBC Capital Group**”) was principally engaged in the business of brokerage and related services, securities investment and provision of finance. China Minsheng Banking Corporation Limited, one of the largest private banks in the PRC has indirect interest in over 60% of the issued shares capital of CMBC Capital as at 31 December 2019.

As mentioned in its annual result announcement for the year ended 31 December 2019, the CMBC Capital Group has recorded net profit amounted to approximately HKD356.9 million, representing an increase of approximately 45.5% when compared to the year ended 31 December 2018. The CMBC Capital Group’s basic and diluted earnings per share were both HK0.75 cents (2018: both HK0.53 cents). The CMBC Capital Group has recorded a revenue of approximately HKD978.7 million, representing a year-on-year growth of approximately 23.7%.

CMBC Capital closed at HKD0.143 as at 31 December 2019 (31 December 2018: HKD0.325).

Central Wealth

Central Wealth and its subsidiaries (the “**Central Wealth Group**”) are principally engaged in the securities and futures dealing business, financial investment, property investments and money lending business.

As mentioned in Central Wealth’s annual result announcement for the year ended 31 December 2019, the net profit after tax for the year was approximately HKD208.4 million as compared to the net loss after tax of approximately HKD67.1 million for the year ended 31 December 2018. Basic earnings per share attributable to ordinary equity holders of the parent for the year was approximately HK1.42 cent (2018: basic loss per share of approximately HK0.48 cent). The Central Wealth group recorded a revenue of approximately HKD947.7 million for the year ended 31 December 2019, compared to a revenue of approximately HKD174.5 million for the year ended 31 December 2018.

Central Wealth closed at HKD0.051 as at 31 December 2019 (31 December 2018: HKD0.043).

Money lending business

A wholly-owned subsidiary of the Group, Globally Finance Limited (“**Globally Finance**”), which held the Money Lenders Licence in Hong Kong since early of 2015, carried a licensed money lending business in Hong Kong. During the year ended 31 December 2019, Globally Finance generated revenue of approximately HKD28,174,000 (2018: HKD30,561,000) and recorded a gain of approximately HKD32,726,000 (2018: loss of HKD8,113,000). During the year ended 31 December 2019, the Group assessed and estimated credit loss allowance for loan and interest receivables under HKFRS 9 requirement. Based on the result of credit assessment on debtors, the credit loss allowance as at 31 December 2019 was approximately HKD20,277,000 (2018: HKD27,017,000), and a reversal on credit loss allowance for debtors of approximately HKD6,740,000 was credited to consolidated profit or loss for the year ended 31 December 2019 (2018: charged of HKD9,872,000).

Management Discussion and Analysis

Investment in film industry

China Wisdom Group Limited (“**China Wisdom**”), a wholly owned subsidiary of the Company, has entered into agreements with Ocean Wave Motion Pictures (International) Limited (“**Ocean Wave**”) in relation to investment and advancements in the following film projects:

Date of agreement	Film project	Investment/ Advancement amount	Annual interest rate	Investment return	Carrying amount of investment as at 31.12.2019 (as at 31.12.2018) HKD	Category
12.07.2016	Girls II 《閨蜜2》	RMB10,800,000	Nil	RMB10,800,000	– (5,460,000)	Other receivables
21.09.2017	Death Wish 《虎膽追兇》	USD1,320,000	8%	Additional upside return (if any)	– (9,177,000)	Financial assets at FVTPL
					– (1,052,000)	Loan and interest receivables
11.10.2017	Two Days 《兩天》	USD487,500	12%	Nil	4,787,000 (4,330,000)	Loan and interest receivables
12.06.2018	Papillon 《巴比龍》	USD675,000	8%	Nil	5,919,000 (5,498,000)	Loan and interest receivables

Girls II has been released in March 2018 in the PRC, Hong Kong and Taiwan. Pursuant to the investment agreement with Ocean Wave, the investment return should be subject to the box office revenue of the film. Regardless of the unsatisfactory box office, Ocean Wave has agreed to pay an amount of RMB10,800,000 equivalent to the amount invested by China Wisdom in the film as investment return for maintaining long-term, collaborative business relationships. All investment return has been duly collected.

During the year ended 31 December 2019, China Wisdom recorded interest income from the segment of investment in film industry of approximately HKD1,329,000 (2018: HKD1,513,000). The Board considers that the entering into of the above agreements will allow the Group to have stable return without significant risk exposures.

Trading business and related services

With a view to developing and expanding the Group’s intelligent robotics business, the Group has entered into several trading agreements in relation to the sales and purchase of robots and related products during the year. During the year ended 31 December 2019, revenue of approximately HKD44,012,000 was generated (2018: Nil) and a loss of approximately HKD8,709,000 (2018: HKD52,000) was recorded for the segment of trading business and related services. The Group will seek for business opportunity in the trading business.

Licensing of e-commerce platform

During the year ended 31 December 2019, no revenue (2018: Nil) was generated and a loss of approximately HKD646,000 (2018: HKD273,000) was recorded for the segment of e-commerce business. The Group will continue to look for any potential opportunity in the e-commerce business.

Management Discussion and Analysis

FINANCIAL REVIEW

Liquidity, financial resources and funding

The Group had total pledged bank deposits and cash and bank balances of approximately HKD12,396,000 as at 31 December 2019 (2018: HKD6,194,000). The Group had total borrowings of approximately HKD485,430,000 (2018: HKD541,205,000) comprised with bank borrowings of approximately HKD312,369,000 (2018: HKD320,945,000) and other borrowings of approximately HKD173,061,000 (2018: HKD220,260,000) as at 31 December 2019.

Among bank borrowings, approximately HKD88,838,000 are repayable within one year, HKD9,130,000 are repayable over one year but not exceeding two years, HKD28,941,000 are repayable over two years but not exceeding five years and HKD185,460,000 are repayable over five years. The bank borrowings bear interest at range of HKD Prime Rate – 2.5% per annum, 2% per annum + HIBOR (1 month) and 2.5% per annum over HIBOR (1 week to 1 month).

The other borrowings comprised of margin loans and revolving loan. The margin loan payables bear fixed interest at 6% to 9.5% per annum. The margin loan payables are repayable within one year and was guaranteed by the Company. The revolving loan bear fixed interest rate of HKD Prime Rate – 2% per annum. Details are set out in Note 31 to the consolidated financial statements.

The gearing ratio, which is calculated as total borrowings divided by total equity, was 51.96% (2018: 42.10%). Net assets were approximately HKD934,195,000 (2018: HKD1,285,386,000).

As at 31 December 2019, the Group has total current assets of approximately HKD355,242,000 (2018: HKD469,663,000) and total current liabilities of approximately HKD500,770,000 (2018: HKD567,576,000). The current ratio of the Group, calculated by dividing total current assets by total current liabilities, was about 0.71 as at 31 December 2019 (2018: 0.83).

The Group's finance costs for the year was approximately HKD26,856,000 (2018: HKD23,881,000) and was mainly related to interests paid on the bank borrowings and margin loans. The increase in finance cost was due to interest paid for the margin loans.

Pledge of assets

At 31 December 2019, the Group's investment properties, with carrying amount of HKD664,000,000 (2018: HKD678,000,000), have been pledged to secure the bank borrowings granted to the Group.

As at 31 December 2019, the Group had pledged an investment property with carrying amount of HKD285,000,000 (2018: HKD285,000,000), the securities investment under FVTOCI of approximately HKD270,627,000 (2018: HKD676,095,000) and the securities investment under FVTPL of approximately HKD26,350,000 (2018: HKD22,217,000) to secure the other borrowings.

As at 31 December 2019, a bank deposit in amount of EUR160,000 in equivalent to HKD1,410,000, has been pledged to a bank for the issuance of a letter of guarantee for trading business.

Foreign currency management

The Group has minimal exposure to foreign currency risks as most of its business transactions, assets and liabilities are principally denominated in Hong Kong dollars. The Group currently does not have a foreign currency hedging policy in respect of its foreign currency assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging foreign currency exposure if necessary.

Management Discussion and Analysis

Litigations and contingencies

Details of litigations and contingencies are set out in Note 39 to the consolidated financial statements.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, the Group had 35 employees situated in Hong Kong and China (2018: 17 employees situated in Hong Kong). The Group's emoluments policies are formulated based on industry practices and performance of individual employees. For the year ended 31 December 2019, the total staff costs including remuneration of directors and chief executive amounted to approximately HKD15,605,000 (2018: HKD11,031,000).

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Wang Fei

Mr. Wang, aged 38, has been appointed as an Executive Director and the Chairman of the Board on 13 March 2019. He was a vice chairman and a non-independent director of Jiangsu Hagong Intelligent Robot Co., Ltd. (江蘇哈工智能機器人股份有限公司) (“HGZN”) (stock code: 000584.SZ), an artificial intelligence equipment manufacturing company listed on the Shenzhen Stock Exchange in the PRC until June 2019. He is concurrently serving as the chairman of the HIT Robot Group (哈工大機器人集團) (“HRG”), an enterprise jointly set up by Heilongjiang provincial government, the municipal government of Harbin and Harbin Institute of Technology engaging in the design, development, manufacturing and sales of robots. Mr. Wang is a member of the 13th Heilongjiang Provincial People’s Congress (黑龍江省第十三屆人民代表大會). Mr. Wang has extensive experience in the mechanical and electronic engineering industry. He obtained a bachelor degree of mechanical engineering, mechanical design manufacturing and its automation in 2003, a master degree in 2006 and a doctoral degree in 2008, both majoring in mechanical and electronic engineering from Harbin Institute of Technology (“HIT”) (哈爾濱工業大學). His achievement in the industry was widely recognised and was awarded the Ninth China Youth Entrepreneurship Award (第九屆中國青年創業獎) in 2017, the 12th Heilongjiang Model Worker Award (黑龍江省第十二屆勞動模範) in 2017 and the National Innovation Award (全國創新爭先獎) in 2017, respectively.

Mr. Liang Jian

Mr. Liang, aged 39, has been appointed as an Executive Director, the Vice Chairman of the Board and the Chief Executive Officer of the Company (“CEO”) on 13 March 2019. He is the senior vice president of HRG and is in charge of the sales and marketing businesses. He serves as a vice chairman and a non-independent director of HGZN since June 2018. Mr. Liang has over 16 years of experience in marketing, investment, finance and management sectors. He was an executive Director of Asia Investment Finance Group Limited (stock code: 33), a company listed on the Main Board of the Stock Exchange from 28 November 2018 to 18 December 2018. Mr. Liang obtained a bachelor degree of mechanical design manufacturing and its automation from Harbin Engineering University in 2003 and a master degree in business administration from Tongji University (同濟大學) in the PRC in 2010.

Mr. Yu Zhenzhong

Mr. Yu, aged 40, has been appointed as an Executive Director and the Vice Chairman of the Board on 13 March 2019. He is the senior vice president of HRG and focuses on the research and development of robots and artificial intelligence equipment. Mr. Yu obtained a doctoral degree in mechanical and electronic engineering from HIT in 2011. He was awarded the Science and Technology Progress Award (中國商業聯合會科技進步獎) from the China General Chamber of Commerce in 2017, the Innovation Award (中國產學研合作創新獎) from the China Industry-University-Research Institute Collaboration Association in 2017 and 合肥市創新領軍人才稱號 in 2018, respectively.

Mr. Cai Linzhan

Mr. Cai, aged 33, has been appointed as an Executive Director in June 2017. He was the CEO from 24 June 2017 to 5 October 2017 and from 24 December 2018 to 12 March 2019 respectively. He is also the Chief Strategy Officer (Film Production) of a wholly owned subsidiary of the Company since August 2016. Mr. Cai graduated from a junior college program of International Economics and Trade (國際經濟與貿易) in South China Institute of Software Engineering, Guangzhou University (廣州大學華軟軟件學院) in 2009. He held management positions with various real estate companies and has many years of experience in property development. He is now serving as the deputy general manager of a real estate developer in the PRC.

Biographical Details of Directors and Senior Management

Mr. Lau Fai Lawrence

Mr. Lau, aged 48, has been appointed as an Executive Director in January 2014. He is currently a practicing certified public accountant in Hong Kong and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom (“**ACCA**”). Mr. Lau graduated from The University of Hong Kong with a bachelor’s degree in business administration in 1994 and obtained a master’s degree in corporate finance from Hong Kong Polytechnic University in 2007. Mr. Lau is currently the company secretary of BBMG Corporation (stock code: 2009) and an independent non-executive director of Artini Holdings Limited (stock code: 789, formerly known as Primeview Holdings Limited), Titan Petrochemicals Group Limited (stock code: 1192), Tenwow International Holdings Limited (stock code: 1219), HKBridge Financial Holdings Limited (stock code: 2323, formerly known as China HKBridge Holdings Limited), China Energin International (Holdings) Limited (stock code: 1185), all of above are listed on the Main Board of the Stock Exchange and an independent non-executive director of Sinopharm Tech Holdings Limited (stock code: 8156), which is listed on GEM of the Stock Exchange. He was a non-executive director of Alltronics Holdings Limited (stock code: 833) between March 2017 and December 2018. He was an independent non-executive director of Winto Group (Holdings) Limited (stock code: 8238) from April to November 2019.

Mr. Siu Yun Fat

Mr. Siu, aged 37, has been appointed as an Executive Director in January 2014. He was the Chairman of the Board from 24 November 2015 to 12 March 2019. He was the CEO during the period from 10 October 2014 to 19 September 2016. Mr. Siu obtained a Bachelor of Arts (Honours) degree in Accountancy from the Hong Kong Polytechnic University in 2004. He is a member of the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and a member of ACCA. Mr. Siu has over ten years of experience in auditing, accounting and financial management. He served in various position of local and international accounting firms and securities companies.

Mr. Yu Qingrui

Mr. Yu, aged 48, has been appointed as an Executive Director in September 2014. Mr. Yu specialises in property investment and trading business in the PRC. After graduating from high-school in 1989, Mr. Yu joined the shipping and trading business in the PRC. He was the general manager of a shipping company before he became a private investor in 2003. In 2011, Mr. Yu joined a marketing and management firm in Shanghai and served as their property investment manager. He is currently an executive director of Central Wealth which has an interest in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the “**SFO**”).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chen Pei

Mr. Chen, aged 36, has been appointed as an Independent Non-executive Director on 13 March 2019. He is currently serving as a non-independent director and the vice general manager of HGZN, and is responsible for corporate finance, financial audit, industrial integration and capital operation. He is currently pursuing an EMBA degree at the China Europe International Business School (中歐國際工商學院).

Biographical Details of Directors and Senior Management

Mr. Siu Siu Ling, Robert

Mr. Siu, aged 67, has been appointed as an Independent Non-executive Director, a member of the Audit Committee and Remuneration Committee of the Board in November 2011. He has also been appointed as a member of the Nomination Committee of the Board in March 2012 and the chairman of the Remuneration Committee in June 2017. Mr. Siu is the sole proprietor of the firm, Messrs. Robert Siu & Co., Solicitors. Mr. Siu holds a bachelor's degree in laws from the University of London and a postgraduate certificate in laws from The University of Hong Kong. He also holds a Master of Laws from the University of Greenwich, United Kingdom. He has been admitted as a solicitor in Hong Kong since 1992 and has been admitted as a solicitor in England and Wales since 1993. His legal practice is mainly in the field of commercial and corporate finance. Mr. Siu is currently an independent non-executive director of Kaisun Holdings Limited. (stock code: 8203) and Finet Group Limited (stock code: 8317), both of them are listed on the Growth Enterprise Market of the Stock Exchange. He was also an independent non-executive director of Skyway Securities Group Limited (now known as CMBC Capital).

Mr. Tam Tak Wah

Mr. Tam, aged 54, has been appointed as an Independent Non-executive Director, a member of the Audit Committee and Remuneration Committee of the Board in November 2011. He has also been appointed as a member of the Nomination Committee of the Board in March 2012, the chairman of the Audit Committee in February 2013 and the chairman of the Nomination Committee in June 2017 respectively. Mr. Tam is a fellow member of HKICPA and a fellow member of ACCA. He has over 25 years of experience in accounting, corporate finance and corporate development. Mr. Tam is currently an executive director of Golden Century International Holdings Group Limited. (stock code: 91) and a non-executive director of Kingbo Strike Limited (stock code: 1421), both of them are listed on the Main Board of the Stock Exchange.

Mr. Wang Ning

Mr. Wang, aged 41, has been appointed as an Independent Non-executive Director in November 2019. He serves as an associate professor in the College of Automotive Studies, Tongji University (同濟大學汽車學院) in the PRC since December 2012. Mr. Wang obtained a doctoral degree in Management Science Engineering (管理科學工程) from Tongji University in 2006. He was a visiting scholar in The University of California, Davis for one year since August 2018.

Mr. Zheng Zongjia

Mr. Zheng, aged 57, has been appointed as an Independent Non-executive Director, a member of the Audit Committee, Nomination Committee and Remuneration Committee of the Board in March 2018. Mr. Zheng graduated from the Shantou Polytechnic (汕頭職業技術學院), Shantou, the PRC, specialising in Construction Engineering and Project Cost (建築工程和工程造價). Mr. Zheng has extensive experience in the field of real estate development in the PRC.

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT

Mr. Leung King Chung

Mr. Leung, aged 43, has been appointed as an Executive Director of Oriental Power, a whole owned subsidiary of the Company. He holds a bachelor's degree in finance from State University of New York at Old Westbury. He has 10 years experienced in securities field. He had experienced in various position in different department as dealer, account executive, settlement and responsible officer. He holds licensed with SFC type 1 and type 4 regulated activities.

Mr. Liang Jun

Mr. Liang, aged 41, is responsible for the implementation and operation of technology incubators and the branding of technology incubators. Mr. Liang graduated from Nanjing University with a master's degree in business administration. Mr. Liang has been engaged in operation management of large enterprises. He held various senior management positions in a number of Fortune 500 companies. Mr. Liang was also the co-founder of a 3C product brand and the co-sponsor of a provincial demonstration technology incubator in East China.

Mr. Chen Qiuliang

Mr. Chen, aged 34, has been appointed as the vice president of the Group. He is mainly responsible for electronics and commerce business and overseas business. Mr. Chen has extensive experience in overseas business operations and companies' internal control management, etc. He obtained a double bachelor degree in economics and management from Dongbei University of Finance and Economics in 2008.

Mr. Chen Liang

Mr. Chen, aged 35, is responsible for financing and mergers and acquisitions. He is studying for an MBA degree from Shandong University. Mr. Chen worked for ABN AMRO, Minsheng Bank, and China Industrial Securities International Financial Group Limited. He has extensive experience in corporate due diligence, investment and financing, has played a leading role in various financial products and investment and financing instruments, and is familiar with domestic and overseas investment environments and capital markets operation. He has established long-term business relationship with various domestic and overseas banks, securities firms, fund companies, and listed companies.

Report of the Directors

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

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding. Its subsidiaries are principally engaged in (i) securities trading and investment; (ii) provision of financing services; (iii) property investment; (iv) investment in film industry; (v) licensing of e-commerce platform and (vi) trading business and related services, details of which are set out in Note 42 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on page 52.

DIVIDEND

No interim dividend was paid to the shareholders of the Company during the year (2018: Nil).

The Board does not recommend the payment of a final dividend for the year (2018: Nil).

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements of the Company, is set out on page 148. This summary does not form part of the audited consolidated financial statements.

BUSINESS REVIEW

A fair review of the Group's business and a discussion and analysis of the Group's performance during the year including the material factors underlying its results and financial position and the likely future developments of its business, as required by Schedule 5 of the Company Ordinance, is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this annual report. An analysis of the Group's performance using financial key performance indicators is provided in the section headed "Financial Review" of the "Management Discussion and Analysis" of this annual report.

Report of the Directors

Principal risks and Uncertainties

The Company has identified principal risks and uncertainties that the Group faces with respect to economic risks, operational risks, regulatory risks, financial risks, and specific risks related to the Group's corporate structure. The Group's business, future results of operations and future prospects could be materially and adversely affected by those risks and uncertainties. The following highlights the principal risks and uncertainties of the Group and it is not meant to be exhaustive. There may be other risks and uncertainties which are not known to the Group or which may not be material now but turn out to be material in the future.

Economic Risks

- A severe or prolonged downturn of economy.
- Negative effect on our operational, financing or investing activities due to inflation, fluctuations of interest rates and other measures relating to financial policies.

Operational Risks

- Failure to compete in the competitive environment which the Group operates in.

Financial Risk

- Details of financial risk are set out in Note 45 to the consolidated financial statements.

Capital Risk

- Details of capital risk are set out in Note 43 to the consolidated financial statements.

Compliance with Relevant Laws and Regulations

During the year, as far as the Directors are aware, there was no material non-compliance with applicable laws and regulations by the Group that has a significant impact on the Group's business and operations.

Relationships with Stakeholders

Employees are regarded as the most important and valuable assets of the Group. Competitive remuneration packages and a sound performance appraisal system with appropriate incentives are provided and implemented to attract and motivate employees. In addition, to conform to the market standard, the Group regularly reviews the remuneration package of employees and makes necessary adjustments. Moreover, the Group understands the importance of maintaining good relationship with business partners is vital to achieve its long-term goals. Thus, senior management of the Group have kept good communication, promptly exchanged ideas and shared business update with them as and when appropriate. During the year, there was no material and significant dispute between the Group and its business partners.

Environmental Policies

The Group is committed to building an environmentally-friendly corporation that pays close attention to conserving natural resources. The Group strives to minimise its environmental impact by saving electricity and encouraging recycle of office supplies and other materials.

More information are provided in the Environmental, Social and Governance Report on pages 38 to 45.

Report of the Directors

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and investment properties of the Group during the year are set out in Notes 17 and 19 to the consolidated financial statements respectively.

SHARE CAPITAL

On 27 February 2019, the Company entered into the subscription agreement with subscriber for the subscription of 900,000,000 subscription shares at the subscription price of HKD0.064 per subscription share ("**Subscription**"). The closing market price was HKD0.079 per share at the date of the subscription agreement.

The Subscription was completed on 21 March 2019 and the Company issued 900,000,000 subscription shares to the subscriber. The gross proceeds and net proceeds from the Subscription were HKD57.6 million and HKD57.5 million respectively. The net proceeds was intended to be used by the Company as to HKD41 million for development of its existing trading business and HKD16.5 million for general working capital purposes. The Company had fully utilised the net proceeds to as intended. Details of the Subscription were set out in the announcements of the Company dated 27 February 2019 and 21 March 2019. As at 31 December 2019, the Company had 12,480,291,446 shares in issue.

Details of movements in the share capital of the Company are set out in Note 32 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any shares of the Company.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association and laws of the Cayman Islands.

RESERVES

The Company's reserves available for distribution to shareholders as at 31 December 2019 amounted to approximately HKD900,365,000 (2018: HKD1,211,564,000).

Details of movements in the reserves of the Company and of the Group during the year are set out in Note 33 to the consolidated financial statements and in the consolidated statement of changes in equity respectively.

DONATIONS

During the year, the Group did not make charitable and other donations (2018: HKD92,000).

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate revenue during the year attributable to the Group's five largest customers was 82.4% of the Group's total revenue, of which 49.3% was made to the largest customer.

The aggregate purchase during the year attributable to the Group's five largest suppliers was 100% of the Group's total purchase, of which 88.6% was made to the largest supplier.

None of the Directors or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's customer or suppliers during the year.

Report of the Directors

DIRECTORS

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

Executive Directors

Mr. Wang Fei (<i>Chairman</i>)	(<i>appointed on 13 March 2019</i>)
Mr. Liang Jian (<i>Vice Chairman and CEO</i>)	(<i>appointed on 13 March 2019</i>)
Mr. Yu Zhenzhong (<i>Vice Chairman</i>)	(<i>appointed on 13 March 2019</i>)
Mr. Cai Linzhan	(<i>resigned as CEO on 13 March 2019</i>)
Mr. Lau Fai Lawrence	
Mr. Siu Yun Fat	(<i>resigned as Chairman on 13 March 2019</i>)
Mr. Yu Qingrui	

Independent Non-Executive Directors

Mr. Chen Pei	(<i>appointed on 13 March 2019</i>)
Mr. Siu Siu Ling, Robert	
Mr. Tam Tak Wah	
Mr. Wang Ning	(<i>appointed on 1 November 2019</i>)
Mr. Zheng Zongjia	

During the year and up to the date of this report, Mr. Liang Jian, Mr. Yu Zhenzhong, Mr. Siu Yun Fat and Mr. Lau Fai Lawrence are also directors of the subsidiaries of the Company.

All Directors appointed by the Board are subject to re-election at the next following general meeting or the next following annual general meeting of the Company after their appointments. In accordance with the Company's Articles of Association, at each annual general meeting, one-third of the Directors for the time being, or, if their number is not a multiple of three, then the number nearest to, but not less than one-third, shall retire from office by rotation.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' REMUNERATION

Details of the Directors' remuneration are set out in Note 13 to the consolidated financial statements.

Report of the Directors

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

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), as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, were as follows:

Long positions in the ordinary shares and the underlying shares of the Company

Name of Directors	Capacity	Personal Interest	Other Interest	Total Interest	Percentage of Company's issued share capital
Liang Jian	Beneficial owner	–	110,000,000 (Note)	110,000,000	0.88%
Yu Zhenzhong	Beneficial owner	–	110,000,000 (Note)	110,000,000	0.88%
Siu Yun Fat	Beneficial owner	68,800,000	19,000,000 (Note)	87,800,000	0.70%
Yu Qingrui	Beneficial owner	53,404,425	19,000,000 (Note)	72,404,425	0.58%
Cai Linzhan	Beneficial owner	32,289,144	–	32,289,144	0.26%
Tam Tak Wah	Beneficial owner	267,340	–	267,340	0.002%

Note: These interests represent options granted to the Directors as beneficial owners under the share option scheme of the Company adopted on 22 February 2012. Details of the interests of the Directors in the share options of the Company are disclosed in the section "Share Option Scheme" below.

Save as disclosed above, as at 31 December 2019, none of the directors or chief executive of the Company had registered an interest or short positions in the shares or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

Pursuant to the written resolutions passed by all of the shareholders of the Company on 2 June 2003, the Company adopted a share option scheme (the "Scheme 2003"). Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 22 February 2012, the Scheme 2003 was terminated and a new share option scheme (the "Scheme 2012") was adopted. The adoption of Scheme 2012 will not in any event affect the terms of the grant of such outstanding options that has already been granted under the Scheme 2003 and shall continue to be valid and subject to the provisions of Scheme 2003. The remaining life of the Scheme 2012, which will expire on 21 February 2022, is approximately 2 years from the date of this report.

Report of the Directors

The existing scheme mandate limit in respect of the granting of options to subscribe for shares of the Company under the Scheme 2012 has been refreshed at the annual general meeting of the Company held on 17 June 2019 (the “**2019 AGM**”) which the total number of shares of the Company may be allotted and issued pursuant to the grant or exercises of the options under the Scheme 2012 shall not be exceed 10% of the shares of the Company in issue as at 17 June 2019.

The movements in share options during the year are listed below:

Grantee	Date of grant (Note 1)	Exercise price per shares HKD	Number of share options				As at 31.12.2019	Exercise period	Vesting date
			As at 01.01.2019	Granted during the year	Exercised during the year	Lapsed during the year			
Scheme 2012									
Directors									
Liang Jian	26.03.2019	0.124	-	110,000,000	-	-	110,000,000	26.03.2019 – 25.03.2021	26.03.2020
Yu Zhenzhong	26.03.2019	0.124	-	110,000,000	-	-	110,000,000	26.03.2019 – 25.03.2021	26.03.2020
Siu Yun Fat	28.07.2017	0.127	64,000,000 (Note 2)	-	-	64,000,000	-	28.07.2017 – 27.07.2019	28.07.2017
	26.03.2019	0.124	-	19,000,000	-	-	19,000,000	26.03.2019 – 25.03.2021	26.03.2020
Yu Qingrui	28.07.2017	0.127	64,000,000 (Note 2)	-	-	64,000,000	-	28.07.2017 – 27.07.2019	28.07.2017
	26.03.2019	0.124	-	19,000,000	-	-	19,000,000	26.03.2019 – 25.03.2021	26.03.2020
Cai Linzhan	28.07.2017	0.127	64,000,000 (Note 2)	-	-	64,000,000	-	28.07.2017 – 27.07.2019	28.07.2017
Employees									
In aggregate	28.07.2017	0.127	64,000,000 (Note 2)	-	-	64,000,000	-	28.07.2017 – 27.07.2019	28.07.2017
	26.03.2019	0.124	-	20,000,000	-	-	20,000,000	26.03.2019 – 25.03.2021	26.03.2020
Consultants									
In aggregate	28.07.2017	0.127	384,000,000	-	-	384,000,000	-	28.07.2017 – 27.07.2019	28.07.2017
	26.03.2019	0.124	-	440,000,000	-	-	440,000,000	26.03.2019 – 25.03.2021	26.03.2020
	06.06.2019	0.0798	-	440,000,000	-	-	440,000,000	06.06.2019 – 05.06.2021	06.06.2020
Total			640,000,000	1,158,000,000	-	640,000,000	1,158,000,000		

Notes:

- The closing price of the shares immediately before 28 July 2017 was HKD0.109.
The closing price of the shares immediately before 26 March 2019 was HKD0.101.
The closing price of the shares immediately before 6 June 2019 was HKD0.080.
- On 28 July 2017, the Board resolved to grant 640,000,000 share options to certain directors, employees and consultants of the Company of which 64,000,000 share options each to Mr. Siu Yun Fat, Mr. Cai Linzhan and Mr. Yu Qingrui who are executive directors of the Company and 64,000,000 share options to Ms. Lam Hay Yin, an investment manager of the Company. The grant of the share options to each of the above grantees would result in the securities issued and to be issued upon exercise of all share options already granted and to be granted to each of them in the 12-month period representing in aggregate over 1% of the relevant class of securities in issue. Pursuant to Rule 17.03(4) of the Listing Rules, such grants were approved by independent shareholders of the Company at the extraordinary general meeting of the Company held on 31 October 2017.

Report of the Directors

Apart from the above movements, no share options were granted, exercised, lapsed or cancelled under the share option scheme of the Company during the year.

As at the date of this report, an aggregate of 718,000,000 shares are issuable for share options granted under the Scheme 2012, representing approximately 5.75% of the total number of issued shares of the Company. The weighted average remaining contractual life of these outstanding share options is approximately 1.31 years (31 December 2018: 0.58 years).

Further details of the share option schemes of the Company are set out in Note 34(a) to the consolidated financial statements.

SHARE AWARD SCHEME

The Company adopted a share award scheme on 15 July 2015 (the “**Share Award Scheme**”). The purposes and objectives of the Share Award Scheme are to recognise the contributions by certain employees and persons to the Group and to provide them with incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of and contribution to the Group.

The existing scheme mandate limit in respect of the granting of share awards under the Scheme Award Scheme has been refreshed at the annual general meeting of the Company on 31 May 2018 which the total number of shares of the Company may be awarded under the Share Award Scheme shall not be exceed 10% of the shares of the Company in issue as at 31 May 2018. Notwithstanding the foregoing, the Company will not issue or grant any awarded shares under the Share Award Scheme which would result in the total number of the awarded shares together with shares which may be issued upon exercise of all outstanding share options granted but yet to be exercised under the share option scheme of the Company representing in aggregate over 30% of the Company’s shares in issue as at the date of such grant.

During the year, no shares of the Company were purchased by the trustee of the Share Award Scheme pursuant to the terms of the trust deed of the Share Award Scheme (2018: Nil). No share award has been granted, vested, lapsed and cancelled during the year (2018: Nil).

As at 31 December 2019, no shares of the Company were held by the trustee of the Share Award Scheme (31 December 2018: Nil).

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in the sections “Share Option Scheme” and “Share Award Scheme” above and Note 34 “Share Option Scheme/Equity Settled Share-based Transactions” to the consolidated financial statements, at no time during the year was the Company, its holding company, any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Report of the Directors

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 2019, the following interests of more than 5% of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in the ordinary shares and the underlying shares of the Company

Name of Shareholder	Capacity	Number of Shares	Percentage of the Company's issued share capital
Zhang XiaoJun	Beneficial owner	1,200,000,000	9.62%
Central Wealth (<i>Note 1</i>)	Interest of controlled corporations	861,121,636	6.90%
Hoshing Limited (<i>Note 2</i>)	Interest of controlled corporations	861,121,636	6.90%
Central Wealth Infrastructure Investment Limited	Beneficial owner	848,044,510	6.80%
Zhu Qian (<i>Note 3</i>)	Interest of controlled corporations	900,000,000	7.21%
Victory Intelligence Industry Limited	Beneficial owner	900,000,000	7.21%

Notes:

1. Central Wealth was deemed to be interested in 861,121,636 shares of the Company held by Central Wealth Infrastructure Investment Limited and 13,077,126 shares of the Company held by Desert Gold Limited by virtue of its 100% interests in the issued share capital of Hoshing Limited, which in turn holds 100% interests in the issued share capital of Central Wealth Infrastructure Investment Limited and 100% interests in the issued share capital of Desert Gold Limited, respectively.
2. Hoshing Limited was deemed to be interested in 861,121,636 shares of the Company held by Central Wealth Infrastructure Investment Limited and 13,077,126 shares of the Company held by Desert Gold Limited by virtue of its 100% interests in the issued share capital of Central Wealth Infrastructure Investment Limited and 100% interests in the issued share capital of Desert Gold Limited, respectively.
3. Ms. Zhu Qian was deemed to be interested in 900,000,000 Shares held by Victory Intelligence Industry Limited by virtue of her 100% interests in the issued share capital of Victory Intelligence Industry Limited.

Save as disclosed above, the Company had not been notified of other relevant interests or short positions in the shares and underlying shares of the Company as at 31 December 2019 as required pursuant to section 336 of the SFO.

DIRECTORS' INTERESTS IN SIGNIFICANT TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

There were no transactions, arrangements or contracts in relation to the Company's businesses, to which the Company or any of the Company's subsidiaries was a party, subsisting at the end of the year or any time during the year, and in which a Director or an entity connected with a Director had, whether directly or indirectly, a material interest, nor there were any other transactions, and a controlling shareholder or any of its subsidiaries.

Report of the Directors

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Mr. Yu Qingrui is a director of Central Wealth throughout the year as well as holding 53,404,425 shares in Central Wealth respectively as at 31 December 2019. Central Wealth is a significant shareholder of the Company and whose principal activities are securities and futures dealing business, financial investment, property investments and money lending business. The Company and Central Wealth are separate listing entities run by separate and independent management. Mr. Yu cannot personally control the Board and is fully aware of, and has been discharging, his fiduciary duty to the Company and has acted and will continue to act in the best interest of the Company and its shareholders as a whole. Therefore, the Group is capable of carrying on its businesses independently of, and at arm's length from, Central Wealth.

During the year and/or up to the date of this report, Mr. Siu Siu Ling, Robert and Mr. Tam Tak Wah held directorships in companies engaged in the businesses of securities trading and investment, provision of financing services and investment in properties. The aforesaid companies have been operating under separate and independent managements. None of the above-mentioned Directors can personally control the Board and each of them is fully aware of, and has been discharging, his fiduciary duty to the Company and has acted and will continue to act in the best interest of the Company and its shareholders as a whole. Therefore, the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of such companies.

Save as disclosed above, none of the Directors has any interests in any businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group that are required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

UPDATES ON DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors subsequent to the publication of the Company's 2019 interim report are set out below:

1. Mr. Lau Fai Lawrence resigned as an independent non-executive director of Winto Group (Holdings) Ltd (stock code: 8238) with effect from 6 November 2019.
2. Mr. Lau Fai Lawrence has been appointed as an independent non-executive director of Sinopharm Tech Holdings Limited (stock code: 8156) on 23 January 2020.
3. Mr. Lau Fai Lawrence has been appointed as an independent non-executive director of China Engerine International (Holdings) Limited (stock code: 1185) on 18 March 2020.
4. Details of remuneration to the Directors are set out in Note 13 to the consolidated financial statements.

Report of the Directors

CONTINUING CONNECTED TRANSACTIONS

Since December 2015, Central Wealth Securities Investment Limited (the “**CWSI**”) has been providing brokerage services and margin financing to Golden Horse Hong Kong Investment Limited, a direct wholly-owned subsidiary of the Company, from time to time.

On 9 September 2017, Globally Finance as lender and Central Wealth as borrower entered into a loan agreement (the “**Loan Agreement**”), pursuant to which Globally Finance agreed to grant a loan facility to Central Wealth for a term of three years which was amended and supplemented by a supplemental loan agreement on 19 September 2017.

On 25 April 2018, (i) the Company and CWSI entered into a master services agreement (the “**Master Services Agreement**”) in relation to the provision of brokerage services for trading of securities, futures and options contracts in Hong Kong and/or any other overseas exchanges, the granting of margin facilities and corporate finance services in relation to possible fundraising activities of the Group, including but not limited to acting as placing agent or underwriter for the securities of the Company by CWSI to the Group on an ongoing and non-exclusive basis; and (ii) Globally Finance and Central Wealth entered into a supplemental loan agreement to further increase the facility amount up to HKD270,000,000 and extend the availability period of the loan facility to 31 December 2020.

Since completion of the acquisition of the entire issued share capital of Goodview on 25 April 2018, Central Wealth has become a substantial shareholder of the Company. Hence, each of Central Wealth and its associates, including CWSI, is a connected person of the Company for the purposes of the Listing Rules. Accordingly, the transactions contemplated under the Master Services Agreement and the Loan Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules (the “**CCT**”). As the applicable percentage ratios of the proposed annual caps for the transactions under the Master Services Agreement and the Loan Agreement exceed 5%, the CCT are subject to the approval by the independent shareholders of the Company. The CCT was approved by the independent shareholders of the Company at the extraordinary general meeting of the Company held on 6 August 2018. For more information, please refer to the Company’s announcements on 25 April 2018, 29 June 2018 and 6 August 2018 and the circular dated 16 July 2018.

The annual caps of the Master Services Agreement and the Loan Agreement are as follows:

Master Services Agreement

	6 August 2018 to 31 December 2018 HKD	1 January 2019 to 31 December 2019 HKD	1 January 2020 to 31 December 2020 HKD
Brokerage Fees	1,180,000	2,900,000	2,900,000
Maximum outstanding amount of the Margin Financing	100,000,000	100,000,000	100,000,000
Maximum interest amount of the Margin Financing	3,250,000	8,000,000	8,000,000
Service Fees	8,110,000	20,000,000	20,000,000
Total annual caps	112,540,000	130,900,000	130,900,000

Report of the Directors

Loan Agreement

	6 August 2018 to 31 December 2018	1 January 2019 to 31 December 2019	1 January 2020 to 31 December 2020
	HKD	HKD	HKD
Maximum principal amount outstanding	270,000,000	270,000,000	270,000,000
Maximum interest amount	8,760,000	21,600,000	21,600,000
Total annual caps	278,760,000	291,600,000	291,600,000

The Independent Non-executive Directors of the Company have reviewed the CCT and confirmed that the transactions have been entered into by the Group in the ordinary and usual course of business of the Group, on normal commercial terms, and in accordance with the relevant agreement governing such transaction on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Since 17 July 2019, the shareholding of the Company held by Central Wealth was less than 10% of the issued share capital of the Company. Hence, Central Wealth ceased to be a connected person of the Company for the purpose of the Listing Rules. Accordingly, the transactions contemplated under the Master Services Agreement and the Loan Agreement ceased to be continuing connected transactions of the Company from 18 July 2019.

The Company's auditor was engaged to report on the CCT in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing its findings and conclusions in respect of the CCT in accordance with Rule 14A.56 of the Listing Rules.

RELATED AND CONNECTED PARTY TRANSACTIONS

Details of material related party transactions for the year are set out in Note 40 to the consolidated financial statements.

Save as disclosed herein and above under the section "Continuing Connected Transactions", the Company has not entered into other transactions with its connected parties which are required to be disclosed in this report in accordance with Chapter 14A of the Listing Rules.

The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in so far as they are applicable.

EMOLUMENT POLICY

The Group remunerates its employees based on their performance, experience and prevailing market rate. Other employee benefits included provident fund scheme, share option scheme, share award scheme as well as discretionary bonuses. The determination of emoluments of the Directors had taken into consideration of their respective experience, responsibilities in the Company and the prevailing market conditions.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the Company's business was entered into or existed during 2019.

Report of the Directors

ANNUAL CONFIRMATION OF INDEPENDENCE

The Company has received the annual confirmation of independence from each of the Independence Non-executive Directors as required under Rule 3.13 of the Listing Rules. The Company considers that all Independent Non-executive Directors are independent.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association of the Company, every Director shall be entitled to be indemnified by the Company out of the assets of the Company against all costs, charges, losses, damages and expenses which he/she may sustain or incur or about the execution and discharge of his duties or in relation thereto. The Company has arranged appropriate Directors' and Officers' liability insurance coverage for the Directors and officers of the Company during the year.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued ordinary share capital was held by the public as at the date of this report.

EVENTS AFTER THE END OF REPORTING PERIOD

Events after the end of reporting period are set out in Note 47 to the consolidated financial statements.

AUDIT COMMITTEE

The Audit Committee of the Company has met the external auditor of the Company and reviewed the audited consolidated financial statements of the Company for the year.

AUDITOR

Moore Stephens CPA Limited, the auditor of the Company, will retire and a resolution for its re-appointment as auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board

Wang Fei

Chairman

Hong Kong, 26 March 2020

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintain high standards of corporate governance practices at all times. The Board believes that good corporate governance helps the Company to safeguard the interests of its shareholders and to enhance the performance of the Group.

The Company has complied with all code provisions of the Corporate Governance Code (the “CG Code”) during the year ended 31 December 2019 as set out in Appendix 14 of the Listing Rules except for the following deviations:

Code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term. Two Independent Non-executive Directors, namely Mr. Siu Siu Ling, Robert and Mr. Tam Tak Wah are appointed with no specific term. All Independent Non-executive Directors are subject to the requirement to retire by rotation at least once every three years. The Board considers that the requirement has the same effect of accomplishing the same objective as a specific term of appointment.

BOARD OF DIRECTORS

As at 31 December 2019, the Board comprised twelve Directors, seven of which are Executive Directors, namely Mr. Wang Fei, Mr. Liang Jian, Mr. Yu Zhenzhong, Mr. Cai Linzhan, Mr. Lau Fai Lawrence, Mr. Siu Yun Fat and Mr. Yu Qingrui and five are Independent Non-executive Directors, namely Mr. Chen Pei, Mr. Siu Siu Ling, Robert, Mr. Tam Tak Wah, Mr. Wang Ning and Mr. Zheng Zongjia.

Biographical details of the Directors are set out under the section “Biographical Details of Directors and Senior Management” on pages 13 to 16 of this report. Save as disclosed in the section, to the best knowledge of the Directors, the Board is not aware of any financial, business, family or other material/relevant relationships among members of the Board.

The Board is responsible for the leadership and control of the Group, overseeing the Group’s businesses, strategic decisions and performance, evaluating the performance of the Group and supervising the management. In addition, the Board reserves the authority to make final decisions for all major matters of the Company, including internal control and risk management, dividend payout, material transaction, preparation and release of financial information, appointment of Directors, and other significant financial matters. The Board is also responsible for performing the corporate governance duties set out in code provision D.3.1 of the CG Code. In order to enhance efficiency, the Board has delegated the day-to-day responsibilities and operations to the executive Directors and senior management.

Corporate Governance Report

ATTENDANCE OF DIRECTORS AND COMMITTEE MEMBERS

The following table summaries the attendance by individual Director and committee member at meetings in 2019:

	Board meetings attended/held	Number of Audit Committee's meetings attended/held	Number of Remuneration Committee's meetings attended/held	Number of Nomination Committee's meetings attended/held	Number of general meetings attended/held
Executive Directors					
Mr. Wang Fei ¹	9/9	–	–	–	1/1
Mr. Liang Jian ¹	8/8	–	–	–	1/1
Mr. Yu Zhenzhong ¹	8/8	–	–	–	1/1
Mr. Cai Linzhan	11/11	–	–	–	0/1
Mr. Siu Yun Fat	11/11	–	–	–	1/1
Mr. Lau Fai Lawrence	11/11	–	–	–	1/1
Mr. Yu Qingrui	11/11	–	–	–	1/1
Independent Non-Executive Directors					
Mr. Chen Pei ¹	9/9	–	–	–	1/1
Mr. Siu Siu Ling, Robert	10/12	2/2	7/7	3/3	1/1
Mr. Tam Tak Wah	12/12	2/2	7/7	3/3	1/1
Mr. Wang Ning ²	0/0	–	–	–	–
Mr. Zheng Zongjia	12/12	2/2	7/7	3/3	0/1

Notes

1. Mr. Wang Fei, Mr. Liang Jian, Mr. Yu Zhenzhong and Mr. Chen Pei has been appointed as a Director on 13 March 2020.
2. Mr. Wang Ning has been appointed as a Director on 1 November 2020.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Board appointed Mr. Wang Fei as the Chairman of the Board with effect from 13 March 2019. Mr. Siu Yun Fat ceased to act as the Chairman of the Board with effect from 13 March 2019. The Chairman of the Board is responsible to ensuring effective running of the Board, leading the Board in establishing good corporate governance practices and ensuring effective communication with shareholders of the Company. The Board appointed Mr. Liang Jian to replace Mr. Cai Linzhan as the CEO with effect from 13 March 2019. The CEO is responsible to recommend business plans and strategic directions of the Group for Board approval, ensuring strategies and policies approved by the Board are effectively implemented and keeping the Board informed of material developments in the Group's businesses. As such, the posts of Chairman and CEO are distinct and separate, with a clear division of their responsibilities.

Corporate Governance Report

INDEPENDENT NON-EXECUTIVE DIRECTORS

Code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election. Two Independent Non-executive Directors, namely Mr. Siu Siu Ling, Robert and Mr. Tam Tak Wah are appointed with no specific term.

At all times during the year ended 31 December 2019, the Company has complied with the requirements under Rule 3.10 and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive directors, representing at least one third of the Board and with at least one of them possessing appropriate professional accounting and financial management expertise required under the Listing Rules.

The Company has received from each of the Independent Non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the Independent Non-executive Directors are independent in accordance with the independence guidelines set out in the Listing Rules.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The appointment of a new Director is made on the recommendation of the Nomination Committee and the Board and by the shareholders of the Company in a general meeting.

All Directors appointed by the Board are subject to re-election at the next following general meeting or the next following annual general meeting of the Company after their appointments. All Directors, including the Independent Non-executive Directors shall retire from office by rotation at least once every three years as referred to in the Company's Articles of Association which provides that at each annual general meeting one third of the directors of the Company for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation.

DIRECTORS' TRAININGS

Induction package are provided to newly appointed Director to ensure that each Director is familiar with the role of the Board, the legal and other duties and responsibilities as Director as well as the business and corporate governance practices of the Group. According to the code provision A.6.5 of the CG Code, 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. All existing Directors have provided a record of training they received during the year to the Company, which includes attending seminars, reading various materials regarding directors' responsibilities, updates on the Listing Rules and corporate governance policy, etc.

Corporate Governance Report

BOARD COMMITTEES

The Board has established the Audit Committee, the Remuneration Committee and the Nomination Committee with defined terms of reference (available on the websites of the Company and the Stock Exchange), which are of no less exacting terms than those set out in the code provisions of the CG Code.

Audit Committee

The Audit Committee was established on 1 November 2011 and currently consisted of three Independent Non-executive Directors: Mr. Tam Tak Wah (Chairman), Mr. Siu Siu Ling, Robert and Mr. Zheng Zongjia. Mr. Tam Tak Wah and Mr. Siu Siu Ling, Robert are possessing the appropriate professional accounting and financial management expertise as required under the Listing Rules.

The major roles and functions of the Audit Committee are:

1. to make recommendation to the Board on the appointment, re-appointment and removal of the external auditor, to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of auditor;
2. to discuss with the external auditor before the audit commences, the nature and scope of the audit;
3. to review the interim and annual financial statements before submission to the Board;
4. to discuss problems and reservations arising from the review of interim results and audit of final results, and any matters the external auditor may wish to discuss; and
5. to review the Company's financial reporting, financial controls, risk management and internal control systems.

During the year, the Audit Committee held two meetings. At the meetings, the Audit Committee has reviewed the audited financial statements for the financial year ended 31 December 2018 with senior management and the Company's external auditors and the interim report for the six months ended 30 June 2019. The Audit Committee has also reviewed the Group's accounting policies and practices, the Listing Rules and statutory compliance, risk management, internal controls and financial reporting matters. It keeps under review the independence and objectivity of the Company's external auditors and the non-audit services provided by the Company's external auditors to the Group.

Corporate Governance Report

Remuneration Committee

The Remuneration Committee was established on 1 November 2011 and currently consisted of three Independent Non-executive Directors: Mr. Siu Siu Ling, Robert (Chairman), Mr. Tam Tak Wah and Mr. Zheng Zongjia.

The major roles and functions of the Remuneration Committee are as follows:

1. to make recommendations to the Board on the Company's policy and structure for all remuneration of the directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration; and
2. to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

During the year, the Remuneration Committee held seven meetings and resolved by resolutions in writing to review and approve the remuneration policy and the remuneration packages of the Directors and senior management. No Director is involved in deciding his own remuneration.

Nomination Committee

The Nomination Committee was established on 20 March 2012 and currently consisted of three Independent Non-executive Directors: Mr. Tam Tak Wah (Chairman), Mr. Siu Siu Ling, Robert and Mr. Zheng Zongjia.

The major roles and functions of the Nomination Committee are as follows:

1. to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes;
2. to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of, individuals nominated for directorships;
3. to assess the independence of independent non-executive directors; and
4. to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors.

During the year, the Nomination Committee held three meetings and resolved by resolutions in writing to review the structure, size, composition and diversity of the Board and the qualifications for all directors and senior management of the Group; assess the independence of the independent non-executive directors; identify and recommend the appointment of new director to the Board for approval and nominate the re-appointment of retiring directors to the shareholders of the Company for approval.

Corporate Governance Report

Board Diversity Policy

The Board has adopted and amended a board diversity policy on 1 September 2013 and 28 December 2018 respectively which sets out the approach to achieve diversity on the Board. A summary of the policy together with the measurable objectives set for implementing the policy, and the progress made towards achieving those objectives are disclosed below.

(i) Summary of the Board Diversity Policy

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. When determining the composition of the Board, the Company will consider board diversity in terms of, among other things, gender, age, cultural, educational background, professional experience, skills and know-how. All Board appointments will be based on merits, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

(ii) Measurable Objectives

Selection of candidates for Board membership will be based on a range of diversity perspectives, including but not limited to gender, age, cultural, educational background, professional experience, skills and know-how.

(iii) Monitoring and Reporting

The Nomination Committee will review, as appropriate, to ensure the effectiveness of the Board Diversity Policy and monitor the implementation of this policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

Corporate Governance Report

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by directors of the Company. Having made specific enquiry with the existing Directors of the Company, all of them confirmed that they have complied with the required standards set out in the Model Code since their appointment as a Director during the year ended 31 December 2019.

The Company also adopted a code on no less exacting terms than the Model Code to regulate dealings in the securities of the Company by certain employees of the Group who are considered to be likely in possession of inside information in relation to the Company or its securities.

AUDITORS' REMUNERATION

Amounts of approximately HKD780,000 and HKD430,000 in relation to the audit service and non-audit related services respectively provided by the Company's auditor, were charged to the profit or loss for the year ended 31 December 2019. The non-audit services were related to agreed-upon procedures on interim results, and other financial reporting.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

Up to the date of this report, the Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, the Company's compliance with the CG Code and the disclosures in this Corporate Governance Report.

RISK MANAGEMENT AND INTERNAL CONTROL

Goals and objectives

The Board acknowledges that it is responsible for the risk management and internal control systems and reviewing their effectiveness on an ongoing basis. Such risk management and internal control systems are designed for managing risks rather than eliminating the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Risk management policy has been established to formalise the risk management of the Group, to build up a standard and effective risk management system, improve the ability of risk prevention, so as to ensure the Group is operating in a safety and steady environment, the operation management level could be increased and the Group's operational strategy and target could be achieved. The current practices will be reviewed and updated regularly to follow the latest practices in corporate governance.

Corporate Governance Report

Main features of the risk management and internal control systems

To ensure the efficient and effective operation of the business and operations, relevant internal control procedures have been set up for safeguarding assets against unauthorised use or disposition, controlling over capital expenditure, maintaining proper accounting records and ensuring the reliability of financial information used for business and publication. These procedures are monitored and reviewed from time to time and updated where necessary.

The processes used to identify, evaluate and manage significant risks by the Group are summarised as follows:

Risk Identification

- Identifies risks that may potentially affect the key processes of the Group's business and operations.

Risk Assessment

- Assesses the risks identified by using the assessment criteria developed by the management; and
- Considers the impact on the business and the likelihood of their occurrence.

Risk Response

- Prioritises the risks by comparing the results of the risk assessment; and
- Determines the risk management strategies and internal control processes to prevent, avoid or mitigate the risks.

Risk Monitoring and Reporting

- Performs ongoing and periodic monitoring of the risk and ensures that appropriate internal control processes are in place;
- Revises the risk management strategies and internal control processes in case of any significant change of situation; and
- Reports the results of risk monitoring to the management and the Board regularly.

The Group has an internal audit function as required under the code provision C.2.5 of the CG Code. An independent professional adviser has been engaged to conduct an annual review of the effectiveness of the risk management and internal control systems for the Group. For the year ended 31 December 2019, the scope of review included revenue cycle, expenditure cycle, cash management and financial reporting cycle for one of the subsidiaries with a principal activities of provision of financing. Major findings and areas for improvement have been reported to the Audit Committee and the Board. All recommendations would be followed up closely by the management of the Group to ensure that they are implemented within a reasonable period of time. The Group therefore considered that its risk management and internal control processes are adequate to meet the needs of the Group in its current business environment and nothing has come to its attention to cause the Board to believe the Group's risk management and internal control systems are inadequate.

Corporate Governance Report

DIVIDEND POLICY

The Board has adopted a dividend policy on 28 December 2018 which sets out the principles and guidelines of the Company in relation to the distribution of dividend to its shareholders. The Company will distribute dividends subject to the distributable profits in the financial statements prepared in accordance with the Company Law of Cayman Islands, HKFRS and HKAS and also to the provisions of the Company's Memorandum and Articles of Associations as well as all applicable laws.

When considering the payment of any dividends, the Board will take into account of the financial results, shareholders' interests, general business conditions and strategies, capital requirements, contractual restrictions on the payment of dividends by the Company to its shareholders or by its subsidiaries to the Company, taxation consideration, possible effects on the Company's creditworthiness, statutory and regulatory restrictions and any other factors may deem relevant. The Board will review the dividend policy of the Company as appropriate from time to time.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other financial disclosures required under the Listing Rules and other regulatory requirements. The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Group for the year ended 31 December 2019.

SHAREHOLDERS' RIGHTS

One or more shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings can convene an extraordinary general meeting pursuant to Article 64 of the Company's Articles of Association. For proposing resolution at the general meeting, shareholders should submit it in writing to the Directors or the Company Secretary with details. The Board welcomes views and questions from the shareholders who may at any time send their enquiries and concerns to the Board by addressing them to Company Secretary by post to Unit 3711, 37/F, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong or by fax number: (852) 2311-7738. In addition, the Group maintains its own website at which the shareholders can access to for the Company's information and communication with the Company.

INVESTOR RELATIONS

The Company believes that maintaining a high level of transparency is a key to enhancing investor relations. It is committed to a policy of open and timely disclosure of corporate information to its shareholders and investment public.

The Company updates its shareholders on its latest business developments and financial performance through its annual and interim reports, announcements and circulars. The corporate website of the Company (www.fw-fh.com) has provided an effective communication platform to the public and the shareholders.

CONSTITUTIONAL DOCUMENTS OF THE COMPANY

During the year, the Company has not made any changes to the Company's Memorandum and Articles of Association. An updated version of the Company's Memorandum and Articles of Association is available on the websites of the Company and the Stock Exchange.

Environmental, Social and Governance Report

ABOUT THIS REPORT

The Group is pleased to present its Environmental, Social and Governance Report (the “**ESG Report**”) for the year ended 31 December 2019. The purpose is to allow all stakeholders to learn more about the Group’s progress and development direction in respect of operation and sustainable development.

The Board acknowledge its responsibilities in preparing and issuing this report, including formulating overall ESG strategy, identifying ESG-related risks, implementing internal controls, supervising stakeholder engagement and materiality assessment and prioritizing matters concerned by our Group and our stakeholders in accordance to their values and importance.

REPORTING STANDARD

This report is in compliance with the “Comply or Explain” requirements of the “Environmental, Social and Governance Reporting Guide” set out in Appendix 27 of the listing rules issued by the Hong Kong Stock Exchange; and adopts the four reporting principles of (1) Materiality, (2) Quantitative, (3) Balance and (4) Consistency as the basis of reporting. Information relating to the Group’s corporate governance practices has been set out in the Corporate Governance Report of this annual report.

SCOPE OF THE ESG REPORT

Unless otherwise specified, the reporting period of this ESG Report focuses its activities which were carried out between the periods from 1 January 2019 to 31 December 2019 (the “**Year**”).

As the Group’s revenue and profit are derived mainly from the operations located in Hong Kong, this report focuses on the business and operation located in Hong Kong. As the Group had moved to a new address for one of our Hong Kong offices from Tsim Sha Tsui to Sheung Wan during the Year, the information presented in the ESG Report included our Tsim Sha Tsui, Kwun Tong and Sheung Wan offices and also our two residence flats in Chai Wan.

FEEDBACK

The Group values the feedbacks made by the stakeholders for future improvements. For any comments about this ESG Report or suggestions in enhancing our sustainability performance, please feel free to contact the Group via:

Address: Unit 3711, 37/F, West Tower, Shun Tak Centre,
168-200 Connaught Road,
Central, Hong Kong
E-mail: info@fw-fh.com

Environmental, Social and Governance Report

COMMUNICATIONS WITH STAKEHOLDERS

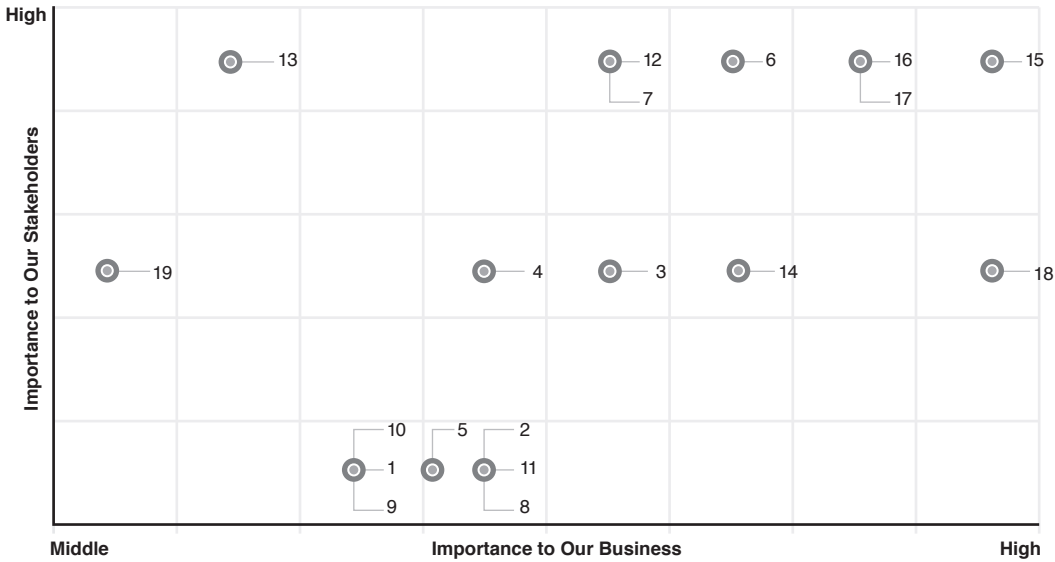
The Group values different stakeholders and their feedback on the Group's business and ESG issues, therefore stakeholder participation is an integral part of the Group's continuous improvement in its sustainability performance. To fully understand, respond and address the core concerns of different stakeholders, the Group has maintained close communication with major stakeholders, including but not limited to employees, customers, suppliers, shareholders, community, government and regulatory bodies. Through the participation of different stakeholders, the Group integrates stakeholders' expectations into the Company's ESG strategy. The Group's communication channels with stakeholders and stakeholders' expectations on the Group are as follows:

Stakeholders	Communications Channels	Expectations and Concerns
Employees	<ul style="list-style-type: none"> Internal meetings Performance assessment Company activities 	<ul style="list-style-type: none"> Employees' compensation and benefits Health and safety working environment Career development opportunities
Customers	<ul style="list-style-type: none"> Business communication E-mails 	<ul style="list-style-type: none"> High quality products and services Protect the rights of customers
Suppliers	<ul style="list-style-type: none"> Business communication E-mails 	<ul style="list-style-type: none"> Fair and open procurement Win-win cooperation
Shareholders	<ul style="list-style-type: none"> Shareholders' meetings Regular reports and announcements Official website 	<ul style="list-style-type: none"> Return on investments Information disclosure and transparency Protection of interests and fair treatment of shareholders
Community	<ul style="list-style-type: none"> Official website Regular reports and announcements 	<ul style="list-style-type: none"> Involvement in communities Business compliance Environmental protection awareness
Government and regulatory bodies	<ul style="list-style-type: none"> Information submission E-mails 	<ul style="list-style-type: none"> Compliance with laws and regulations Promote regional economic development and employment

Environmental, Social and Governance Report

MATERIALITY ASSESSMENT

Based on an online survey, the Group has identified ESG issues that are critical to the Group and stakeholders. The following diagram had stated all related issues which matter to the stakeholders, whilst the results shown on the top-right area represent the issues that are more significant for the Group to address in and seek for further enhancement in the next reporting year. The top issues which the stakeholders are the most concerned with include, customers’ satisfaction and complaints handling, intellectual property protection, protection on customers’ sensitive information and privacy, employment relationship and communication, employment benefits and anti-corruption.



Materiality Issues

- | | |
|--|---|
| 1. Diversification and anti-discriminatory (age, gender, disability) | 11. Supply chain management |
| 2. Employee turnover rate | 12. Anti-corruption |
| 3. Occupational safety and health | 13. Crisis management |
| 4. Training and development | 14. Product safety and service quality |
| 5. Child and forced labour | 15. Customers’ satisfaction and complaints handling |
| 6. Employment relationship and communication | 16. Intellectual property protection |
| 7. Employee benefits | 17. Protection on customers’ sensitive information and privacy |
| 8. Resource management (e.g. electricity, water resource etc.) | 18. Product creativity and technology development |
| 9. Air and greenhouse gas emissions | 19. Community contribution (e.g. charity donation/voluntary services) |
| 10. Water management | |

Environmental, Social and Governance Report

SOCIAL ASPECT

Employment

Human resources are the most valuable asset of the Group and serve as the core competitive advantage, while serve as the basis for the Group's sustainable development at the same time. The Company respects and protects the rights and interests of every employee, protects employees' occupational health and safety, safeguards employees' interest, fully respects and values employees' enthusiasm, initiative and creativity, and strives to build a harmonious labour relationship.

Moreover, the Group commits to provide appealing resources to attract and retain talents. All employees are entitled to equal opportunities in terms of recruitment, training and development, job advancement, compensation and benefits. Employees are free from discrimination regardless of gender, ethnic, background, religion, colour, age, marital status, family status, retirement, disability, pregnancy or any other discrimination prohibited by applicable laws. Employees are encouraged to file a report If any violations or suspicions on sexual harassment are discovered, the cases will then be promptly investigated, whereas disciplinary actions will be executed on related personnel when necessary.

The Group was not aware of any material non-compliance with any relevant laws and regulations, including Employment Ordinance (Chapter 57 of the Laws of Hong Kong), Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong), the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) and the Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong), that had created significant impacts on the business and operations of the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare for the Year.

Remuneration and Benefits

In order to attract and retain talents, the Group provides competitive remuneration and benefits to the employees. The Group schedules appraisals and reviews of their salaries and performances in a systematic manner, as well as ensuring that the remuneration package given aligns with the market trend and remains competitive. On top of basic salary, the Group offers medical insurance coverage, five-day working arrangement, statutory holidays, paid annual leave, sick leave and maternity leave. Especially on festivals such as the Chinese New Year's Eve, Mid-Autumn Festival, Winter Solstice, Christmas Eve and New Year's Eve, employees are allowed to be dismissed earlier to celebrate with their parties.

Occupational Health and Safety

The Group attaches great importance to providing employees with a safe and healthy working environment. As the operation of the Group belongs to general office operation, it does not involve high risk or high hazard work. Nevertheless, the Group had implemented the following measures in guaranteeing the health and safety of our employees:

- Smoking inside office premises is strictly prohibited;
- Diagrams with emergency exit indication and escape routes are posted at accessible areas;
- First aid boxes and other medical supplies are regularly being refilled and located at areas with easy access;
- Office area are cleaned and sanitized on schedule to ensure a hygienic working environment for our employees;
- In the event of extreme weather such as typhoons, employees are allowed to leave earlier after permissions are granted from their managers.

During the Year, the Group did not receive any cases in relation to work injuries or fatalities. The Group was not aware of any non-compliance with the Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong) and other relevant rules and regulations related to occupational health and safety for the Year.

Environmental, Social and Governance Report

Training and Development

The Group believes that continuous education is the key to maintain the professionalism of staff, and it plays a key role to the Group's business growth and long-term sustainable development. Through employee workshops, these would facilitate the management team to filter and select potential talents to receive further training, subsequently the Group would be able to allocate new job responsibilities for designated employees based on their capabilities. Employees are allowed to attend training courses during office hours when necessary.

Labour Standards

The Group is fully aware that exploitation of child and forced labour belongs to a violation of human rights and international labour conventions, therefore the Group strictly prohibits the occurrence of child labour or forced labour employment. In addition, the Group had extended our requirements for our partners or suppliers to follow along this standard. The applicable laws and regulations include Employment of Children Regulations and Employment of Young Persons (Industry) Regulations under the Employment Ordinance of Hong Kong and the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong). the Group has reinforced the process of recruitment that our Human Resources Personnel should verify the new joiner in reaching the legal minimum age for employment and should avoid in breaching any discriminatory requirements.

During the Year, no significant materials which were non-compliant with laws and regulations related to the prevention of child labour, forced labour or other employment-related issues have been found by the Group.

Supply Chain Management

The Group attaches great importance in connecting with our suppliers, as it is one of the key aspects in building up the Group's business in functioning smoothly. The Group maintains strategic partnerships with and supports our suppliers through an open and fair procurement process. Procurement decisions take into account the following aspects of the potential suppliers: compliance with laws and regulations, past experience in product or services, environmental sustainability, products and services quality and the current market price. The Group prefers selecting suppliers who share the same environmental, social and ethical values with us.

During the Year, the Group was not aware of any suppliers that had any actions or practices which had caused significant negative impacts on business ethics, environmental protection, labour practices and human rights.

Data Privacy and Protection

The Group is committed to protecting the personal privacy of customers, employees, suppliers and business partners. The Group requires that personal data collected in any format or through any platform can be used only with the knowledge and consent. The Group has also taken the following appropriate precautions to prevent unauthorized or accidental access, processing, deletion, loss or use of such information:

- Strict policies have been set up in demanding our employees in handling personal privacy data attentively;
- Only personal information which are relevant and required for the business transaction will be requested;
- No personal data would be collected by a third party without any consent and authorization permitted from the owner;
- Personal data will only be applied for a directly related purpose, a new purpose must be obtained before extending the use of these data;
- Firewalls and related systems are updated regularly to safeguard unauthorized access to the personal information database.

During the Year, the Group was not aware of any material non-compliance with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of in Hong Kong) and other applicable local laws for data privacy.

Environmental, Social and Governance Report

ENVIRONMENTAL SUSTAINABILITY

Our business is office based and the Group does not create significant negative environmental impact, sewage, packaging material and hazardous waste. Nonetheless, the Group is fully aware of our responsibility in environmental protection and sustainable development. The Group has taken actions in advocating and supporting green operation and green office, so as to cultivate the consciousness of employees in energy saving and recycling and minimize our impact to the environment.

Energy Consumption and Air Emissions

Under the operations at an office setting, the Group's major energy consumption during the Year were sourced from purchased electricity. Please refer to the below information in showing a comparison figure of energy consumption in 2018 and 2019:

Energy Consumption	2019	2018	unit
Total energy consumption	92,626.04	86,022.45	kWh
Electricity	59,045.16	60,033.80	kWh
Fuel	33,580.88	25,988.65	kWh
Intensity of total energy consumption	65.32	55.34	kWh/m ²

Upon reviewing each year's energy consumption rate, the following measures have been adopted in order to maintain an effort in saving the usage of resources:

Objectives	Energy-saving measures
Raise employees' awareness on energy conservation	<ul style="list-style-type: none"> Unused facilities especially at meeting rooms should be switched off; with notices posted around the working area to remind employees
Improve efficiency in using energy	<ul style="list-style-type: none"> Indoor room temperatures should be maintained between 24°C-26°C to cope with the goal in reducing power consumption Air filters are cleaned or replaced regularly by professional technicians to maximize cooling efficiency Will prefer choosing electrical appliances with high energy efficiency over traditional models
Conserve energy consumption rate	<ul style="list-style-type: none"> Switch off the computers after working hours Lights and other facilities should also be switched off after use

Environmental, Social and Governance Report

The Group's GHG emissions include direct GHG emissions (Scope 1) and indirect GHG emissions (Scope 2), emission sources include the combustion of unleaded petrol for motor vehicles and purchased electricity for office operation and electric vehicles. The GHG emission data for the Year are presented in below together with comparative figures of 2018:

GHG emissions	2019	2018	unit
Total GHG Emission (Scope 1 and 2)	42.28	37.47	Tonnes of CO ₂ e
Scope 1 – Direct emission	9.81	6.85	Tonnes of CO ₂ e
Scope 2 – Indirect emission	32.47	30.62	Tonnes of CO ₂ e
Intensity of total GHG emissions (Scope 1 and 2)	0.03	0.02	Tonnes of CO ₂ e per m ² of office area

Air emissions	2019	2018	unit
Nitrogen Oxides (NO _x)	2.85	1.55	kg
Sulfur Oxides (SO _x)	0.05	0.04	kg
Particulate Matter (PM)	0.21	0.11	kg

During the Year, the Group was not aware of any non-compliance with applicable laws and regulations related to GHG emissions, discharges into waste and land, generation of hazardous and non-hazardous waste including Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong).

Waste Management

The Group did not produce hazardous waste during the Year; as for non-hazardous waste, it is mainly domestic waste and paper waste, which is not much in quantity. The Group had already paid effort in cultivating a habit of recycling among employees, recycling bins are placed to encourage employees in making contributions. It is known that paper usage leads to negative impact to the environment such as deforestation, air pollution, water pollution and ultimately contribute to global warming. Through the Year, the Group has been continuing in using Forest Stewardship Council (“**FSC**”) certified papers for printing to show support for a sustainable use of resources. FSC is an organization who is responsible for setting standards on forest product, while certifying and labelling them as eco-friendly.

Since July 2018, the Group has maintained close communications in understanding the preferences of our shareholders in receiving corporate information (including annual reports, interim reports, meeting notices, circulars and proxy forms) via electronic means such as the Company's website or emails instead of in printed formats. Great appreciation has to be given to our shareholders in supporting our idea in saving forests. With their support, it helped the Group in reducing the production of waste during printing, packaging and mailing.

Some of the following initiatives were carried out to minimize the usage of paper:

- Setting preference in using double-sided printing
- Make good use of recycling bins which are placed next to printers
- Trays are also placed to collect single-sided used papers for reuse
- Employees should consider communicating in electronic means or documents instead of using print-out copies

During the Year, the amount of non-hazardous generated from print papers was approximately 100kg (2018: 75kg), with an intensity of approximately 5.26kg (2018: 5kg) per employee. Whereas no packaging materials was applied due to the Group's service nature.

Environmental, Social and Governance Report

Water Consumption Management

The Group only discharges a small amount of harmless domestic sewage during the daily operation of its office. With respect on effective plans for water consumption management, the Group acknowledges the need to monitor and conserve our water consumption rate. Since the water supply of the Group's office in Tsim Sha Tsui and Sheung Wan are managed by the building management office and the respective consumption data is not available to individual tenants, only water consumption of Kwun Tong and our residence flats in Chai Wan were accounted for as shown in below:

Water consumption	2019	2018	unit
Total water consumption	34	13	m ³
Intensity of total water consumption (per floor area)	0.02	0.01	m ³ per m ² of office area

Some of the following initiatives were taken to reduce water consumption:

- Reminders about water-saving were posted at office areas, especially at the pantry and washrooms
- The usage rate of water consumed would be monitored to evaluate on employees' awareness in the importance of saving water

ANTI-CORRUPTION

The Group strictly complies with all laws and regulations, and is fully committed to restricting any illegal activities, including corruption and bribery. The Group requires staff to understand and avoid any forms of illegal activities, work together in protecting the Group during daily operations and prevent any corruption activities. The Employee Handbook sets out the relevant guidelines on work ethics and the prevention of fraud, negligence, anti-bribery and corruption. All employees are given with an Employee Handbook upon employment, and must abide by the rules and guidelines during their employment.

The Group is committed to cultivate an open and transparent, fair and honest standardised internal management atmosphere, requiring employees, in particular the management to be honest and trustworthy as the basic code of conduct. The Group does not tolerate malpractices, corruption, bribery, and concealment. If in any case of the above is confirmed, strict disciplinary actions will be taken immediately.

The Group has always strictly complied with the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong) enforced by the ICAC. During the Year, the Group or our employees were not involved in non-compliance with the laws and regulations related to the prevention of corruption, bribery, extortion, fraud and money laundering, and have not been involved in related lawsuits.

COMMUNITY INVESTMENT

The Group is committed to build up its corporate value by enhancing the wealth of society and emphasize on the importance to carry out social responsibility. The Group has been encouraging employees to actively participate in social welfare matters to promote the local community and help those in need to promote the spirit of caring for others. After the Year, the Group has commenced in the mask production business to alleviate the situation of the recent outbreak of the novel coronavirus (COVID-19) pandemic and aim to stabilize the supply of face masks to parties who are in need.

Independent Auditor's Report



Moore Stephens CPA Limited

801-806 Silvercord, Tower 1,
30 Canton Road, Tsimshatsui,
Kowloon, Hong Kong

T +852 2375 3180

F +852 2375 3828

www.moore.hk

大
華
馬
施
雲
會
計
師
事
務
所
有
限
公
司

To the Shareholders of Future World Financial Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Future World Financial Holdings Limited and its subsidiaries (together, the “**Group**”) set out on pages 52 to 147, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 4 to the consolidated financial statements, which indicates that the Group incurred a net loss of approximately HKD53,991,000 for the year ended 31 December 2019 and, as of that date, the Group has net current liabilities of approximately HKD145,528,000. These conditions indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Independent Auditor's Report

KEY AUDIT MATTERS

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

Estimation of fair value of investment properties

Refer to Notes 5, 6 and 19 to the consolidated financial statements

Key Audit Matters	How our audit addressed the Key Audit Matter
<p>The Group has two investment properties in Hong Kong and nineteen investment properties in the People's Republic of China (the "PRC"). Such investment properties are measured at a total fair value of approximately HKD798,085,000 as at 31 December 2019.</p> <p>Significant estimation and judgement are required by the management of the Company to determine the fair values of the investment properties. To support management's estimation of the fair values, the Group engaged an external valuer to perform valuation on the investment properties as at 31 December 2019.</p>	<p>Our key procedures to address the matter included:</p> <ul style="list-style-type: none">• Evaluated the objectivity, independence and competency of the valuer; and• Assessed the methodologies and assumptions adopted in the valuation for estimating the fair values of the investment properties.

Independent Auditor's Report

Impairment assessment of trade and other receivables, and loan and interest receivables

Refer to Notes 5, 6, 23, 26 and 45 to the consolidated financial statements

Key Audit Matters

How our audit addressed the Key Audit Matter

As at 31 December 2019, the Group had trade and other receivables, and loan and interest receivables amounting to approximately HKD10,098,000 and HKD302,616,000 (net of credit loss allowances), respectively. The Group had recognised credit loss allowances on loan and interest receivables amounting to approximately HKD20,277,000 as at 31 December 2019.

The measurement of expected credit loss ("**ECL**") requires the application of significant judgement and increased complexity.

We have identified management's impairment assessments on the Group's trade and other receivables, and loan and interest receivables as a key audit matter because their carrying amounts are significant and the assessments required significant management judgement and involved high level of estimation uncertainty.

Our key procedures to address the matter included:

- Assessed the effectiveness of key controls over the application of the impairment methodology, the governance for the ECL models, inputs and assumptions used by the Group in calculating the ECL;
- Assessed the reasonableness of the Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment;
- Challenged whether historical experience is representative of current circumstances and of the recent losses incurred in the debtors and assessed the reasonableness of forward-looking adjustments, including the economic variables and assumptions used in each of the economic scenarios and their probability weightings; and
- Assessed the consolidated financial statement disclosures relating to the Group's exposure to credit risk.

Independent Auditor's Report

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors of the Company are responsible for the other information. The other information comprises all the information included in the annual report for the year ended 31 December 2019 of the Group other than the consolidated financial statements and our auditor's report thereon.

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

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

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

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

In preparing the consolidated financial statements, the directors of the Company 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 of the Company assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for 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 HKSAAs 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.

Independent Auditor's Report

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

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

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

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

Independent Auditor's Report

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

Moore Stephens CPA Limited

Certified Public Accountants

Li Wing Yin

Practising Certificate Number: P05035

Hong Kong, 26 March 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	Notes	2019 HKD'000	2018 HKD'000
Net realised gain from securities trading and investments	7	–	4,549
Revenue	7	80,916	39,674
Cost of sales		(44,940)	(2,623)
Gross profit		35,976	37,051
Other income	9	19	13
Administrative expenses		(29,888)	(21,206)
Loss on disposal of cryptocurrencies	35	–	(17,945)
Loss on disposal of property, plant and equipment		–	(488)
Loss on early redemption of promissory note	36	(266)	–
Reversal of/(provision for) credit loss allowances on loan and interest receivables, net	23	6,740	(9,872)
Reversal of credit loss allowances on trade and other receivables, net		–	2,688
Reversal of/(provision for) expected credit loss on loan commitment	28	2,456	(6,028)
Change in fair value of financial assets at fair value through profit or loss	22	5,252	(48,652)
Change in fair value of investment properties	19	(27,790)	(2,000)
Share of loss of an associate		(139)	–
Share-based payment expenses	34	(17,893)	–
Operating loss		(25,533)	(61,890)
Finance costs	10	(26,856)	(23,881)
Loss before income tax	11	(52,389)	(85,771)
Income tax (expenses)/credit	12	(1,602)	5,931
Loss for the year		(53,991)	(79,840)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	Notes	2019 HKD'000	2018 HKD'000
Other comprehensive loss			
<i>Item that will be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of financial statements of foreign operations		221	–
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Change in fair value of financial assets at fair value through other comprehensive income	21	(372,831)	(496,306)
Loss on disposal of financial assets at fair value through other comprehensive income		–	(4,238)
Other comprehensive loss for the year, net of income tax		(372,610)	(500,544)
Total comprehensive loss for the year		(426,601)	(580,384)
Loss for the year attributable to:			
Owners of the Company		(53,991)	(79,839)
Non-controlling interests		–*	(1)
		(53,991)	(79,840)
Total comprehensive loss for the year attributable to:			
Owners of the Company		(426,601)	(580,383)
Non-controlling interests		–*	(1)
		(426,601)	(580,384)
Loss per share attributable to owners of the Company			
– Basic	16	HK(0.44) cent	HK(0.72) cent
– Diluted		HK(0.44) cent	HK(0.72) cent

* Amount below than HKD1,000

Consolidated Statement of Financial Position

As at 31 December 2019

	Notes	2019 HKD'000	2018 HKD'000
Non-current assets			
Property, plant and equipment	17	2,321	1,826
Right-of-use assets	18	6,095	–
Investment properties	19	798,085	678,000
Interest in an associate	20	423	–
Financial assets at fair value through other comprehensive income	21	270,627	698,020
Deferred tax assets	24	3,936	5,453
		1,081,487	1,383,299
Current assets			
Inventories		2,404	–
Loan and interest receivables	23	302,616	423,088
Financial assets at fair value through profit or loss	22	26,350	31,394
Trade and other receivables	26	10,098	7,957
Pledged bank deposits and cash and bank balances	27	12,396	6,194
Income tax recoverable		1,378	1,030
		355,242	469,663
Current liabilities			
Accruals and other payables	28	8,275	14,241
Contract liabilities	28	3,014	–
Lease liabilities	29	4,051	–
Bank borrowings	30	312,369	320,945
Other borrowings	31	173,061	220,260
Income tax payables		–	12,130
		500,770	567,576
Net current liabilities		(145,528)	(97,913)
Non-current liabilities			
Lease liabilities	29	1,764	–
Net assets		934,195	1,285,386
Capital and reserves			
Share capital	32	12,480	11,580
Reserves	33	921,721	1,273,812
Equity attributable to owners of the Company		934,201	1,285,392
Non-controlling interests		(6)	(6)
Total equity		934,195	1,285,386

The consolidated financial statements on the pages from 52 to 147 were approved and authorised for issue by the board of directors on 26 March 2020 and are signed on its behalf by:

Liang Jian
Director

Yu Zhenzhong
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Attributable to owners of the Company							Total	Non-controlling interests	Total
	Share capital	Share premium	Share options reserve	Translation reserve	Fair value reserve (non-cycling)	Other reserve	Retained earnings			
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
	(Note 32)	(Note 33)	(Notes 33 & 34(a))	(Note 33)	(Note 33)	(Note 33)				
At 1 January 2018	8,157	938,170	24,237	(1)	26,794	120,000	379,761	1,497,118	(5)	1,497,113
Loss for the year	-	-	-	-	-	-	(79,839)	(79,839)	(1)	(79,840)
Other comprehensive loss, net of income tax										
Change in fair value of financial assets at fair value through other comprehensive income (Note 21)	-	-	-	-	(496,306)	-	-	(496,306)	-	(496,306)
Loss on disposal of financial assets at fair value through other comprehensive income	-	-	-	-	(632)	-	(3,606)	(4,238)	-	(4,238)
Other comprehensive loss for the year, net of income tax	-	-	-	-	(496,938)	-	(3,606)	(500,544)	-	(500,544)
Total comprehensive loss for the year	-	-	-	-	(496,938)	-	(83,445)	(580,383)	(1)	(580,384)
Issuance of shares upon placing, net of transaction costs (Note 32(b))	1,630	226,448	-	-	-	(120,000)	-	108,078	-	108,078
Issuance of shares for an acquisition cost (Note 32(c))	1,793	258,786	-	-	-	-	-	260,579	-	260,579
Lapse of share options	-	-	(678)	-	-	-	678	-	-	-
At 31 December 2018 and 1 January 2019	11,580	1,423,404	23,559	(1)	(470,144)	-	296,994	1,285,392	(6)	1,285,386
Loss for the year	-	-	-	-	-	-	(53,991)	(53,991)	(-)	(53,991)
Other comprehensive loss, net of income tax										
Exchange differences arising on translation of financial statements of foreign operations	-	-	-	221	-	-	-	221	-	221
Change in fair value of financial assets at fair value through other comprehensive income (Note 21)	-	-	-	-	(372,831)	-	-	(372,831)	-	(372,831)
Other comprehensive loss for the year, net of income tax	-	-	-	221	(372,831)	-	-	(372,610)	-	(372,610)
Total comprehensive loss for the year	-	-	-	221	(372,831)	-	(53,991)	(426,601)	(-)	(426,601)
Release of fair value reserve upon disposal of financial assets at fair value through other comprehensive income	-	-	-	-	145,431	-	(145,431)	-	-	-
Issuance of shares upon allotment, net of transaction costs (Note 32(d))	900	56,617	-	-	-	-	-	57,517	-	57,517
Recognition of equity-settled share-based payments (Note 34(a))	-	-	17,893	-	-	-	-	17,893	-	17,893
Lapse of share options	-	-	(23,559)	-	-	-	23,559	-	-	-
At 31 December 2019	12,480	1,480,021	17,893	220	(697,544)	-	121,131	934,201	(6)	934,195

* Amount below than HKD1,000

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Notes	2019 HKD'000	2018 HKD'000
Cash flows from operating activities			
Loss before income tax		(52,389)	(85,771)
Adjustments for:			
Finance costs	10	26,856	23,881
Interest income	9	(19)	(13)
Dividend income	7	(4,061)	–
Depreciation of property, plant and equipment	17	820	736
Amortisation of right-of-use assets	18	2,013	–
Loss on disposal of cryptocurrencies	35	–	17,945
Loss on disposal of property, plant and equipment	11	–	488
(Reversal of)/provision for credit loss allowances on loan and interest receivables, net	23	(6,740)	9,872
Reversal of credit loss allowances on trade and other receivables, net		–	(2,688)
(Reversal of)/provision for expected credit loss on loan commitment	28	(2,456)	6,028
Change in fair value of financial assets at fair value through profit or loss	22	(5,252)	48,652
Change in fair value of investment properties	19	27,790	2,000
Loss on early redemption of promissory note	36	266	–
Share-based payment expense	34(a)	17,893	–
Share of loss of an associate		139	–
Operating cash flows before movements in working capital		4,860	21,130
Increase in inventories		(2,404)	–
(Increase)/decrease in trade and other receivables		(1,681)	260
Decrease/(increase) in loan and interest receivables		27,702	(181,300)
Decrease in financial assets at fair value through profit or loss		10,296	113,870
Increase in pledged bank deposits		(1,410)	–
Decrease in accruals and other payables		(3,930)	(15,641)
Increase in contract liabilities		3,001	–
Cash generated from/(used in) operations		36,434	(61,681)
Income tax paid		(12,564)	(5,538)
Net cash generated from/(used in) operating activities		23,870	(67,219)

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Notes	2019 HKD'000	2018 HKD'000
Cash flows from investing activities			
Interest received	9	19	13
Dividend received	7	4,061	–
Purchase of property, plant and equipment	17	(1,315)	(135)
Purchase of financial assets at fair value through other comprehensive income	21	–	(321,994)
Proceed from disposal of property, plant and equipment		–	300
Proceed from disposal of financial assets at fair value through other comprehensive income		54,562	5,934
Net proceed on disposal of cryptocurrencies	35	–	23,555
Net cash outflow arising on acquisition of assets through acquisition of a subsidiary		(453)	(1,111)
Investment cost in an associate	20	(559)	–
Receipt from investment in interest in a film right		–	7,500
Net cash generated from/(used in) investing activities		56,315	(285,938)
Cash flows from financing activities			
Interest paid on bank and other borrowings and bank overdraft		(26,315)	(23,881)
Proceeds from bank borrowings		80,000	80,000
Repayments of bank borrowings		(88,576)	(8,354)
Repayments of other borrowings		(63,986)	(426,948)
Proceeds from other borrowings		16,787	497,448
Proceeds from issuance of shares upon allotment, net of transaction costs		57,517	108,078
Repayment of promissory note – principal		(48,000)	–
Repayment of promissory note – interest		(356)	–
Repayment of lease liabilities – principal		(2,293)	–
Repayment of lease liabilities – interest		(173)	–
Net cash (used in)/generated from financing activities		(75,395)	226,343
Net increase/(decrease) in cash and cash equivalents		4,790	(126,814)
Cash and cash equivalents at the beginning of the year		6,194	133,008
Effect of foreign exchange rates changes, net		2	–
Cash and cash equivalents at the end of the year			
– Cash and bank balances	27	10,986	6,194

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

1. GENERAL

Future World Financial Holdings Limited (the “**Company**”) was incorporated as an exempted company with limited liability in the Cayman Islands on 21 October 2002 under the Companies Law of the Cayman Islands. The address of the registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business has been changed from Unit 912, 9th Floor, New East Ocean Centre, 9 Science Museum Road, Kowloon, Hong Kong to Unit 3711, 37/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong with effect from 27 December 2019. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The Company is an investment holding company. The Company and its subsidiaries (hereinafter collectively referred to as the “**Group**”) are principally engaged in (i) securities trading and investment; (ii) provision of financing services; (iii) property investment; (iv) investment in film industry; (v) licensing of e-commerce platform; and (vi) trading business and related services.

The consolidated financial statements are presented in Hong Kong dollars (“**HKD**”), which is also the functional currency of the Company, and all values are rounded to the nearest thousand except where otherwise indicated.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

(a) Adoption of new and revised HKFRSs effective from 1 January 2019

In the current year, the Group has applied a number of new standards and amendments to HKFRSs issued by the HKICPA that are mandatorily effective for an accounting period that begins on or after 1 January 2019. These amendments have been applied by the Group for the first time in the current year unless otherwise specified.

Amendments to HKFRS 9	Prepayment Features with Negative Compensation
HKFRS 16	Leases
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Save as disclosed in the summary of the impact of changes in accounting policy in Note 4, the application of other new and revised HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

(b) New and revised HKFRSs that have been issued but are not yet effective

The Group has not applied the following new and revised HKFRSs, which have been issued but are not yet effective, in the consolidated financial statements:

HKFRS 3 (Revised) amendments	Definition of a Business ¹
HKFRS 10 and HKAS 28 Amendments	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
HKFRS 17	Insurance Contracts ³
HKAS 1 (Revised) and HKAS 8 Amendments	Definition of Material ¹
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting ¹

¹ Effective for annual periods beginning on or after 1 January 2020

² The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

³ Effective for annual periods beginning on or after 1 January 2021

The Group has already commenced an assessment of the related impact of adopting the above new and revised HKFRSs. So far, it has concluded that the above new and revised HKFRSs will be adopted at the respective effective dates and the adoption of them is unlikely to have a significant impact on the consolidated financial statements of the Group.

3. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICY

This note explains the impact of the adoption of HKFRS 16 Leases on the consolidated financial statements. The Group has concluded not to restate the comparative figures based on the specific transitional provision in HKFRS 16.

HKFRS 16 Leases

HKFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Group has applied HKFRS 16 using the modified retrospective approach. At 1 January 2019, the Group 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. The comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under HKAS 17 and related interpretations. The details of the changes in accounting policy are disclosed below.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICY *(Continued)*

HKFRS 16 Leases *(Continued)*

(a) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under HK(IFRIC) Int-4 Determining Whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to HKFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC) Int-4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(b) As a lessee

The Group leases properties.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under HKFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on balance sheet.

However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICY *(Continued)*

HKFRS 16 Leases *(Continued)*

(b) As a lessee (Continued)

(i) Significant accounting policies

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated amortisation and impairment losses, and adjusted for certain remeasurements of the lease liability. When a right-of-use asset meets the definition of investment property, it is presented in investment property. The right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's accounting policies.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the finance cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

(ii) Transition

Previously, the Group classified property leases as operating leases under HKAS 17. The leases typically run for a period of 1 year.

The Group used the following practical expedients when applying HKFRS 16 to leases previously classified as operating leases under HKAS 17.

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Applied a single discount rate to a portfolio of leases with reasonable similar characteristics.
- 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICY *(Continued)*

HKFRS 16 Leases *(Continued)*

(c) As a lessor

The Group leases out its investment properties. The Group has classified these leases as operating leases.

The accounting policies applicable to the Group as a lessor are not different from those under HKAS 17. However, when the Group is an intermediate lessor the sub-leases are classified with reference to the right of-use asset arising from the head lease, not with reference to the underlying asset.

The Group is not required to make any adjustments on transition to HKFRS 16 for leases in which it acts as a lessor.

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

(d) Impacts on financial statements

(i) Impacts on transition

When measuring lease liabilities for leases that were classified as operating leases, the Group has applied the practical expedient to account for the operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases.

	At 1 January 2019
	HKD'000
Operating lease commitment at 31 December 2018 as disclosed in the Group's consolidated financial statements	1,142
<i>Less:</i> short-term lease recognised on a straight-line basis as expense	<i>(1,142)</i>
<hr/> Lease liabilities recognised at 1 January 2019	<hr/> –

(ii) Impacts for the year

As a result of initially applying HKFRS 16 the Group recognised approximately HKD6,095,000 of right-of-use assets and approximately HKD5,815,000 of lease liabilities as at 31 December 2019.

Also in relation to those leases under HKFRS 16, the Group has recognised amortisation and finance costs, instead of operating lease expense. During the year, the Group recognised approximately HKD2,013,000 of amortisation and approximately HKD173,000 of finance costs from these leases.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

4. BASIS OF PREPARATION

Statement of compliance

These consolidated financial statements have been prepared in accordance with all Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance (the “**CO**”). These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for investment properties and certain financial assets, which are subsequently measured at fair value.

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, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

4. BASIS OF PREPARATION *(Continued)*

Going concern

The Group incurred a net loss of approximately HKD53,991,000 for the year ended 31 December 2019 and, as of that date, the Group has net current liabilities of approximately HKD145,528,000. These conditions indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

The directors of the Company have considered the followings when they prepared the consolidated financial statements for the year ended 31 December 2019:

The current liabilities of the Group include bank borrowings of approximately HKD223,531,000, which have been classified as current liabilities as the related loan agreements contain a repayment on demand clause. According to the loan agreements, the loans are repayable by monthly instalments in 18-24 years time. The Group regularly monitors its compliance with covenants and scheduled repayments of such bank borrowings and the directors of the Company do not consider that the banks will exercise their discretion to demand repayment so long as the Group continues to meet these requirements. In addition, in order to improve the Group's financial position, liquidity and cash flows, the Company entered into a placing agreement with a placing agent on 18 March 2020 pursuant to which the Company has conditionally agreed to place through the placing agent up to 2,490,000,000 placing shares at the placing price of HKD0.014 per placing share, in order to raise additional capital with maximum gross proceeds of approximately HKD34,860,000.

Taking into account of the above consideration and measure, the directors of the Company are satisfied that the Group will be able to meet its financial obligations when they fall due. Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

5. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in subsidiaries

In the Company's statement of financial position in Note 50, the investments in subsidiaries are stated at cost less accumulated impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Investment in an associate

An associate is an entity over which the Group has significant influence, which 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. 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. 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.

Where an indication of impairment exists, it is necessary the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised 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.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, 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 at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part 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) when the equity method is discontinued.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment in an associate *(Continued)*

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

When the Group reduces its ownership interest in an associate 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.

Revenue recognition

Revenue from contracts with customers

Under HKFRS 15, the Group recognises revenue when 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 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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Revenue from other source

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income from a financial asset is accrued on a time basis on the principal outstanding or amortised cost in the case of credit-impaired financial assets at the applicable effective interest rate.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

Leasing

Policies applicable from 1 January 2019

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Such determination is made on an evaluation of the substance of the arrangement, regardless of whether the arrangements take the legal form of a lease.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

Policies applicable from 1 January 2019 (Continued)

The Group as 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 are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model. Upon application of HKFRS 16 on 1 January 2019, variable lease payments for operating leases that depend on an index or a rate are estimated and included in the total lease payments to be recognised on a straight-line basis over the lease term. Variable lease payments that do not depend on an index or a rate are recognised as income when they arise.

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

Allocation of consideration to components of a contract

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

Refundable rental deposits

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

Policies applicable from 1 January 2019 (Continued)

The Group as lessee

Leases are initially recognised as a right-of-use asset and corresponding liability at the date of which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the consolidated statement of profit or loss and other comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is amortised on a straight-line basis over the shorter of the asset's useful life and the lease term.

Assets leased to the Group and the corresponding liabilities are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

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

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the incremental borrowing rate of respective entities. Right-of-use assets are measured at cost comprising the following:

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

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the consolidated statement of profit or loss and other comprehensive income. Short-term leases are leases with a lease term of 12 months or less.

Policies applicable before 1 January 2019

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

Policies applicable before 1 January 2019 (Continued)

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

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

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Property, plant and equipment

Property, plant and equipment are stated at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

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

Investment properties

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

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at its fair value. All of the Group's properties interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment properties are derecognised upon disposal or when the properties are permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the properties (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the properties are derecognised.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

All borrowing costs that are not directly attributable to expenditures on qualifying assets are recognised in profit or loss in the period in which they are incurred.

Inventories

Inventories, which consist of robotic gripper, are stated at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis and includes all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs

Financial assets

Financial assets are recognised when a group entity becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

(a) Classification and subsequent measurement

Investments in debt securities 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets *(Continued)*

(a) Classification and subsequent measurement (Continued)

Investments in debt securities 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 collecting contractual cash flows and selling; 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 fair value through profit and loss (“**FVTPL**”), except that at the date of initial application/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 classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

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

(i) Financial assets at amortised costs

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. 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. 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets *(Continued)*

(a) Classification and subsequent measurement (Continued)

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income (“**OCI**”) and accumulated in the fair value 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 earnings.

(iii) Financial assets at FVTPL

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

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

(b) Credit losses and impairment of financial assets

The Group recognises a credit loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables and loan and interest receivables), and on loan commitments issued which are not measured at FVTPL. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has applied loss rates which are reference to the default rates from international credit rating agencies, adjusted for forward-looking factors specific to the debtors and the economic environment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets *(Continued)*

(b) Credit losses and impairment of financial assets (Continued)

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, 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 and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

For financial assets, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due. The Group considers these financial assets are in default when contractual payments are 90 days past due.

Loan and interest receivables are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs.
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs.
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets *(Continued)*

(b) Credit losses and 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; or
- an actual or expected significant deterioration in the operating results of the debtor; an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

The Group considers the cash and bank balances to have a low credit risk because the majority of the counterparties are banks with external credit rating of "investment grade" as per globally understood definitions.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets *(Continued)*

(b) Credit losses and impairment of financial assets (Continued)

(ii) Definition of default

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

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

- (a) significant financial difficulty of the issuer or the borrower; or
- (b) a breach of contract, such as a default or past due event; or
- (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; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of loan and interest receivables, when the amounts are over one year 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets *(Continued)*

(b) Credit losses and 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 undrawn loan commitments, the ECL is the present value of the difference between the contractual cash flows that are due to the Group if the holder of the loan commitment draws down the loan, and the cash flows that the Group expects to receive if the loan is drawn down.

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.

(c) Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when the rights to receive cash flows from the asset have expired.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

5. SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

Impairment losses on assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of property, plant and equipment, right-of-use assets and interest in an associate to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i. e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another HKFRSs, in which case the impairment loss is treated as a revaluation decrease under that HKFRSs.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent 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, unless the relevant asset is carried at a revalued amount under another HKFRSs, in which case the reversal of the impairment loss is treated as a revaluation increase under that HKFRSs.

Value in use is based on the estimated future cash flows expected to be derived from the asset or cash generating unit, 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 cash generating unit.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities

(a) Initial recognition and measurement

Financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial liabilities (other than financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include accruals and other payables, lease liabilities, bank borrowings and other borrowings.

(b) Subsequent measurement

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the consolidated statement of profit or loss and other comprehensive income when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the consolidated statement of profit or loss and other comprehensive income.

(c) Derecognition of financial liabilities

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

5. SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

Cash and cash equivalents

Cash and bank balances comprise cash at banks and on hand.

Taxation

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

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

Foreign currencies

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

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HKD) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during that period, in which case, the exchange rates prevailing 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 the translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, 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 consolidated profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provisions

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

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

Retirement benefits costs

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

Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period that related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 34(a).

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to consolidated profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment arrangements *(Continued)*

Equity-settled share-based payment transactions (Continued)

Share options granted to employees *(Continued)*

At the end of each reporting period, the Group revises its estimates of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in consolidated profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

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

Share options granted to consultants

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

Shares held under the share award scheme

The shares awarded under the share award scheme are acquired from open market. The net consideration paid, including any directly attributable incremental costs, is presented as “Shares held under the share award scheme” and deducted from equity.

For the shares granted under the share award scheme, the fair value of shares granted to employees is recognised as share-based payment expenses with a corresponding increase in capital reserve within equity. The fair value is based on the closing price of the Company’s shares on grant date plus any directly attributable incremental costs. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the shares, the total fair value of the shares is spread over the vesting period, taking into account the probability that the shares will vest.

During the vesting period, the number of shares that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of shares that vest with corresponding adjustment to the capital reserve.

When the awarded shares are transferred to the awardees upon vesting, the related weighted average acquisition cost of the awarded shares vested are credited to the “Shares held under the share award scheme”, and the grant date fair value of the awarded shares vested are debited to the capital reserve. The difference between the related weighted average acquisition cost and the grant date fair value of the awarded shares vested is transferred to retained earnings directly.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related Parties

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

6. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 5, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying accounting policies

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

(i) *Deferred taxation on investment properties*

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model in HKAS 40, the directors of the Company have reviewed the Group's investment properties portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of economic benefits embodied in the investment properties over time. Therefore, in determining the Group's deferred taxation on investment properties, the directors of the Company have determined that the presumption contained in HKAS 12 that the carrying amounts of investment properties measured using the fair value model is recovered entirely through sale is not rebutted. The Group has not recognised any deferred taxes on changes in fair value of investment properties in Hong Kong as the Group is not subject to any income taxes on the fair value changes of the investment properties located in Hong Kong on disposal. For the investment properties located in the PRC, the Group is subject to land appreciation tax on the gain on disposal of properties and therefore deferred tax liabilities would be recognised for the fair value gain of investment properties located in the PRC. However, the Group entitles no tax benefit if there is a loss on disposal of property. No deferred tax assets would be considered if there is fair value loss of investment properties located in the PRC.

(ii) *Estimate of current tax and deferred tax*

Significant judgement and estimates is required in determining the amount of the provision for taxation and the timing of payment of the related taxation. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax provisions and deferred tax provisions in the periods in which such determination are made.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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

Key sources of estimation uncertainty

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

(i) Provision of ECL for trade receivables and loan and interest receivables

The Group had measured credit loss allowances for trade receivables based on credit spread at lifetime ECLs and for loan and interest receivables based on credit spread at 12-month ECL and lifetime ECL as detailed in Note 45(b)(ii). The directors of the Company classified the loan and interest receivables to different stages by considering whether there is significant increase in credit risk since initial recognition. The Group estimated the amount of ECL based on the difference between the contractual rates charged to borrowers, which in the opinion of directors of the Company, reflect the market borrowing rates for the respective borrowers, and the rates the Group would charge for borrowers with low credit risk (i.e. those with strong ability to pay). In the opinion of the directors of the Company, such an approach and the estimated ECL reflect the Group's credit risk exposure in respect of the Group's loan and interest receivables.

Also, as disclosed in Note 23(i) to the consolidated financial statements, there were two (2018: two) loan and interest receivables amounting to approximately HKD10,706,000 (2018: HKD10,880,000) which was fully guaranteed by a director (who is also the shareholder) of the Company. The directors of the Company believe that the amounts will be recoverable. Up to the date when the consolidated financial statements are authorised for issue, one of the loans of approximately HKD5,919,000 was fully settled.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables and loan and interest receivables are disclosed in Note 45(b)(ii).

(ii) Estimated useful lives of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets. The management of the Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation to be recorded during each reporting period. The determination of useful lives is based on the Group's historical experience with similar assets. The depreciation for future periods is adjusted if there are material changes from previous estimates.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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

Key sources of estimation uncertainty *(Continued)*

(iii) Fair value of investment properties

At the end of the reporting period, investment properties are stated at fair value based on the valuation performed by a firm of independent qualified professional valuers. In determining the fair value, the valuers have based on a method of valuation which involves certain estimates of market conditions. In relying on the valuation report, the directors have exercised their judgement and are satisfied that the assumptions used in valuation have reflected the current market conditions. Changes to these assumptions would result in change in the fair value of the Group's investment properties being recognised in the consolidated profit or loss. The carrying amount of investment properties measured at fair value at 31 December 2019 was approximately HKD798,085,000 (2018: HKD678,000,000).

7. REVENUE

Revenue represents the income received and receivable arising from the Group's operating activities including i) securities trading and investment; ii) provision of financing services; iii) property investment; iv) investment in film industry and v) trading business and related services during the year. An analysis of the Group's revenue for the year is as follows:

	2019 HKD'000	2018 HKD'000
Revenue		
Revenue from contracts with customers within the scope of HKFRS 15 recognised at a point in time		
Income from trading business and related services	44,012	–
Revenue from other sources		
Dividend income from securities trading and investments	4,061	–
Interest income from provision of financing services	28,174	30,561
Rental income from property investment	3,340	7,600
Interest income from investment in film industry	1,329	1,513
	36,904	39,674
	80,916	39,674
Net realised gain from securities trading and investments	–	4,549

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

8. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision makers (the “**CODM**”), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. No operating segments identified by the chief operating decision makers have been aggregated in arriving at the reportable segments of the Group.

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

- Trading business and related services
- Securities trading and investment
- Provision of financing services
- Property investment
- Licensing of e-commerce platform
- Investment in film industry

Segment revenues and financial performance

The following is an analysis of the Group’s revenue and financial performance from operations by reportable and operating segment:

	Trading business and related services		Securities trading and investment		Provision of financing services		Property investment		Licensing of e-commerce platform		Investment in film industry		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
Revenue														
- External sales	44,012	-	4,061	-	28,174	30,561	3,340	7,600	-	-	1,329	1,513	80,916	39,674
Segment financial performance	(8,709)	(52)	(14,411)	(66,404)	32,726	(8,113)	(32,661)	(1,325)	(646)	(273)	1,128	333	(22,573)	(75,834)
Unallocated corporate income													19	13
Unallocated corporate expenses													(11,631)	(9,950)
Share of loss of an associate													(139)	-
Share-based payment expenses													(17,893)	-
Unallocated finance cost													(172)	-
Loss before income tax													(52,389)	(85,771)

The accounting policies of the operating segments are the same as the Group’s accounting policies. Segment (loss)/profit represents the (loss incurred)/profit earned by each segment without allocation of certain administration costs, directors’ emoluments, other revenue, share of loss of an associate, share-based payment expenses and certain finance costs. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

8. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

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

	2019 HKD'000	2018 HKD'000
Segment assets		
Trading business and related services	17,511	337
Securities trading and investment	298,206	723,088
Provision of financing services	299,081	419,559
Property investment	799,501	678,173
Licensing of e-commerce platform	970	1,286
Investment in film industry	10,725	25,534
Total segment assets	1,425,994	1,847,977
Unallocated corporate assets	10,735	4,985
Consolidated assets	1,436,729	1,852,962
Segment liabilities		
Trading business and related services	3,477	3
Securities trading and investment	253,211	300,523
Provision of financing services	3,572	6,212
Property investment	235,002	243,389
Licensing of e-commerce platform	136	14,942
Investment in film industry	241	295
Total segment liabilities	495,639	565,364
Unallocated corporate liabilities	6,895	2,212
Consolidated liabilities	502,534	567,576

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

8. SEGMENT INFORMATION (Continued)

	Trading business and related services		Securities trading and investment		Provision of financing services		Property investment		Licensing of e-commerce platform		Investment in film industry		Unallocated		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
Amounts included in the measure of segment profit or loss or segment assets:																
Addition to property, plant and equipment	1,315	-	-	14	-	-	-	-	-	-	-	-	-	121	1,315	135
Acquisition of investment property through acquisition of a subsidiary	-	-	-	-	-	-	147,686	400,000	-	-	-	-	-	-	147,686	400,000
Loss on disposal of property, plant and equipment	-	-	-	488	-	-	-	-	-	-	-	-	-	-	-	488
Depreciation of property, plant and equipment	124	5	672	707	-	-	-	-	-	-	-	24	24	820	736	
Amortisation of right-of-use assets	92	-	-	-	-	-	-	-	-	-	-	-	1,921	-	2,013	-
(Reversal of)/provision for credit loss allowances on loan and interest receivables, net	-	-	-	-	(6,740)	9,872	-	-	-	-	-	-	-	-	(6,740)	9,872
Reversal of credit loss allowances recognised on trade and other receivables, net	-	-	-	(2,688)	-	-	-	-	-	-	-	-	-	-	-	(2,688)
(Reversal of)/provision for expected credit loss on loan commitment	-	-	-	-	(2,456)	6,028	-	-	-	-	-	-	-	-	(2,456)	6,028
Change in fair value of financial assets at fair value through profit or loss ("FVTPL")	-	-	(4,133)	47,533	-	-	-	-	-	-	(1,119)	1,119	-	-	(5,252)	48,652
Change in fair value of investment properties	-	-	-	-	-	-	27,790	2,000	-	-	-	-	-	-	27,790	2,000
Loss on early redemption of promissory note	-	-	-	-	-	-	266	-	-	-	-	-	-	-	266	-
Loss on disposal of cryptocurrencies	-	-	-	17,945	-	-	-	-	-	-	-	-	-	-	-	17,945
Finance costs	9	-	19,698	18,132	-	-	6,977	5,749	-	-	-	-	172	-	26,856	23,881
Income tax (credit)/expense	-	(159)	-	-	1,517	(6,202)	84	180	-	-	1	250	-	-	1,602	(5,931)
Amounts regularly provided to the chief operating decision makers but not included in the measure of segment profit or loss or segment assets:																
Interest income	(16)	-	(1)	(2)	(2)	(2)	-	-	-	(6)	-	-	-	(3)	(19)	(13)
Share of loss of an associate	-	-	-	-	-	-	-	-	-	-	-	-	139	-	139	-

Geographical information

The Group's operations are located in Hong Kong and the PRC.

The Group's revenue from external customers in continuing operations classified in accordance with geographical location of customers during the reporting period and information about the non-current assets, except deferred tax assets, financial assets at fair value through other comprehensive income and interest in an associate classified in accordance with geographical location of the assets at the end of the reporting period are detailed below.

	2019			2018		
	Hong Kong HKD'000	The PRC HKD'000	Total HKD'000	Hong Kong HKD'000	The PRC HKD'000	Total HKD'000
Non-current assets						
Property, plant and equipment	1,918	403	2,321	1,826	-	1,826
Investment properties	664,000	134,085	798,085	678,000	-	678,000
Right-of-use assets	5,632	463	6,095	-	-	-

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

8. SEGMENT INFORMATION *(Continued)*

Information about major customers

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

Customer

	2019 HKD'000	2018 HKD'000
A ¹	39,906	–
B ²	16,619	12,241
C ³	–	13,700
D ²	–	4,770
E ²	–	4,579

¹ Revenue from trading business and related services

² Interest income from provision of financing services

³ Revenue from securities trading and investment, for the disposal of shares of a Hong Kong listed company to an independent third party

9. OTHER INCOME

	2019 HKD'000	2018 HKD'000
Interest income on bank deposits	19	13

10. FINANCE COSTS

	2019 HKD'000	2018 HKD'000
Interest expenses on:		
Bank borrowings	10,821	7,613
Other borrowings	15,486	16,268
Lease liabilities	173	–
Promissory note	368	–
Bank overdraft	8	–
	26,856	23,881

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

11. LOSS BEFORE INCOME TAX

Loss before income tax has been arrived at after charging/(crediting):

	2019 HKD'000	2018 HKD'000
Directors' and chief executive's emoluments, including share-based payment expenses of HKD4,442,000 (2018: Nil)	9,049	7,429
Other staff costs including share-based payment expenses of HKD344,000 (2018: Nil)	6,311	3,429
Contributions to retirement benefits scheme	245	173
Total staff costs	15,605	11,031
Auditor's remuneration:		
– Audit services	780	730
– Other services	430	1,160
Amortisation of right-of-use assets	2,013	–
Depreciation of property, plant and equipment	820	736
Direct operating expenses arising from investment properties that generated rental income during the year	268	306
Direct operating expenses arising from investment properties that did not generate rental income during the year	485	201
Loss on disposal of property, plant and equipment	–	488
Loss on early redemption of promissory note	266	–
Minimum lease payments in respect of operating leases of premises* (Reversal of) /provision for credit loss allowances on loan and interest receivables, net	1,157	1,188
Reversal of credit loss allowances on trade and other receivables, net (Reversal of) /provision for expected credit loss on loan commitment	(6,740)	9,872
Share-based payment expenses for consultants	–	(2,688)
	(2,456)	6,028
	13,107	–

* The amount represented to the short-term lease payments for the year ended 31 December 2019 under HKFRS 16.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

12. INCOME TAX EXPENSES/(CREDIT)

	2019 HKD'000	2018 HKD'000
Current tax:		
– Hong Kong Profits Tax	1	1,715
– Withholding tax	84	–
	85	1,715
Over-provision in respect of prior years	–	(2,193)
	85	(478)
Deferred tax charged/(credited) to profit or loss (<i>Note 24</i>)	1,517	(5,453)
Income tax expenses/(credit)	1,602	(5,931)

Notes:

- Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.
- 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 HKD2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HKD2 million will be taxed at 16.5%. The profits of group entities are 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 years.
- The withholding tax is calculated at the rate of 10% on total rental income derived in the PRC jurisdiction for the year ended 31 December 2019.
- At the end of the reporting period, the Group had unused tax losses of approximately HKD86,407,000 (2018: HKD56,431,000) available to offset against future profits. Such unused tax losses are subject to the approval of the Hong Kong Inland Revenue Department. No deferred tax asset has been recognised due to unpredictability of future profit streams. Tax losses may be carried forward indefinitely.

The income tax expenses/(credit) for the year can be reconciled to the loss before income tax as follows:

	2019 HKD'000	2018 HKD'000
Loss before income tax	(52,389)	(85,771)
Tax at domestic income tax rate	(6,651)	(14,152)
Tax effect of expenses not deductible for tax purpose	6,878	9,469
Tax effect of income not taxable for tax purpose	(1,553)	(1,271)
Tax effect of tax losses not recognised	4,265	4,995
Utilisation of tax losses previously not recognised	(1,310)	–
Tax effect of temporary differences not recognised	(111)	50
Withholding tax	84	–
Over-provision in respect of prior years	–	(2,193)
Others	–	(2,829)
Income tax expenses/(credit) for the year	1,602	(5,931)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and chief executive's remuneration for the years, disclosed pursuant to the applicable Listing Rules and CO, is as follow:

2019

	Fees HKD'000	Salaries, bonuses and other benefits in kind HKD'000	Contributions to retirement benefits scheme HKD'000	Share- based payment expenses HKD'000	Total HKD'000
Executive directors					
Mr. Wang Fei (<i>Chairman</i>) (<i>Note f</i>)	-	90	-	-	90
Mr. Lau Fai Lawrence	-	442	18	-	460
Mr. Yu Qingrui	-	202	10	327	539
Mr. Cai Linzhan (<i>Note b</i>)	-	202	10	-	212
Mr. Siu Yun Fat (<i>Note e</i>)	-	1,346	18	327	1,691
Mr. Liang Jian (<i>Chief executive officer</i>) (<i>Note g</i>)	-	497	9	1,894	2,400
Mr. Yu Zhenzhong (<i>Note h</i>)	-	60	-	1,894	1,954
Sub-total	-	2,839	65	4,442	7,346
Independent non-executive directors					
Mr. Siu Siu Ling, Robert	268	-	-	-	268
Mr. Tam Tak Wah	1,339	-	-	-	1,339
Mr. Zheng Zongjia (<i>Note d</i>)	130	-	-	-	130
Mr. Chen Pei (<i>Note i</i>)	-	-	-	-	-
Mr. Wang Ning (<i>Note j</i>)	31	-	-	-	31
Sub-total	1,768	-	-	-	1,768
Total	1,768	2,839	65	4,442	9,114

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

2018

	Fees HKD'000	Salaries, bonuses and other benefits in kind HKD'000	Contributions to retirement benefits scheme HKD'000	Share- based payment expenses HKD'000	Total HKD'000
Executive directors					
Mr. Siu Yun Fat (<i>Chairman</i>)	-	4,345	21	-	4,366
Mr. Lau Fai Lawrence	-	442	18	-	460
Mr. Yu Qingrui	-	202	10	-	212
Mr. Chen Xiaodong (<i>Note a</i>)	-	404	18	-	422
Mr. Cai Linzhan (<i>Chief executive officer</i>) (<i>Note b</i>)	-	202	10	-	212
Sub-total	-	5,595	77	-	5,672
Independent non-executive directors					
Mr. Siu Siu Ling, Robert	268	-	-	-	268
Mr. Tam Tak Wah	1,339	-	-	-	1,339
Mr. Hon Hak Ka (<i>Note c</i>)	124	-	4	-	128
Mr. Zheng Zongjia (<i>Note d</i>)	103	-	-	-	103
Sub-total	1,834	-	4	-	1,838
Total	1,834	5,595	81	-	7,510

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the two years ended 31 December 2019 and 2018.

During the two years ended 31 December 2019 and 2018, no emoluments were paid by the Group to the Directors or chief executive as an inducement to join, or upon joining the Group, or as compensation for loss of office.

Notes:

- a) Resigned as executive director and chief executive officer on 24 December 2018.
- b) Re-appointed as chief executive officer on 24 December 2018 and resigned on 13 March 2019.
- c) Resigned as independent non-executive director on 15 March 2018.
- d) Appointed as independent non-executive director on 15 March 2018.
- e) Resigned as chairman on 13 March 2019.
- f) Appointed as executive director and chairman on 13 March 2019.
- g) Appointed as executive director, vice chairman and chief executive officer on 13 March 2019.
- h) Appointed as executive director and vice chairman on 13 March 2019.
- i) Appointed as independent non-executive director on 13 March 2019.
- j) Appointed as independent non-executive director on 1 November 2019.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

Notes: (Continued)

- k) The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.
- l) The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

During the year ended 31 December 2019, certain directors were granted share options, in respect of their services to the Group under the share option scheme of the Company. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions. Details of the share option scheme are set out in Note 34(a). The amount of the benefits in relation to share options has been determined in the sole discretion of the board of directors.

14. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included four directors (2018: two directors), details of whose remuneration are set out in Note 13 above. Details of the remuneration for the year of the remaining one (2018: three) highest paid employee(s) who is/are neither a director nor chief executive of the Company is/are as follows:

	2019 HKD'000	2018 HKD'000
Salaries, bonuses and other benefits in kind	1,071	2,475
Contributions to retirement benefits scheme	18	54
Share-based payment expenses	65	–
	1,154	2,529

The number of the highest paid employee(s) who is/are not the directors whose remuneration fell within the following bands is as follows:

	Number of employee(s)	
	2019	2018
HKDNIL to HKD1,000,000	–	2
HKD1,000,001 to HKD1,500,000	1	1

During the year ended 31 December 2019, one non-director and non-chief executive highest paid employee was granted share options, in respect of the services provided to the Group under the share option scheme of the Company. Details of the share option scheme are set out in Note 34(a). The amount of the benefit in relation to the share options has been determined in the sole discretion of the board of directors.

15. DIVIDEND

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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:

	2019 HKD'000	2018 HKD'000
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	(53,991)	(79,839)

Number of shares

	2019 '000	2018 '000
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share (<i>Note</i>)	12,285,497	11,020,254

Note: The computation of diluted loss per share for both years did not assume the exercise of the Company's outstanding share options since it would result in a decrease in the loss per share.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HKD'000	Motor vehicles HKD'000	Furniture, fixtures and office equipment HKD'000	Total HKD'000
Cost				
At 1 January 2018	15,343	4,443	164	19,950
Addition	–	–	135	135
Disposal	–	(1,099)	–	(1,099)
At 31 December 2018 and 1 January 2019	15,343	3,344	299	18,986
Addition	–	804	511	1,315
At 31 December 2019	15,343	4,148	810	20,301
Accumulated depreciation and impairments				
At 1 January 2018	15,343	1,245	147	16,735
Provided for the year	–	705	31	736
Disposal	–	(311)	–	(311)
At 31 December 2018 and 1 January 2019	15,343	1,639	178	17,160
Provided for the year	–	776	44	820
At 31 December 2019	15,343	2,415	222	17,980
Carrying values				
At 31 December 2019	–	1,733	588	2,321
At 31 December 2018	–	1,705	121	1,826

During the year, the provision for the onerous contract of the committed non-cancellable lease and other related payments was fully settled (2018: HKD3,226,000), no outstanding amount carried forward as at 31 December 2019.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

18. RIGHT-OF-USE ASSETS

	Staff quarter HKD'000	Office premises HKD'000	Total HKD'000
Cost			
At 1 January 2019	–	–	–
Additions	1,285	6,823	8,108
At 31 December 2019	1,285	6,823	8,108
Accumulated amortisation:			
At 1 January 2019			
Charge for the year	354	1,659	2,013
At 31 December 2019	354	1,659	2,013
Net carrying amount			
At 31 December 2019	931	5,164	6,095

	2019 HKD'000
Fixed payments	2,466
Expense relating to short-term leases	1,157
Total cash outflow for leases	3,623

During the year, the Group leases office premises and staff quarter for its daily operations. Lease contracts are entered into for fixed term of 2 years.

19. INVESTMENT PROPERTIES – RESIDENTIAL UNITS LOCATED IN HONG KONG AND RETAIL UNITS LOCATED IN THE PRC

	2019 HKD'000	2018 HKD'000
Fair value		
At 1 January	678,000	280,000
Acquired through acquisition of a subsidiary (Note 37)	147,686	400,000
Changes in fair value recognised in profit or loss	(27,790)	(2,000)
Translation difference	189	–
At 31 December	798,085	678,000

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

19. INVESTMENT PROPERTIES – RESIDENTIAL UNITS LOCATED IN HONG KONG AND RETAIL UNITS LOCATED IN THE PRC (Continued)

	2019 HKD'000	2018 HKD'000
Hong Kong	664,000	678,000
The PRC	134,085	–
	798,085	678,000

The Group's properties interests held under operating lease to earn rentals or for capital appreciation purposes is measured using the fair value model and is classified and accounted for as investment properties.

At 31 December 2019, the Group's investment properties, with carrying amount amounting to approximately HKD285,000,000 (2018: HKD285,000,000), has been pledged to secure the bank borrowings and other borrowings granted to the Group (Notes 30 and 31). Another investment property, with carrying amount amounting to approximately HKD379,000,000 (2018: HKD393,000,000) has been pledged to secure the bank borrowings granted to the Group (Note 30) at 31 December 2019.

Fair value measurement of the Group's investment properties

The fair value of the Group's investment properties at 31 December 2019 have been arrived at on the basis of a valuation carried out by Colliers International (Hong Kong) Limited ("**Colliers**") (2018: Roma Appraisals Limited), a firm of independent qualified professional valuers, not connected to the Group. Colliers has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

19. INVESTMENT PROPERTIES – RESIDENTIAL UNITS LOCATED IN HONG KONG AND RETAIL UNITS LOCATED IN THE PRC *(Continued)*

Fair value measurement of the Group's investment properties *(Continued)*

The fair value of investment properties is a level 3 fair value measurement. The reconciliation of the opening and closing fair value balance is shown as the above table.

The fair value of investment properties was estimated using market comparison approach. Fair values are based on prices for recent market transaction in similar properties with significant adjustments for differences in the location or condition of the Group's investment properties. These adjustments are based on unobservable inputs.

Significant unobservable inputs	Range of unobservable inputs		Relationship of unobservable inputs to fair value
	Hong Kong	The PRC	
Premium/(discount) on quality of properties (e.g. location, size and condition of the properties)	2.34% to 70.91% (2018: -24.74% to 11.69%)	-6.12% to 4.56% (2018: Nil)	The higher/lower premiums for the quality of the Group's properties, the higher/lower the fair value
Selling price per unit of market comparables, taking into account difference such as age and location	HKD34,018 to HKD51,119 (2018: HKD31,980 to HKD53,500) per square feet ("sq. ft.")	RMB40,367 (approximately to HKD45,110) to RMB57,507 (approximately to HKD64,264) (2018: Nil) per square meter ("sq. m.")	The higher/lower the selling price per unit, the higher/lower the fair value

There were no changes to the valuation techniques during the year.

The fair value measurement is based on the investment properties' highest and best use, which does not differ from their actual use.

During the years, there were no transfers into or out of Level 3 or any other Level.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

20. INTEREST IN AN ASSOCIATE

	2019 HKD'000	2018 HKD'000
Cost of investment in an associate	559	–
Share of loss	(139)	–
Translation difference	3	–
	423	–

On 8 October 2019, Smart Prosper Enterprises (International) Limited, a wholly-owned subsidiary of the Company, entered into an incorporation agreement with the independent third parties for the formation of 揚州越界未來健康科技有限公司 (“揚州越界”) and the Group subscribed for 30% equity interests of 揚州越界. The subscription consideration was equivalent to RMB1,980,000 (equivalent to approximately HKD2,213,000). 揚州越界 is principally engaged in trading and development of beauty and health product in the PRC. The Group explores opportunities in these core businesses to create long-term value for its shareholders.

The Group considered it has significant influence over 揚州越界 due to the Group has the right to appoint 2 out of 5 directors of 揚州越界, representing 40% of the board of directors.

As at 31 December 2019, the Group has paid RMB500,000 (equivalent to approximately HKD559,000) for the registered capital of 揚州越界. The Group shall pay the remaining registered capital amounting to RMB1,480,000 (equivalent to approximately HKD1,654,000) within two years after the date of issuance of business license as detailed in Note 38. Up to the date of this report, 揚州越界 remains inactive.

The particulars of the associate of the Group as at 31 December 2019 was as follows:

Name	Particulars of registered capital	Place of incorporation/ operation	Proportion of ownership interest attributable to the Group		Place of operation and principal activities
			2019	2018	
揚州越界	RMB6,600,000	The PRC	30%	Nil	Trading and development of beauty and health product in the PRC

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

20. INTEREST IN AN ASSOCIATE (Continued)

The following illustrates the summarised financial information of the Group's associate extracted from its management accounts which have been adjusted to ensure consistency in accounting policies adopted by the Group.

	As at 31 December 2019 HKD'000
Current assets	1,939
Current liabilities	(528)
Net assets	1,411

	Year ended 31 December 2019 HKD'000
Revenue	–
Loss and total comprehensive loss for the year	462

Reconciliation of the above recognised financial information to the carrying amount of the interests in the associates recognised in the consolidated financial statements:

	2019 HKD'000
Net assets of the associate	1,411
Group's interest in an associate	30%
Carrying amount of the Group's interest in an associate	423

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019 HKD'000	2018 HKD'000
Listed securities, at fair value:		
Equity securities listed in Hong Kong	270,627	698,020
Unlisted securities, at fair value:		
Equity securities in Hong Kong	-	-

Listed equity securities in Hong Kong

	2019 HKD'000	2018 HKD'000
At 1 January	698,020	882,504
Additions	-	321,994
Disposal	(54,562)	(10,172)
Changes in fair value through other comprehensive income	(372,831)	(496,306)
At 31 December	270,627	698,020

Note:

The balance as at 31 December 2019 represents two listed equity securities which are listed on the Stock Exchange, amounting to approximately HKD28,252,000 and HKD242,375,000, namely Central Wealth Group Holdings Limited, a related company of the Group up to 13 March 2019 ("**Central Wealth**") and CMBC Capital Holdings Limited ("**CMBC**"), respectively (2018: HKD23,820,000 and HKD674,200,000), which were irrevocably designated at FVTOCI as the Group considers these investments to be strategic in nature. The fair values of the listed equity securities investments were determined based on the quoted market closing prices on the Stock Exchange. During the year, the dividends received from these investments were approximately HKD4,061,000 (2018: Nil).

During the year ended 31 December 2019, the Group sold part of its shares in CMBC in order to strengthen the cash position of the Group for repayments of margin loans and use for future business plans. The shares were sold at HKD54,562,000 and resulted in a cumulative fair value loss of approximately HKD145,431,000 reclassified to retained earnings.

During the year ended 31 December 2018, the Group sold part of its shares in CMBC due to the release of a sensitive media report in relation to CMBC. The shares were sold at HKD5,934,000 and resulted in a cumulative loss of approximately HKD4,238,000 on disposal.

At 31 December 2019, the Group's financial assets at FVTOCI, with carrying amount of approximately HKD270,627,000 (2018: HKD676,095,000), have been pledged to secure the other borrowings granted to the Group (Note 31).

Unlisted equity securities in Hong Kong

The unlisted equity securities are shares in Upcoin Trading Centre Limited ("**Upcoin**"), a company incorporated in Hong Kong and was dormant during the year. The Group acquired the shares in Upcoin in July 2018 and designated it as financial asset at FVTOCI, as the investment is held for strategic purposes. No dividends were received on this investment during the year (2018:Nil). The directors of the Company considered the fair value of the investment in Upcoin is nil as at 31 December 2018. The Group disposed of the shares in Upcoin to an independent third party on 26 April 2019 at the consideration of HKD1.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	2019 HKD'000	2018 HKD'000
Listed securities held for trading, at fair value:			
Equity securities listed in Hong Kong	(i)	26,350	22,217
Debt investment in film industry	(ii)	–	9,177
		26,350	31,394

The below table reconciled the equity securities listed in Hong Kong:

	2019 HKD'000	2018 HKD'000
At 1 January	22,217	183,620
Additions	–	176,777
Disposals	–	(290,647)
Changes in fair value	4,133	(47,533)
At 31 December	26,350	22,217

The below table reconciled the debt investment in film industry:

	2019 HKD'000	2018 HKD'000
At 1 January	9,177	10,296
Changes in fair value	1,119	(1,119)
Settlement of debt investment	(10,296)	–
At 31 December	–	9,177

Notes:

- (i) The fair values of the listed equity securities investments as at 31 December 2019 and 2018 were determined based on the quoted market closing prices on the Stock Exchange.

As at 31 December 2019, the Group's financial assets at FVTPL, with carrying amount of approximately HKD26,350,000 (2018: HKD22,217,000), have been pledged to secure the other borrowings granted to the Group (Note 31).

During the year ended 31 December 2018, the Group had disposed of certain shares of Central Wealth to one of the directors of Central Wealth at a consideration of HKD13,700,000, resulting in a realised gain on disposal of approximately HKD1,500,000.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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

Notes: (Continued)

- (ii) One of the Group's loan due from an entity engaged in investment in film industry ("Film Production Investor") amounted to approximately United States Dollars ("USD") 1,320,000 (equivalent to approximately HKD10,296,000) did not fulfill the contractual cash flow characteristics test specified in HKFRS 9, such loan has been classified as financial assets at FVTPL. The loan is unsecured, and bearing fixed interest rate at 8% per annum with upside return.

As the Group is entitled an additional return (the "Upside Return") from the loan, with reference to sum received or receivable from the Film Production Investor in connection to the provision of distribution services of the film. After assessment on status of the distribution service, the management considered that it was remote to recognise the Upside Return during both years.

As at 31 December 2018, Mr. Yu Qingrui ("Mr. Yu"), who is a shareholder and a director of the Company, agreed to provide guarantee to the Group on the principal receivables, interest receivables and Upside Return, if any, from the borrower.

During the year ended 31 December 2019, the Film Production Investor fully settled the outstanding balance. The change in fair value of financial assets at FVTPL was amounting to approximately HKD1,119,000.

Mr. Chen Xiaodong ("Mr. Chen"), a former shareholder and a former director (appointed on 11 August 2017 and resigned on 24 December 2018) of the Company, who is the sole director of the Film Production Investor and a director of Central Wealth, and has indirect equity interest in the Film Production Investor. Debt investment in film industry of the Group, being the loan to Film Production Investor, disclosed pursuant to Section 383 of the CO (Cap.622) and the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G), was amounting to approximately HKD9,177,000 as at 31 December 2018. During the year ended 31 December 2018, the maximum amount outstanding was amounting to approximately HKD10,296,000.

23. LOAN AND INTEREST RECEIVABLES

	Notes	2019 HKD'000	2018 HKD'000
From investment in film industry (including interest receivables of HKD1,639,000 (2018: HKD1,813,000))	(i)	10,706	10,880
From money lending business (including interest receivables of approximately HKD6,187,000 (2018: HKD3,225,000))	(ii)	312,187	439,225
Less: allowance of credit losses		(20,277)	(27,017)
		291,910	412,208
		302,616	423,088

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

23. LOAN AND INTEREST RECEIVABLES (Continued)

Notes:

(i) From investment in film industry

During the years ended 31 December 2017 and 2018, the Group entered into three loan agreements to provide loans to the Film Production Investor for film distribution. One of the loans was fully settled during the year ended 31 December 2019.

The loans to the Film Production Investor have generated interest income of approximately HKD878,000 during the year (2018: HKD689,000). As at 31 December 2019, the loan receivables and interest receivables due from the Film Production Investor were approximately USD1,163,000 (equivalent to approximately HKD9,067,000) and USD210,000 (equivalent to approximately HKD1,639,000), respectively (2018: USD1,163,000 (equivalent to approximately HKD9,067,000) and USD232,300 (equivalent to approximately HKD1,813,000)). The loans are unsecured, bear fixed interest rate ranging from 8% to 12% per annum and interest accrued and principal are repayable on the second or third anniversary of the date of the agreements or under the demand of the Group.

As at 31 December 2019 and 2018, Mr. Yu agreed to provide guarantee to the Group in respect of all of the abovementioned loans and related interest.

Mr. Chen was resigned as director of the Company on 24 December 2018. Loans receivables from investment in film industry of the Group, being the loans to Film Production Investor, disclosed pursuant to Section 383 of the CO (Cap.622) and the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G), were amounting to approximately HKD10,880,000 as at 31 December 2018. During the year ended 31 December 2018, the maximum amount outstanding was amounting to approximately HKD14,399,000.

(ii) From money lending business

The loan receivables from 4 borrowers (2018: 7 borrowers) are unsecured, bearing fixed interest rates at 8% (2018: 8%) per annum and repayable according to the respective loan agreements.

The movement of the gross carrying amount of loan and interest receivables is as follows:

	Stage 1 HKD'000	Stage 2 HKD'000	Stage 3 HKD'000	Total HKD'000
At 1 January 2018	264,702	-	-	264,702
Additions	359,562	-	-	359,562
Repayments	(185,039)	-	-	(185,039)
At 31 December 2018 and 1 January 2019	439,225	-	-	439,225
Transfer to lifetime ECL not credit impaired (Stage 2)	(40,579)	40,579	-	-
Additions	214,361	-	-	214,361
Repayments	(314,820)	(26,579)	-	(341,399)
At 31 December 2019	298,187	14,000	-	312,187

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

23. LOAN AND INTEREST RECEIVABLES (Continued)

Notes: (Continued)

(ii) From money lending business (Continued)

The movement of provision for ECL of loan and interest receivables is as follows:

	2019			Total HKD'000
	Stage 1 HKD'000	Stage 2 HKD'000	Stage 3 HKD'000	
As at 1 January	27,017	–	–	27,017
Transfer to lifetime ECL not credit impaired (Stage 2)	(2,614)	2,614	–	–
Additions	14,041	–	–	14,041
Repayments	(19,596)	(1,746)	–	(21,342)
Change in risk parameters	520	41	–	561
As at 31 December	19,368	909	–	20,277
ECL rate	6.49%	6.49%	–	6.49%

	2018			Total HKD'000
	Stage 1 HKD'000	Stage 2 HKD'000	Stage 3 HKD'000	
At 1 January	17,145	–	–	17,145
Additions	22,117	–	–	22,117
Repayments	(11,896)	–	–	(11,896)
Change in risk parameters	(349)	–	–	(349)
At 31 December	27,017	–	–	27,017
ECL rate	6.15%	–	–	6.15%

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

23. LOAN AND INTEREST RECEIVABLES *(Continued)*

Notes: (Continued)

(ii) From money lending business *(Continued)*

The maturity profile of these loan and interest receivables, net of credit loss allowances, at the end of the reporting period, analysed by the remaining periods to their contracted maturity, is as follows:

	2019 HKD'000	2018 HKD'000
On demand or within 1 year after the end of reporting period	291,910	249,933
More than one year, but not more than two years after the end of reporting period <i>(note)</i>	–	162,275
	291,910	412,208

Note: These loan and interest receivables are not scheduled to be received within one year from the end of the reporting period but contain a repayment on demand clause.

The loan receivables have been reviewed by the management of the Group to assess impairment which are based on the evaluation of collectability, ageing analysis of accounts and on management's judgement, including the current creditworthiness and the past statistics of individually significant accounts or a portfolio of accounts on a collective basis.

As at 31 December 2019, the Group has granted an aggregate irrevocable loan facility of HKD270,000,000 (2018: HKD270,000,000) to Central Wealth and the total loans advanced to Central Wealth were amounted to approximately HKD215,000,000 (2018: HKD172,000,000) and generated interest income of approximately HKD3,101,000 for the period from 1 January 2019 to 13 March 2019 (year ended 31 December 2018: HKD12,241,000) from Central Wealth, a related company of the Group up to 13 March 2019. These loans are unsecured, bearing fixed interest rate at 8% per annum and repayable under the demand of the Group or no later than 31 December 2020.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

23. LOAN AND INTEREST RECEIVABLES *(Continued)*

Mr. Yu is a common director of Central Wealth and the Company. Loan and interest receivables of the Group disclosed pursuant to Section 383 of the CO (Cap.622) and the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) are as follows:

	Maximum amount outstanding during the year HKD'000	2019 HKD'000	2018 HKD'000
Gross loans to Central Wealth (including interest receivables of approximately HKD5,224,000 (2018: HKD910,000))	220,224	220,224	172,910
Credit loss allowances on loans to Central Wealth (including credit loss allowances on interest receivables of approximately HKD339,000 (2018: HK56,000))	14,304	14,304	10,636

24. DEFERRED TAX ASSETS

The movements in deferred tax assets during the year are as follows:-

Deferred tax assets

	Credit loss allowances HKD'000
1 January 2018	-
Deferred tax credited to the profit or loss <i>(Note 12)</i>	5,453
31 December 2018 and 1 January 2019	5,453
Deferred tax charged to the profit or loss <i>(Note 12)</i>	(1,517)
31 December 2019	3,936

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

25. INTEREST IN A FILM RIGHT/INTEREST IN A FILM IN PROGRESS

During the year ended 2016, China Wisdom Group Limited (“**China Wisdom**”), an indirect wholly-owned subsidiary of the Group, entered into an investing agreement to invest a total of RMB12,000,000 (equivalent to HKD14,400,000) in a film production with the Film Production Investor. Pursuant to the investing agreement, China Wisdom acts as a passive investor and does/will not involve in any of the activities of the film production.

As at 31 December 2017, a sum of RMB10,800,000 (equivalent to HKD12,960,000) has been paid as the investment cost (the “**Film Investment Cost**”) and recognised as interest in a film in progress.

During the year ended 2018, the production of the film has been completed and the film has been on show. Due to the loss on the film investment, the Film Production Investor has agreed to refund the Film Investment Cost in full to the Group, the carrying amount of interest in a film in progress was transferred to other receivables of which HKD7,500,000 was settled. The remaining balance of approximately HKD5,460,000 remained in other receivables in Note 26(ii) as at 31 December 2018.

As at 31 December 2019 and 2018, the Group had also provided financial assistance to the Film Production Investor on the film distribution as set out in Note 23(i).

26. TRADE AND OTHER RECEIVABLES

	Notes	2019 HKD'000	2018 HKD'000
Trade receivables	(i)	649	–
Other receivables	(ii)	9,449	7,957
		10,098	7,957

Notes:

(i) Trade receivables

As at 31 December 2019, trade receivables comprise amounts receivable from the trading business and related services. No interest was charged on the trade receivables.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

26. TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(i) Trade receivables (Continued)

During the year ended 31 December 2019, the Group generally allows an average credit period of 3-30 days. The following is an ageing analysis of trade receivables, net of credit loss allowances, presented based on the invoice dates, which approximated the respective revenue recognition dates:

	2019 HKD'000	2018 HKD'000
0-30 days	195	–
31-90 days	432	–
91-180 days	–	–
Over 180 days	22	–
	649	–

As at 31 December 2019 and 2018, no credit loss allowance on the trade receivables was provided.

(ii) Other receivables

As at 31 December 2019, the balance mainly comprised prepayments for inventories amounting to approximately HKD4,165,000 (2018: Nil), rental income receivables in relation to investment properties in the PRC amounting to approximately HKD827,000 (2018: Nil) and rental deposits paid amounting to approximately HKD1,925,000 (2018: HKD924,000).

As at 31 December 2018, other receivables mainly comprised a receivable from the Film Production Investor amounting to approximately HKD5,460,000 in relation to the refund of investment cost in a film right. In February 2019, this receivable had been fully settled.

27. PLEDGED BANK DEPOSITS AND CASH AND BANK BALANCES

	2019 HKD'000	2018 HKD'000
Cash and bank balances (Note (i))	10,986	6,194
Pledged bank deposits (Note (ii))	1,410	–
	12,396	6,194

Notes:

- (i) Bank balances carry interest at floating rates based on daily bank deposit rate. The bank balances are deposited with creditworthy banks with no recent history of default.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

27. PLEDGED BANK DEPOSITS AND CASH AND BANK BALANCES *(Continued)*

Notes: *(Continued)*

(i) *(Continued)*

Included in cash and bank balances are the following amounts denominated in a currency other than functional currency of the entities:

	2019 HKD'000	2018 HKD'000
RMB	53	12

At 31 December 2019, there was approximately HKD53,000 (2018: HKD12,000) denominated in RMB and deposited with banks in the PRC, RMB is not freely convertible into other currencies, however, under Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations in the PRC, the Group is permitted to exchange RMB for other currencies through authorised banks to conduct foreign exchange business.

(ii) As at 31 December 2019, a bank deposit in amount of EUR160,000 in equivalent to HKD1,410,000, carried average interest rate at 0.06% per annum, has been pledged to a bank for the issuance of a letter of guarantee for trading business.

28. ACCRUALS AND OTHER PAYABLES/CONTRACT LIABILITIES

	Notes	2019 HKD'000	2018 HKD'000
Accruals	(i)	3,356	7,213
Deposits received	(ii)	1,347	1,000
Other payables	(iii)	3,572	6,028
		8,275	14,241
Contract liabilities	(iv)	3,014	–
		11,289	14,241

Notes:

(i) At 31 December 2019, included in the balance was mainly accruals of operating expenses.

At 31 December 2018, included in the balance were mainly provision for the onerous contract of the committed lease and other payments of approximately HKD3,226,000 which was fully settled during the current year.

(ii) Rental deposit of HKD1,347,000 was received from the tenants as at 31 December 2019 (2018: HKD1,000,000).

(iii) Provision for expected credit loss on loan commitment amounted to approximately HKD3,572,000 in relation to the undrawn loan commitment granted to Central Wealth as at 31 December 2019 (2018: HKD6,028,000).

The movement of provision for ECL of loan commitment is as follows:

	2019 HKD'000	2018 HKD'000
At the beginning of the year	6,028	–
Addition due to new commitment	–	16,608
Reversal due to utilisation	(3,383)	(10,580)
Change in risk parameter	927	–
At the end of the year	3,572	6,028

(iv) Contract liabilities amounting to approximately HKD3,014,000 (2018: Nil) was received from customer as at 31 December 2019 and are expected to be recognised within one year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

29. LEASE LIABILITIES

Lease liabilities are presented in the consolidated statement of financial position as follows:

	2019 HKD'000
Lease liabilities payable:	
– Within one year	4,252
– Within a period of more than one year but not more than two years	1,787
	6,039
Less: future finance charges	(224)
	5,815
Less: portion classified as current liabilities	(4,051)
Non-current liabilities	1,764

Lease obligations that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2019 HKD'000
RMB	442

The Group has leases for staff quarter and office premises. These leases are reflected on the consolidated statement of financial position as right-of-use assets and lease liabilities. The Group classifies its right-of-use assets in a consistent manner to its staff quarter and office premises (Note 18).

Each lease generally imposes a restriction that the right-of-use asset can only be used by the Group. The leases do not contain any variable lease payment, extension options and termination option among the lease contracts.

The table below describes the nature of the Group's leasing activities recognised as right-of-use asset in the consolidated statements of financial position:

Right-of-use assets	No. of leases	Remaining lease term (months)
Staff quarter	2	16 to 19
Office premises	2	18 to 20

The incremental borrowing rate applied by relevant group entities are 4.8%-5.4% per annum.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

30. BANK BORROWINGS

	2019 HKD'000	2018 HKD'000
Secured bank borrowings	312,369	320,945

	2019 HKD'000	2018 HKD'000
Carrying amount scheduled to repay as follows:		
Within one year	88,838	88,567
More than one year, but not more than two years	9,130	8,788
More than two years, but not more than five years	28,941	28,028
More than five years	185,460	195,562
	312,369	320,945

	2019 HKD'000	2018 HKD'000
Carrying amount of the bank borrowings that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	223,531	232,378
Carrying amount repayable within one year	88,838	88,567
	312,369	320,945

The bank borrowings bear interest at range of HKD Prime Rate – 2.5% per annum, 2% per annum + HIBOR (1 month) and 2.5% per annum over HIBOR (1 week to 1 month) at 31 December 2019 (2018: Prime rate – 2.5% per annum, 2% per annum + HIBOR (1 month) and 2.5% per annum over HIBOR (1 week to 1 month)). The weighted average effective interest rates on the bank borrowings are as follows:

	2019	2018
Secured bank borrowings (per annum)	2.85% – 3.81%	2.78% – 3.67%

At 31 December 2019, the Group's bank borrowings are secured by the investment properties amounting to approximately HKD664,000,000 (2018: HKD678,000,000) (Note 19).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

31. OTHER BORROWINGS

(i) Securities Broker A

On 22 June 2017, Golden Horse Hong Kong Investment Limited (“**Golden Horse**”), a wholly-owned subsidiary of the Group, entered into a margin loan account client agreement (the “**Margin Loan Agreement A**”) with Securities Broker A, an independent securities broker. Pursuant to the Margin Loan Agreement A, Securities Broker A provided a margin loan facility to the Group up to HKD100,000,000 at a fixed interest rate of 7% per annum payable in arrears.

The aforesaid loan can be utilised by the Group to acquire, on and/or off the Stock Exchange, the listed shares of CMBC no more than HKD60,000,000 and acquire specified listed shares (the “**Specified Listed Shares**”) no more than HKD40,000,000 (the “**Margin Loan Restriction**”).

Note: Specified Listed Shares means listed shares excluding the listed shares of Central Wealth and CMBC.

Golden Horse entered into the first amendment and restatement deed with Securities Broker A on 15 August 2017. The principal amount of margin loan facility was subsequently increased from HKD100,000,000 to HKD150,000,000.

Golden Horse entered into the second amendment and restatement deed with Securities Broker A on 22 June 2018. The principal amount of margin loan facility was decreased from HKD150,000,000 to HKD120,000,000 at a fixed interest rate 9.5% effective on 23 June 2018. The Margin Loan Restriction was revoked on 22 June 2018.

At 31 December 2019, the Group has utilised approximately HKD32,291,000 (2018: HKD57,213,000) from the margin loan facility granted by Securities Broker A.

(ii) Securities Broker B

On 26 March 2018, Golden Horse entered into a margin loan account client agreement (the “**Margin Loan Agreement B**”) with Securities Broker B, an independent securities broker. Pursuant to the Margin Loan Agreement B, Securities Broker B provided a margin loan facility to the Group up to HKD125,000,000 at a interest rate of 6% per annum. At 31 December 2019, the Group has utilised approximately HKD105,864,000 (2018: HKD128,141,000) of the margin loan facility granted by Securities Broker B at a interest rate of 9% per annum.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

31. OTHER BORROWINGS *(Continued)*

(iii) Securities Broker C

On 8 June 2018, Golden Horse entered into a revolving loan account client agreement (the “**Revolving Loan Agreement**”) with Securities Broker C, an independent authorised financial institution. Pursuant to the Revolving Loan Agreement, Securities Broker C provided a revolving loan facility to the Group up to HKD35,000,000 at a fixed interest rate of HKD Prime Rate – 2% per annum. At 31 December 2019, the Group has utilised approximately HKD34,906,000 (2018: HKD34,906,000) of the margin loan facility granted by Securities Broker C.

(iv) Central Wealth Securities Investment Limited (the “CWSI”)

On 25 April 2018 and 29 June 2018, the Company entered into a master services agreement and a supplemental master services agreement respectively (collectively the “**Master Services Agreement**”), with CWSI, a subsidiary of Central Wealth (the “**Margin Financier**”). Pursuant to the Master Services Agreement, the Margin Financier provided a margin loan facility to the Group with daily maximum amounts not exceeding HKD100,000,000 and margin loan interest not exceeding HKD8,000,000 per annum. The other borrowings due to the Margin Financier would be repayable on demand and may be varied or terminated in the absolute discretion of the Margin Financier. At 31 December 2019 and 2018, such facility has not been utilised.

At 31 December 2019, the other borrowings are secured by the pledges of financial assets at FTVOCI of approximately HKD270,627,000 (2018: HKD676,095,000) (Note 21), financial asset at FVTPL of approximately HKD26,350,000 (2018: HKD22,217,000) (Note 22) and an investment property of approximately HKD285,000,000 (2018: HKD285,000,000) (Note 19). The other borrowings with carrying amount amounting to approximately HKD34,906,000 (2018: HKD34,906,000) are repayable within twelve months from the first drawdown date, approximately HKD138,155,000 (2018: HKD185,354,000) are repayable within twelve months from the first drawdown date or under the demand of the lender or with no fixed terms of repayment.

Partial of the other borrowings amounting to approximately HKD138,155,000 (2018: HKD185,354,000) are subject to the fulfilment of covenants, but certain covenants have not been fulfilled.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

32. SHARE CAPITAL

	Number of ordinary shares <i>(Note a)</i>	Number of preference shares	Amount HKD'000
Share capital			
Ordinary shares of HKD0.001 each			
<i>Authorised:</i>			
At 31 December 2019 and 31 December 2018	249,480,000,000	520,000,000	250,000
<i>Issued and fully paid:</i>			
At 1 January 2018	8,157,187,998	–	8,157
Issuance of shares upon placing <i>(Note b)</i>	1,630,000,000	–	1,630
Issuance of shares upon acquisition of a subsidiary <i>(Note c)</i>	1,793,103,448	–	1,793
At 31 December 2018 and 1 January 2019	11,580,291,446	–	11,580
Issuance of shares upon allotment <i>(Note d)</i>	900,000,000	–	900
At 31 December 2019	12,480,291,446	–	12,480

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

32. SHARE CAPITAL (Continued)

Notes:

- (a) All the ordinary shares which were issued by the Company rank pari passu with each other in all respects.
- (b) On 11 December 2017, the Company entered into a placing agreement with CWSI, a former associate of the Group and acting as a placing agent. Pursuant to the placing agreement, the Company has conditionally agreed to place through CWSI up to 1,630,000,000 placing shares at the placing price of HKD0.145 per placing share to not less than six places who and whose beneficial owners shall be independent third parties. The placing shares were issued under the general mandate which was granted to the directors at the extraordinary general meeting of the Company held on 31 October 2017. The placing was completed on 2 January 2018. The net proceeds after deducting the placing commission and other related expenses approximately HKD8,272,000, amounted to approximately HKD228,078,000.
- (c) As explained in Note 37, upon completion of the acquisition of Goodview Assets, the Company allotted and issued 1,793,103,448 shares to Central Wealth. The related expenses for the allotment were approximately HKD1,111,000.
- (d) On 27 February 2019, the Company entered into a subscription agreement with an independent third party, Victory Intelligence Industry Limited (the "**Subscriber**"). Pursuant to the subscription agreement, the Subscriber has conditionally agreed to subscribe up to 900,000,000 shares at the subscription price of HKD0.064 per subscription share. The subscription shares were allotted and issued under the general mandate which was granted to the directors at the annual general meeting held on 31 May 2018. The subscription was completed on 13 March 2019. The net proceeds after deducting the subscription commission and other related expenses approximately HKD83,000, amounted to approximately HKD57,517,000.

33. RESERVES

The following describes the nature and purpose of each reserve within owners' equity

Reserves	Description and purpose
Share premium	Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum or Articles of Associations and provided that immediately following the distribution or dividends, the Company is able to pay its debts as they fall due in the ordinary course of business.
Share option reserve	Cumulative expenses recognised on the granting of share options over the vesting period.
Translation reserve	Cumulative gains/losses arising on retranslating the net assets of foreign operations into presentation currency.
Fair value reserve (non-cycling)	Gains/losses arising on recognising financial assets classified as FVTOCI.
Other reserve	Receipt of partial proceeds for placing of new shares, which was completed during the year ended 31 December 2018.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

33. RESERVES (Continued)

The Company

	Share premium HKD'000	Share options reserve HKD'000 <i>(Note 34(a))</i>	Other reserve HKD'000	Accumulated losses HKD'000	Total HKD'000
At 1 January 2018	938,170	24,237	120,000	(144,696)	937,711
Loss and comprehensive loss for the year	–	–	–	(91,381)	(91,381)
Issuance of shares upon placing, net of transaction costs <i>(Note 32(b))</i>	226,448	–	(120,000)	–	106,448
Issuance of shares for an acquisition cost <i>(Note 32(c))</i>	258,786	–	–	–	258,786
Lapse of share options	–	(678)	–	678	–
At 31 December 2018	1,423,404	23,559	–	(235,399)	1,211,564
Loss and comprehensive loss for the year	–	–	–	(385,709)	(385,709)
Issuance of shares upon allotment, net of transaction costs <i>(Note 32(d))</i>	56,617	–	–	–	56,617
Recognition of equity-settled share-based payments	–	17,893	–	–	17,893
Lapse of share options	–	(23,559)	–	23,559	–
At 31 December 2019	1,480,021	17,893	–	(597,549)	900,365

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

34. SHARE OPTION SCHEME/EQUITY SETTLED SHARE-BASED TRANSACTIONS

a) Share option scheme

Scheme 2003

Pursuant to the written resolutions passed by all of the shareholders of the Company on 2 June 2003, the Company adopted a share option scheme (the “**Scheme 2003**”). Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 22 February 2012, the Scheme 2003 was terminated and a new share option scheme (the “**Scheme 2012**”) was adopted. The adoption of Scheme 2012 will not in any event affect the terms of the grant of such outstanding options that has already been granted under the Scheme 2003 and shall continue to be valid and subject to the provisions of Scheme 2003.

The purpose of the Scheme 2003 is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. Under the Scheme 2003, the Directors may, at their absolute discretion, invite any employee (whether full-time or part time, including any executive director), any non-executive director (including independent non-executive director), any supplier of goods or services, any customer, any person or entity that provides research, development or other technological support, any shareholder, any adviser (professional or otherwise) or consultant to any area of business or business development of the Group or its investee companies to take up options to subscribe for shares in the Company representing up to a maximum 10% of the shares in issue as at the date of commencement of listing of shares of the Company on the Stock Exchange and subject to renewal with shareholders' approval. The number of shares in respect of which options may be granted to any individual in aggregate within any 12-month period is not permitted to exceed 1% of the shares of the Company in issue, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in any one year exceeding the higher of 0.1% of the Company's shares in issue and with a value in excess of HKD5,000,000 must be approved by the Company's shareholders. Options granted must be taken up within 21 days of the date of grant, upon payment of HKD1 per each grant of options. Options may be exercised at any time from the date of acceptance of the share option to such date as determined by the board of directors of the Company but in any event not exceeding 10 years. The exercise price is determined by the directors and will be not less than the higher of the closing price of the Company's shares on the date of grant, the average closing prices of the shares for the five business days immediately preceding the date of grant and the nominal value of the Company's shares.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

34. SHARE OPTION SCHEME/EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

a) Share option scheme (Continued)

Scheme 2012

Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 22 February 2012, the Scheme 2003, was terminated and the Scheme 2012 was adopted. The purpose of the Scheme 2012 is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. Under the Scheme 2012, the Directors may, at their absolute discretion, invite any employee (whether full-time or part time, including any executive director), any non-executive director (including independent non-executive director), any supplier of goods or services to any member of the Group or any entity in which the Group holds any equity interest (the “**Invested Entity**”), any customer of the Group or any Invested Entity, any consultant, adviser, agent and contractor engaged by the Group or any Invested Entity, any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity to take up options to subscribe for shares in the Company representing up to a maximum 30% of the issued share capital of the Company from time to time and subject to renewal with shareholders’ approval. The number of shares in respect of which options may be granted to any individual in aggregate within any 12-month period is not permitted to exceed 1% of the shares of the Company in issue, without prior approval from the Company’s shareholders. Options granted to substantial shareholders or independent non-executive directors in any one year exceeding the higher of 0.1% of the Company’s shares in issue and with a value in excess of HKD5,000,000 must be approved by the Company’s shareholders. Options granted must be taken up within 28 days of the date of grant, upon payment of HKD1 per each grant of options. Options may be exercised at any time from the date of acceptance of the share option to such date as determined by the Board but in any event not exceeding 10 years. The exercise price is determined by the directors and will be not less than the higher of the closing price of the Company’s shares on the date of grant, the average closing prices of the shares for the five business days immediately preceding the date of grant and the nominal value of the Company’s shares.

The existing scheme mandate limit in respect of the granting of options to subscribe for shares of the Company under the Scheme 2012 has been refreshed at the adjourned annual general meeting held on 31 May 2017 which the total number of shares of the Company may be allotted and issued pursuant to the grant or exercises of the options under Scheme 2012 shall not be exceed 10% of the shares of the Company in issue as at 31 May 2017.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

34. SHARE OPTION SCHEME/EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

a) Share option scheme (Continued)

Scheme 2012 (Continued)

The following table discloses details and movements of the Company's share options held by senior management, employees and consultants under Scheme 2003 and Scheme 2012 during the years ended 31 December 2019 and 2018:

	Date of grant	2019 exercise price HKD	2018 exercise price HKD	Exercisable period	Outstanding at 1.1.2018	Lapsed during the year	Outstanding at 31.12.2018	Granted during the year	Lapsed during the year	Outstanding at 31.12.2019
Scheme 2003										
Employees	30 January 2008	N/A	N/A	30 January 2008 to 29 January 2018	1,559,513	(1,559,513)	-	-	-	-
Weighted average exercise price		N/A	N/A		1,559,513	(1,559,513)	-	-	-	-
Scheme 2012										
Directors	28 July 2017	N/A	0.127	28 July 2017 to 27 July 2019	192,000,000	-	192,000,000	-	(192,000,000)	-
	26 March 2019	0.124	N/A	26 March 2019 to 25 March 2021	-	-	-	258,000,000	-	258,000,000
Employees	28 July 2017	N/A	0.127	28 July 2017 to 27 July 2019	64,000,000	-	64,000,000	-	(64,000,000)	-
	26 March 2019	0.124	N/A	26 March 2019 to 25 March 2021	-	-	-	20,000,000	-	20,000,000
Consultants	28 July 2017	N/A	0.127	28 July 2017 to 27 July 2019	384,000,000	-	384,000,000	-	(384,000,000)	-
	26 March 2019	0.124	N/A	26 March 2019 to 25 March 2021	-	-	-	440,000,000	-	440,000,000
	6 June 2019	0.0798	N/A	6 June 2019 to 5 June 2021	-	-	-	440,000,000	-	440,000,000
Weighted average exercise price		0.107	0.127		640,000,000	-	640,000,000	1,158,000,000	(640,000,000)	1,158,000,000

The weighted average remaining contractual life of these outstanding share options is approximately 1.31 year (2018: 0.58 year).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

34. SHARE OPTION SCHEME/EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

a) Share option scheme (Continued)

Scheme 2012 (Continued)

During the year ended 31 December 2019, the fair values of the share options were determined at the date of grant by using the Binomial Option Pricing Model, evaluated by Roma Appraisals Limited, a firm of independent professional valuers, with the following inputs:

	26 March 2019	6 June 2019
Share price at date of grant	HKD0.104	HKD0.077
Exercise price	HKD0.124	HKD0.080
Expected volatility	49.679%	53.739%
Risk-free rate	1.385%	1.385%
Expected dividend yield	0%	0%
Expected life	2 years	2 years

Share options granted under the Scheme 2012 may be exercised at any time during the exercisable period as disclosed above. Share options will be fully vested on the first anniversary date from the date of grant.

The details of the fair value per option for options granted during the year ended 31 December 2019 was set out below:

During the year ended 31 December 2019, the fair value of options granted to directors, employees and consultants on 26 March 2019 amounting to approximately HKD16,134,000, of which HKD12,360,000 was included in the profit or loss for the year ended 31 December 2019 (2018: Nil). The fair value of share options granted to consultants on 6 June 2019 amounting to approximately HKD9,715,000, of which HKD5,533,000 was included in the consolidated profit or loss for the year ended 31 December 2019 (2018:Nil).

The consultants were engaged to advise on the business expansion through strategic development in different businesses. In the opinion of the directors of the Company, the fair value of services of the consultants cannot be measured reliably and the Group measured the services rendered by the consultants with reference to the fair value of shares options granted.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

34. SHARE OPTION SCHEME/EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

b) Equity settled share-based transactions

On 15 July 2015 (the “**Adoption Date**”), the directors adopted a share award scheme (the “**Share Award Scheme**”) to recognise the contributions by certain employees and persons to the Group and to provide them with incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of and contribution to the Group. A trustee is appointed by the Group for administering the Share Award Scheme.

Pursuant to the Share Award Scheme, the Company’s shares may be acquired by the administration committee or the trustee at the cost of the Company. Such shares will be held in trust for the selected person until the vesting criteria and conditions have been satisfied.

The directors may, from time to time, at its sole and absolute discretion, select any executives, officers, directors, holders of any securities issued by any members of the Group and others of the Group (collectively referred to as “**Selected Person**”) for participation in the Share Award Scheme and grant such number of awarded shares to any Selected Person of the Group at nil consideration. The directors are entitled to impose any conditions (including a period of continued services within the Group after the award) with respect to the vesting of the awarded shares.

The Share Award Scheme came into effect on the Adoption Date, and shall terminate on the earlier of (i) the tenth anniversary date of the Adoption Date; and (ii) such date of early termination as determined by the directors.

The Company will not issue or grant any awarded shares under the Share Award Scheme which would result in the total number of the awarded shares together with shares which may be issued upon exercise of all outstanding share options granted but yet to be exercised under the share option schemes of the Company representing in aggregate over 30% of the shares in issue as at the date of such grant.

During the year ended 31 December 2019, no shares of the Company were purchased by the trustee of the Share Award Scheme pursuant to the terms of the trust deed of the Share Award Scheme (2018: Nil). No share award has been granted, vested, lapsed and cancelled during the year (2018: Nil).

No shares of the Company were held by the trustee of the Share Award Scheme as at 31 December 2019 and 2018.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

35. CRYPTOCURRENCIES

As at 31 December 2017, the Group had a trade receivable of HKD41,500,000 due from an independent third party (the “**Cryptocurrency Vendor**”), in relation to sale of certain listed securities during the year ended 31 December 2017.

On 20 February 2018, the Group entered into a sale and purchase agreement with the cryptocurrency vendor to acquire 470 bitcoins for a consideration of HKD41,500,000, which were the consideration used by the cryptocurrency vendor to settle the outstanding balance due to the Group. The transaction was completed on 2 March 2018 and all bitcoins were received on the same date.

On 2 March 2018, the Group and the cryptocurrency vendor mutually agreed to set off the payables due to each other.

In September and October 2018, all bitcoins were sold on an online platform to public with a total consideration of approximately USD3,020,000 (equivalent to approximately HKD23,555,000). As a result, the Group recognised a loss on disposal of the cryptocurrencies amounting to approximately of HKD17,945,000 in the profit or loss for the year ended 31 December 2018.

36. PROMISSORY NOTE

	2019 HKD'000	2018 HKD'000
At 1 January	–	–
Addition for acquisition of assets through acquisition of a subsidiary (<i>Note 37</i>)	47,722	–
Imputed interest expense recognised in profit or loss (<i>Note 10</i>)	368	–
Early redemption	(48,090)	–
At 31 December	–	–

On 31 July 2019, the Group completed the acquisition of entire equity interest in Rich Power International Holding Limited (“**Rich Power**”), for a nominal consideration of HKD148,000,000. Part of the consideration was satisfied by the Group’s issue of promissory notes in principal amount of HKD48,000,000.

The promissory note is bearing interest of 8% per annum and mature on 31 July 2021. The promissory notes can be early redeemed by the Company at all or part of the outstanding principal amount of the promissory note.

The promissory note is measured at fair value. The fair value of the promissory notes are determined at date of issuance with reference to a professional valuation performed by Royson Valuation Advisory Limited, a firm of independent financial professional valuers. The effective interest rate of the promissory note on initial recognition and the subsequent measurement of interest expense on the promissory note are calculated using effective interest rate of 8.5% per annum.

In September 2019, the promissory note was early redeemed by the Company with the balance of principal and interest of approximately HKD48,000,000 and HKD356,000 respectively, resulting in the loss on early redemption of promissory note which was approximately HKD266,000.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

37. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY

Acquisition of Rich Power

On 3 July 2019, Best Pacific Group Limited, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement with Mr. Lin Zherui and Mr. Weng Shiqing (the “Vendors”), the independent third parties, pursuant to which the Group has agreed to acquire the entire issued share capital of Rich Power at a consideration of HKD148,000,000, which is settled by cash of HKD100,000,000 and a promissory note with principal amount of HKD48,000,000 issued by the Group. The acquisition was completed on 31 July 2019. Rich Power is principally engaged in the property investment business in the PRC. The acquisition had been accounted for as acquisition of assets.

Assets acquired at the date of acquisition were as follows:

	31 July 2019 HKD'000
Investment properties (<i>Note 19</i>)	147,686
Cash at bank	36
	147,722
Total consideration satisfied by:	
Cash (<i>Note</i>)	100,000
Promissory note at fair value (<i>Note 36</i>)	47,722
Total consideration	147,722

Cashflow movement in relation to the acquisition during the year:

	2019 HKD'000
Net cash consideration (<i>Note</i>)	489
Cash at bank acquired	(36)
Net cash outflow	453

Note:

Pursuant to the sale and purchase agreement dated 3 July 2019, a sum of HKD50,000,000, being the initial deposit of the consideration, shall be paid to the Vendors within 10 business days from the date of agreement. The remaining cash consideration of HKD50,000,000 would be settled at the date of completion. Prior to the date of completion of the acquisition, the Group granted certain loans to the Vendors with the total outstanding principal and interest amounting to approximately HKD99,511,000 as at 31 July 2019. On 10 July 2019 and 31 July 2019 (date of completion), the Vendors and the Group agreed to set off the outstanding loans against (i) the initial deposit and (ii) the remaining cash consideration, respectively, according to the payment set-off agreement. After the set-off arrangement, the remaining cash consideration due by the Group to the Vendors reduced to approximately HKD489,000, which was settled by the Group in cash in September 2019 together with the early redemption of the promissory note as detailed in Note 36.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

37. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY *(Continued)*

Acquisition of Goodview Assets Limited (“Goodview Assets”)

On 29 December 2017, the Group entered into a sale and purchase agreement with China Soft Power Technology Holdings Limited, now known as Central Wealth, a company whose shares are listed on the Main Board of the Stock Exchange, in which Mr. Chen, and Mr. Yu, directors of Central Wealth, pursuant to which the Group has agreed to acquire the entire issued share capital of Goodview Assets at a consideration of HKD261,690,000. The acquisition was completed on 25 April 2018. Goodview Assets is principally engaged in the property investment business and is holding an investment property in Hong Kong. The acquisition had been accounted for as acquisition of assets.

Assets acquired and liabilities recognised at the date of acquisition were as follows:

	2018 HKD'000
Investment property <i>(Note 19)</i>	400,000
Other receivables and deposits	34
Other payables and accruals	(1,006)
Bank borrowings	(137,338)
Total consideration	261,690
Total consideration satisfied by:	
Settled by allotment and issue of shares of the Company <i>(Note)</i>	261,690

Notes:

1,793,103,448 shares of the Company were allotted and issued (Note 32(c)). The fair value of the shares was determined by reference to the fair value of the net assets acquired on the acquisition date.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

38. COMMITMENTS

(a) Operating lease – the Group as lessor

The Group leases its investment properties (Note 19) under operating lease arrangements, with leases negotiated for terms of one year. The terms of the leases also require the tenants to pay security deposits and provide for periodic rental adjustments according to the then prevailing market conditions.

At the end of the reporting period, the Group had contracted with tenant for the following futures minimum lease payments:

	2019 HKD'000	2018 HKD'000
Within one year	4,722	500
Over one year but within two years	4,555	–
Over two years but within three years	1,555	–
	10,832	500

(b) Operating lease commitment – the Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancelable operating leases which fall due as follows:

	2019 HKD'000	2018 HKD'000
Within one year	–	1,142

Operating lease payments represent rentals payable by the Group for certain of its premises, plant and machinery, office equipment and internet hardware and software. Leases are negotiated for an average term of 1 year and no arrangements have been entered into for contingent rental payments as at 31 December 2018.

Due to adoption of HKFRS 16, the relevant lease commitments were not set out and were recognised as lease liabilities as at 31 December 2019.

(c) Other commitment

Unpaid share capital for 深圳未徠機器人有限公司 (“未徠機器人”)

For the registered capital of HKD500,000 for 未徠機器人 (formerly known as 深圳駿盛匯貿易有限公司), an indirectly wholly-owned subsidiary of the Company, the Group shall pay 20% of the registered capital within three months after the date of issuance of business license of 駿盛匯 and shall pay the remaining 80% of the registered capital within two years after the date of issuance of business license. Although the business license has been issued on 4 November 2014, the Group has yet to pay up any capital for 未徠機器人 at 31 December 2018.

On 24 June 2019, 未徠機器人 increased the registered capital to HKD10,000,000, of which HKD5,500,000 was paid up during the year ended 31 December 2019. For the unpaid registered capital, the directors of the Company considered that the risk to pay the penalty is remote and hence no provision for the penalty has been provided as at 31 December 2019. On 2 January 2020, registered capital of HKD3,000,000 was further paid up.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

38. COMMITMENTS (Continued)

(c) Other commitment (Continued)

Unpaid share capital for 鉅合 (杭州) 諮詢管理有限公司 (“鉅合”)

For the 51% registered capital of RMB5,100,000 (equivalent to approximately HKD5,699,000) for 鉅合, an indirectly 51% owned subsidiary of the Company, the Group shall fully pay the 51% registered capital before 25 October 2024.

Unpaid share capital for 揚州越界

For the 30% registered capital of RMB1,980,000 (equivalent to approximately HKD2,213,000) for 揚州越界, an associate of the Group, the Group shall pay the remaining amount of the 30% registered capital amounting to RMB1,480,000 (equivalent to approximately HKD1,654,000) within two years after the date of issuance of business license on 16 October 2019.

39. LITIGATIONS AND CONTINGENCIES

Development of the retaking control of the deconsolidated subsidiaries

Pursuant to the Company's announcement dated 25 March 2014, due to the reason of unable to access to the books and records of the subsidiaries, Bloxworth Enterprises Limited and Shanxi Zhanpen Metal Products Co., Limited* (“**Zhanpen**”) (collectively the “**Deconsolidated Subsidiaries**”), the Group therefore deconsolidated the Deconsolidated Subsidiaries from its consolidated financial statement since 1 January 2013.

The People's court of Fenyang county (汾陽市人民法院) (the “**Fenyang Court**”) issued a judgement on 12 September 2016, the former directors of Zhanpen (the “**Former Directors**”) are obliged to return the official seal and business certificates of Zhanpen to the Group. On 18 December 2019, the Group has disposed of the 100% equity interest in Bloxworth Enterprises Limited and its wholly owned subsidiary, Zhanpen, to an independent third party at a consideration of HKD1 (the “**Disposal**”). Up to the date of Disposal, the Former Directors still not returned the official seal and business certificates of Zhanpen to the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

40. MATERIAL RELATED PARTY TRANSACTIONS AND DISCLOSURES

(a) Transactions with related parties

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following material transactions with related parties during the year:

- (i) During the year ended 31 December 2018, the Group has paid placing commission (Note 32(b)), overdraft interest expenses on the margin loan facilities and securities handling charge of approximately HKD8,272,000, HKD636,000 and HKD1,602,000 respectively to CWSI, an indirect wholly-owned subsidiary of Central Wealth. Central Wealth is a company whose shares are listed on the Main Board of the Stock Exchange, in which Mr. Yu, who is a director and shareholder of the Company, are also a director and shareholder of Central Wealth.
- (ii) During the year ended 31 December 2018, the Group has received the aggregate interest income on loan receivables and debt investment in film industry from the Film Production Investor of approximately HKD1,513,000, in which Mr. Chen has indirect equity interest in the Film Production Investor.
- (iii) During the year ended 31 December 2018, the Group has received interest income on loan receivables of money lending business from the spouse of Mr. Chen of approximately HKD283,000.

(b) Compensation to key management personnel

The remuneration for key management personnel of the Group, including directors and other members of key management, during the year was as follows:

	2019 HKD'000	2018 HKD'000
Short-term benefits	7,957	7,429
Post-employment benefits	264	81
Share-based payments	4,442	–
	12,663	7,510

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

44. FINANCIAL INSTRUMENTS BY CATEGORY

(i) Financial assets

	2019 HKD'000	2018 HKD'000
At FVTOCI:		
Equity instruments	270,627	698,020
At FVTPL:		
Equity instruments	26,350	22,217
Debt instrument	–	9,177
	26,350	31,394
At amortised cost (including pledged bank deposits and cash and bank balances):		
Trade and other receivables	6,820	6,941
Loan and interest receivables	302,616	423,088
Pledged bank deposits and cash and bank balances	12,396	6,194
	309,436	436,223
	606,413	1,165,637

(ii) Financial liabilities

	2019 HKD'000	2018 HKD'000
Amortised cost:		
Accruals and other payables	8,275	14,241
Bank borrowings	312,369	320,945
Other borrowings	173,061	220,260
Lease liabilities	5,815	–
	499,520	555,446

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments including financial assets at FVTOCI, financial assets at FVTPL, trade and other receivables, loan and interest receivables, pledged bank deposits and cash and bank balances, accruals and other payables, bank borrowings, other borrowings and lease liabilities. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Market risk

(i) Currency risk

The Group's exposure to currency risk is attributable to the pledged bank deposits and cash and bank balances is denominated in foreign currencies other than the functional currency of the Group entity. The board of directors considers that the foreign currency exposure is minimal. The Group currently does not have a foreign currency hedging policy in respect of foreign currency exposure. However, the management monitors foreign exchange exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows.

	2019 HKD'000	2018 HKD'000
RMB		
Monetary assets:		
Cash and bank balances	53	12
EUR		
Monetary assets:		
Pledged bank deposits	1,410	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(a) Market risk *(Continued)*

(i) Currency risk *(Continued)*

Sensitivity analysis

The Group is mainly exposed to the foreign currency risk of RMB and EUR. The following table details the Group's sensitivity analysis, the analysis assumes a 5% increase and decrease in foreign currency against the functional currency, with all other variable held constant. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated in monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in post-tax profit where functional currency strengthens 5% against foreign currency. For a 5% weakening of functional currency against the foreign currency, there would be equal and opposite impact on the post-tax loss and the balances below would be negative.

	2019		2018	
	Increase/ (decrease) in foreign exchange rate	Effect on post-tax profit/(loss) HKD'000	Increase/ (decrease) in foreign exchange rate	Effect on post-tax profit/(loss) HKD'000
RMB	5% (5%)	3 (3)	5% (5%)	1 (1)
EUR	5% (5%)	71 (71)	5% (5%)	– –

As HKD is linked to USD, the Group does not have material exchange risk on such currency.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(a) Market risk *(Continued)*

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to its variable-rate bank balances and bank borrowings and other borrowings as detailed in Notes 30 and 31 respectively. The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's bank balances are short-term in nature and the exposure of the interest rate is minimal.

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank borrowings at the end of each reporting period. The analysis is prepared assuming these borrowings outstanding at the end of reporting period were outstanding for whole year. A 100 basis points increase or decrease in HIBOR and Prime rate is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest for the year.

	2019 HKD'000 (Decrease)/ Increase in post-tax profit	2018 HKD'000 (Decrease)/ Increase in post-tax profit
100 basis point increase	(2,608)	(2,680)
100 basis point decrease	2,608	2,680

(iii) Price risk

Price risk on financial assets at FVTOCI and financial assets at FVTPL.

The Group is exposed to equity price risk through its financial assets at FVTOCI and financial assets at FVTPL. The Group's equity price risk is mainly concentrated on listed equity instruments quoted in the Stock Exchange. The management manages this exposure by closely monitoring the price risk and maintaining a portfolio of investments with different risks.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks of financial assets at FVTOCI and financial assets at FVTPL at the end of reporting period.

If the prices of the respective equity instruments had been 40% higher/lower and all other variables were held constant, post-tax profit for the year ended 31 December 2019 would increase/decrease by approximately HKD8,801,000 (2018: HKD7,420,000) as a result of the change in fair value of financial assets at FVTPL, and other component of equity would increase/decrease by approximately HKD90,389,000 (2018: HKD233,139,000) as a result of the change in fair value of financial assets at FVTOCI.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(b) Credit risk and impairment assessment

Risk management

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations and its investing activities. The carrying amounts of the financial assets represent the maximum exposure to credit risk.

Carrying amounts of the financial assets presented in consolidated statement of financial position are net of impairment losses, if any. The Group minimises its exposure to the credit risk by rigorously selecting the counterparties, performing ongoing credit evaluation on the financial conditions of its debtors and tightly monitoring the ageing of the receivables. Follow-up actions are taken in case of overdue balances.

The credit risk on cash and cash equivalents is also limited because the Group's cash and cash equivalents are all deposited with major banks located in Hong Kong and the PRC.

The credit policies have been followed by the Group since prior years and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level.

At 31 December 2019, the Group has concentration of credit risk as 83% (2018: 80%) of the total trade receivables and loan and interest receivables. The loan and interest receivables were due from 4 debtors (2018: 7 debtors).

The Group has significant concentration risk on the largest customers as it represented 49% (2018: 31% on the largest customer) of the total revenue for the year ended 31 December 2019.

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

- trade and other receivables; and
- loan and interest receivables.

Impairment of financial assets

The bank balances are subject to the impairment requirements of HKFRS 9, the counterparties are banks with high credit ratings assigned by international credit-rating agencies, the identified impairment loss was immaterial.

- (i) Receivables due from the Film Production Investor

Receivables due from the Film Production Investor was guaranteed by Mr. Yu (the "**Guarantor**") as detailed in Note 23(i). In the opinion of the directors, the Guarantor has sufficient highly liquidity assets and willing to settle the amount due from the Film Production Investor to the Group in the event of default. In this regard, the directors of the Company consider that the credit risk on the receivables are minimal and no credit loss allowance had been provided.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Credit risk and impairment assessment (Continued)

Impairment of financial assets (Continued)

(ii) Trade receivables and loan and interest receivables

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts.

In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 on trade receivables based on the credit spread at lifetime ECLs and loan and interest receivables based on the credit spread at 12-month ECL.

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2019. The amounts presented are gross carrying amounts for loan and interest receivables.

	12-month ECLs		Lifetime ECLs		Total HKD'000
	Stage 1 HKD'000	Stage 2 HKD'000	Stage 3 HKD'000	Stage 3 HKD'000	
As at 31 December 2019					
Loan and interest receivables					
– Not yet past due	298,187	–	–	–	298,187
– Less than 30 days past due	–	–	–	–	–
– 30 days to 90 days past due	–	–	–	–	–
– More than 90 days past due	–	14,000	–	–	14,000
	298,187	14,000	–	–	312,187
As at 31 December 2018					
Loan and interest receivables					
– Not yet past due	439,225	–	–	–	439,225
	439,225	–	–	–	439,225

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Liquidity risk

The Group aims at maintaining a balance between continuity of funding and flexibility through maintaining sufficient cash and bank balances. As mentioned in Note 4, notwithstanding the Group resulted in net current liabilities of approximately HKD145,528,000 as at 31 December 2019, the Group monitored its compliance with covenants and repayment schedules of bank borrowings, and took measures to improve the Group's financial position. The directors have also reviewed the Group's working capital and capital expenditure requirements and determined that the Group has no significant liquidity risk.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The total undiscounted cash flows of each financial liability based on the earliest date on which the Company can be required to pay approximate to their carrying amounts at the end of the reporting period as follows:

	Weighted average interest rate per annum (%)	On demand or within one year HKD'000	Over 1 year but within two years HKD'000	Total contractual undiscounted cash flow HKD'000	Carrying amounts HKD'000
2019					
Accruals and other payables	–	8,275	–	8,275	8,275
Bank borrowings	3.10%	322,218	–	322,218	312,369
Other borrowings	6.10%	183,615	–	183,615	173,061
Lease liabilities		4,252	1,787	6,039	5,815
		518,360	1,787	520,147	499,520

	Weighted average interest rate (%) per annum	On demand or within one year HKD'000	Over 1 year but within two years HKD'000	Total contractual undiscounted cash flow HKD'000	Carrying amounts HKD'000
2018					
Accruals and other payables	–	14,241	–	14,241	14,241
Bank borrowings	3.01%	330,688	–	330,688	320,945
Other borrowings	6.57%	226,873	–	226,873	220,260
		571,802	–	571,802	555,446

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

46. FAIR VALUE MEASUREMENT OF THE FINANCIAL INSTRUMENTS

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

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

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key inputs	Significant unobservable inputs
	31 December 2019 HKD'000	31 December 2018 HKD'000			
Listed equity securities classified as financial assets at FVTOCI	270,627	698,020	Level 1	Quoted bid prices in an active market	N/A
Listed equity securities classified as FVTPL	26,350	22,217	Level 1	Quoted bid prices in an active market	N/A
Debt instrument at FVTPL from investment in film industry classified as financial assets at FVTPL	–	9,177	Level 3	Discounted cash flow method	Discount rate ranged from 12% to 14%.

There were no transfers between Level 1, 2 and 3 in current and prior year.

	Fair value hierarchy			Total HKD'000
	Level 1 HKD'000	Level 2 HKD'000	Level 3 HKD'000	
2019				
Financial assets				
At FVTOCI	270,627	–	–	270,627
At FVTPL	26,350	–	–	26,350

	Fair value hierarchy			Total HKD'000
	Level 1 HKD'000	Level 2 HKD'000	Level 3 HKD'000	
2018				
Financial assets				
At FVTOCI	698,020	–	–	698,020
At FVTPL	22,217	–	9,177	31,394

Except as detailed in the above table, the directors consider that carrying amounts of financial assets and financial liabilities recognised in consolidated financial statements approximate their fair values.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

47. EVENTS AFTER THE END OF THE REPORTING PERIOD

- (a) On 18 March 2020, the Company entered into a placing agreement with CWSI, acting as a placing agent. Pursuant to the placing agreement, the Company has conditionally agreed to place through CWSI up to 2,490,000,000 placing shares at the placing price of HKD0.0140 per placing share to not less than six placees who and whose beneficial owners shall be independent third parties. The placing shares were issued under the general mandate which was granted to the directors at the annual general meeting of the Company held on 17 June 2019. The maximum gross proceeds from the placing will be amounted to approximately HKD34,860,000. Further details of the placing are set out in the Company's announcements dated 18 March 2020.
- (b) Due to the outbreak of the novel coronavirus (COVID-19) epidemic in China in January 2020 and the COVID-19 has spread across the world, the macroeconomic is expected to be affected by epidemic in 2020. The Group will keep continuous attention on the situation of the COVID-19, assess and react actively to its impacts on the financial position and operating results of the Group.

In view of the outbreak and worldwide spread of this epidemic leading to continuous shortage of mask products, the Group has now commenced the mask production business, with an aim to provide the market with masks that meet relevant certification standards in a short time. In March 2020, the Group has entered into two purchase agreements with two respective suppliers to acquire (i) 10 sets of mask production machine in an aggregate amount of HKD8,300,000 and (ii) a melt-blown production line in an aggregate amount of RMB3,600,000 (equivalent to approximately HKD4,023,000) respectively. Further details of the mask production plan of the Group are set out in the Company's announcements dated 23 March 2020 and 25 March 2020.

48. MAJOR NON-CASH TRANSACTIONS

For the year ended 31 December 2019

- (a) During the year ended 31 December 2019, partial cash consideration for the acquisition of Rich Power were offset by the outstanding balance of loan receivables from Mr.Lin Zherui and Mr.Weng Shiqing amounting to approximately HKD99,511,000 in aggregate. Details are set out in Note 37.

For the year ended 31 December 2018

- (b) During the year ended 31 December 2018, the Group had agreed with an independent third party, who was a security customer, also a creditor of the Group, to set off the payables of approximately HKD41,500,000 due to each other. Details are set out in Note 35.
- (c) During the year ended 31 December 2018, the consideration of HKD261,690,000 for the acquisition of Goodview Assets were settled by allotment and issuance of 1,793,103,448 shares of the Company. Details are set out in Note 37.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

49. CASH FLOW INFORMATION

Reconciliation of liabilities from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes.

	Bank borrowings HKD'000	Other borrowings HKD'000	Lease liabilities HKD'000	Promissory note HKD'000
At 1 January 2019	320,945	220,260	–	–
Changes from financing cash flows:				
Proceeds from bank borrowings	80,000	–	–	–
Proceeds from other borrowings	–	16,787	–	–
Repayment of bank loans	(88,576)	–	–	–
Repayment of other borrowings	–	(63,986)	–	–
Borrowing cost paid	(10,821)	(15,486)	–	–
Repayment of lease liabilities – principal	–	–	(2,293)	–
Repayment of lease liabilities – interest	–	–	(173)	–
Repayment of promissory note	–	–	–	(48,356)
Total change from financing cash flows	301,548	157,575	(2,466)	(48,356)
Other changes:				
Interest expenses (<i>Note 10</i>)	10,821	15,486	173	368
Addition of new lease (<i>Note 18</i>)	–	–	8,108	–
Addition of promissory note (<i>Note 36</i>)	–	–	–	47,722
Loss on early redemption of promissory note (<i>Note 36</i>)	–	–	–	266
At 31 December 2019	312,369	173,061	5,815	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

49. CASH FLOW INFORMATION (Continued)

Reconciliation of liabilities from financing activities (Continued)

	Bank borrowings HKD'000	Other borrowings HKD'000
At 1 January 2018	111,961	149,760
Changes from financing cash flows:		
Proceeds from bank loans	80,000	–
Repayment of bank loans	(8,354)	–
Proceeds from other borrowings	–	497,448
Repayment of other borrowings	–	(426,948)
Borrowing cost paid	(7,613)	(16,268)
Total change from financing cash flows	64,033	54,232
Other changes:		
Interest expenses (Note 10)	7,613	16,268
Additions from an acquisition of a subsidiary (Note 37)	137,338	–
Total other changes (Note 10)	144,951	16,268
At 31 December 2018	320,945	220,260

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

50. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2019 HKD'000	2018 HKD'000
Non-current assets			
Property, plant and equipment		72	96
Interests in subsidiaries		401,414	1
		401,486	97
Current assets			
Other receivables, deposits and prepayments		146	149
Amounts due from subsidiaries		594,674	1,265,220
Cash and bank balances		529	4,692
		595,349	1,270,061
Current liabilities			
Accruals and other payables		2,153	2,192
Amounts due to a subsidiary		81,837	44,822
		83,990	47,014
Net current assets		511,359	1,223,047
Net assets		912,845	1,223,144
Capital and reserves			
Share capital	32	12,480	11,580
Reserves	33	900,365	1,211,564
Total Equity		912,845	1,223,144

The Company's statement of financial position was approved and authorised for issue by the board of directors on 26 March 2020 and are signed on its behalf by:

Liang Jian
Director

Yu Zhenzhong
Director

Five-year Financial Summary

RESULTS

	For the Year Ended 31 December				
	2019 HKD'000	2018 HKD'000	2017 HKD'000	2016 HKD'000	2015 HKD'000
Revenue	80,916	39,674	86,599	78,369	41,178
(Loss)/Profit before income tax	(52,389)	(85,771)	468,234	128,063	(47,274)
Income tax (expenses)/credit	(1,602)	5,931	13,605	(30,612)	(350)
(Loss)/Profit for the year	(53,991)	(79,840)	481,839	97,451	(47,624)

ASSETS AND LIABILITIES

	As at 31 December				
	2019 HKD'000	2018 HKD'000	2017 HKD'000	2016 HKD'000	2015 HKD'000
Total assets	1,436,729	1,852,962	1,818,631	796,934	639,002
Total liabilities	(502,534)	(567,576)	(301,685)	(168,414)	(209,787)
Total equity	934,195	1,285,386	1,516,946	628,520	429,215