ANNUAL REPORT 2019

We stride forward in unity with innovative changes

Celestial Asia Securities Holdings Limited
(Stock Code : 1049)

Contents

CORPORATE PROFILE

Celestial Asia Securities Holdings Limited ("CASH Group", SEHK: 1049) is a multi-faceted investment conglomerate focusing on enhancing client experience through technology and innovation. Headquartered in Hong Kong, we serve modern consumer needs in investment and wealth management, lifestyle and home improvement. All our businesses share a common mission that our customers' interests always come first. Our brands are synonymous with good customer service, great quality and fabulous value.

Abide by the "People-Oriented" principle, CASH Group is committed to becoming a Total Caring Organisation to partner with our key stakeholders to work towards the sustainable development of our business, our employees, our environment and our society. CASH's award-winning companies comprise Pricerite Group (Pricerite), CASH Algo Finance Group (CAFG), CASH Financial Services Group (CFSG), etc.

RETAIL MANAGEMENT – PRICERITE GROUP

Founded in 1986, Pricerite Group offers a diverse portfolio of home furnishing and lifestyle brands that satisfy our customers' needs through a blend of operating efficiency, effective use of technology, and talented people. We build our competitive advantage by achieving economies of scale through our single operating platform and our in-depth understanding of the market. Businesses comprise sourcing and retailing of quality products with brands such as Pricerite, TMF, SECO, etc.

Pricerite pioneers to develop "New Retail" in Hong Kong by integrating the very best of online and offline channels to refine the omni-channel retailing, providing customers quality shopping experience anytime, anywhere. This has revolutionised the Hong Kong home furnishing market with easy access to our comprehensive network of outlets and e-shopping channels through a variety of digital devices. We have a long heritage of adopting advanced technologies to enhance our operating efficiency. From back office support to product and service offerings, marketing communication and supply chain management, we strengthen our competitive edges through a balanced fusion of technology and people.

Pricerite upholds the "People-oriented" principle, and attain leadership by innovation – in product mix, merchandising, store layout and entire market strategy in home improvement product retailing. Our constant efforts to increase our understanding of customers' expectations and needs through the use of information technology to gain accurate and timely data and use of market research tools drive our customer-focused innovations.

At Pricerite, we care for the people of Hong Kong. It's our founding principle and it forms everything we do. That means empowering our customers to care for their homes, their families, and themselves, no matter what life may throw their way. By cultivating a culture of caring, we inspire our customers to impart our values to the world.

Honouring a celebrated Hong Kong brand, Pricerite has received wide recognitions for its exceptional performance in various aspects such as brand management, product design, quality services and e-shopping platforms. As a result, many high acclaims have been awarded to its brands, including the Hong Kong Top Brand 10 Year Achievement Award and Premier Service Brand from the Hong Kong Brand Development Council, Consumer Product Design Award from the Hong Kong Awards for Industries, Bronze Award of Marketing Excellence Awards from HKMA/TVB, Q-Mark Elite Brand Award from Hong Kong Q-Mark Council, Outstanding QTS Merchant Awards – Gold Award from Hong Kong Tourism Board, and Top 10 Quality E-Shop Award, Retail Excellence Award and numerous Service and Courtesy Awards from the Hong Kong Retail Management Association, etc.

Pricerite cares for the environment and is committed to protecting it hand in hand with our stakeholders, minimising the impact of our operations to the environment. Through the sourcing of eco-products, adoption of retail technologies and active participation in various environmental activities, Pricerite takes its initiative to develop a sustainable society with customers. Pricerite has received numerous awards for the recognition of its contribution to environmental protection, including Silver Award in Shops and Retailers sector under the Hong Kong Awards for Environmental Excellence, BOCHK Corporate Environmental Leadership Awards: EcoChallenger, etc.

ALGO TRADING – CASH ALGO FINANCE GROUP (CAFG)

Built upon the technology-focused heritage of CASH Group (SEHK: 1049), CASH Algo Finance Group (CAFG) is a pioneer in quantitative finance and algo trading based in Hong Kong. CAFG marries expertise in financial markets with innovation in technology, engaging leading edge FinTech to create superior and sustainable value for investors. We launched our first algo trading strategy in 2009, and have since expanded into multiple strategies and tactics covering multiple markets. In 2017, we introduced quant funds to provide asset management services to institutional clients, funds and high-net-worth individuals.

As a pioneer in quantitative finance and algo trading in Asia, we understand the importance of a low-latency platform integrated with a robust real-time risk management system. In addition to serving existing strategies in multiple markets with our proprietary and scalable platform, CAFG is expanding the trading strategies to new markets with cutting-edge algorithmic technologies to optimise risk-adjusted returns across a broad range of asset classes.

We also provide an algo incubation service to assist algo traders, quant strategists, and academia who are dedicated to researching, developing, testing and launching their trading ideas. CAFG has established a proprietary one-stop platform for the entire investment lifecycle, supporting data analytics, strategy deployment, smart execution and robust risk management.

CORPORATE PROFILE

FINANCIAL SERVICES – CFSG

Headquartered and listed in Hong Kong (SEHK: 510), CASH Financial Services Group ("CFSG") has been dedicated to enhancing financial security and legacy planning for our clients for nearly 50 years.

Founded in 1972, CFSG is a leading financial technology (FinTech) institution providing a comprehensive suite of tech-driven global wealth management services, including investment and financial planning, investment banking and corporate finance advisory, securities and commodities brokerage services, insurance, asset management, overseas property investment, immigration advice, estate planning, etc.

Our culture of excellence drives our ongoing focus on sustainable growth, integrity and innovation, serving a diversified client base that includes corporations, financial institutions and individual investors.

Guided by our key corporate values, our culture of excellence means that we will always put our clients' interests first by serving for the best client outcomes and be supportive of colleagues throughout our organisation. Our key corporate values are (4Ts):

Trustworthy – a reliable brand that continuously strives to fulfil all our clients' wealth management needs

Team-oriented – a corporate culture that focuses on "Respect, Trust, and Cooperation"

Tech-savvy – a pioneering company that stays at the forefront of FinTech to deliver convenient and personalised financial services

Thrill-hearted – a nurturing environment that strives to foster a happy and fulfilling work experience for every colleague

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive:

KWAN Pak Hoo Bankee	(Chairman & CEO)
LEUNG Siu Pong James	(ED)
KWAN Teng Hin Jeffrey	(ED)
NG Hin Sing Derek	(ED)

Independent Non-executive:

LEUNG Ka Kui Johnny
WONG Chuk Yan
CHAN Hak Sin

AUDIT COMMITTEE

LEUNG Ka Kui Johnny (committee chairman)
WONG Chuk Yan
CHAN Hak Sin

REMUNERATION COMMITTEE

LEUNG Ka Kui Johnny (committee chairman)
WONG Chuk Yan
KWAN Pak Hoo Bankee

COMPANY SECRETARY

LUKE Wing Sheung Suzanne, *FCIS, FCS*

AUTHORISED REPRESENTATIVES

KWAN Pak Hoo Bankee
LUKE Wing Sheung Suzanne

PRINCIPAL BANKERS

Bank of Communications Co. Ltd., Hong Kong Branch
Chong Hing Bank Limited
CTBC Bank Co. Ltd.
Fubon Bank (Hong Kong) Ltd.
Nanyang Commercial Bank, Limited
OCBC Wing Hang Bank Limited
Shanghai Commercial Bank Limited
The Hong Kong and Shanghai Banking Corporation Limited

AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

SOLICITORS

Sidley Austin

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

28/F Manhattan Place
23 Wang Tai Road
Kowloon Bay
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

WEBSITE

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STOCK CODE ON MAIN BOARD

1049

CONTACTS

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CHAIRMAN'S LETTER

Dear Fellow Shareholders,

2019 was dogged by trade tensions and months-long local social unrest that hammered business and consumer confidence in Hong Kong. As a result, Hong Kong's economy contracted by 1.2%; and as two pillar industries, financial services and retailing faced the most serious headwinds for a decade.

In retailing, consumer appetite seriously dampened, in particular over the second half of the year. Tourist arrivals plunged sharply amid anti-government protests, year-on-year down 55.9% in November and 51.5% December, respectively. A rippling effect dragged down the local retail sector. In the fourth quarter, retail sales volume fell 24.1% year-on-year, the largest quarterly decline on record.

In financial services, average daily turnover of the Hong Kong stock market dropped by 18.86%. China-US trade tensions, the Brexit saga and various geopolitical issues all contributed to downside risk. Despite a firmer footing for global growth with the first phase of a China-US trade deal and clearer outlook for Brexit, the economic outlook for 2020 is still doomed to be gloomy – clouded by the US Presidential election, Britain's new trade deal negotiations with the European Union and, most important of all, the worldwide COVID-19 coronavirus outbreak.

The pandemic has caused factory shutdowns in China and elsewhere in the world, disrupting global supply chains. As a result, the global Purchasing Manager Index plunged to 46.1% in February 2020, while the fall in global demand stalled investment and increased unemployment. It is highly likely that the global economy will enter a recession in the first two quarters of 2020. Stock markets worldwide have correspondingly plunged, as the black swan of a sharp decrease in oil price amidst a price war between Saudi Arabia and Russia. From this perspective, the political and economic risks are the major threat that cast uncertainties for long-term investment and planning.

PRICERITE GROUP – THE NEW RETAIL INNOVATOR IN HOME FURNISHING

We continued to develop Pricerite's "New Retail" business model over the year by further blurring the lines between online and offline shopping, adding value and convenience and enhancing customer experience.

First to Accept Crypto Payment

In 2019, Pricerite Home (PHL) became the first chain store in Hong Kong to accept crypto payment across all stores. This facilitates millennials who are tech-savvy and seek alternative financing methods.

First BOPIS Hong Kong Retailer

In addition to becoming the first local retailer to launch BOPIS (buy online, pick up in-store) service, PHL launched same-day delivery service for certain household items – initially in Kowloon. Pricerite aims to extend the service in full scale, enhancing the customer shopping journey with added value and convenience.

Product Customisation

With in-depth knowledge of our customers, we understand that one-of-a-kind products are nowadays heavily sought-after, for tailoring to specific needs and style. In response, we took the initiative to launch a customised furniture service, helping customers tailor their own furniture items such as sofa, dining tables and chairs. Customers can choose their preferred materials, colours, styles and even accessories.

Private Label Brands to Enhance Profit Margin

To differentiate ourselves in today's retail landscape, Pricerite further developed our private label brands, better aligning our products with customer lifestyles and tastes. These strike a better balance between quality of goods and affordability of our customers and, most importantly, enhance our profit margin.

Counter-Measures against Economic Uncertainty

In anticipation of an economic slowdown from repercussions of China-US trade tensions, Pricerite took the initiative from early 2019 to streamline operations, add new products opening new income streams, and continue pursuing our "New Retail" business model facilitating both online and offline shopping. Our store network was also reviewed alongside rent negotiations with landlords.

Enhancing Order Fulfillment Efficiency

To enhance order fulfillment efficiency we will relocate our warehouse in the first half of 2020; to better manage our supply chain and logistics for timely delivery of our products, while at the same time better managing our inventory levels.

Deepen OmniChannel Experience

To further deepen the OmniChannel experience of our customers, Pricerite will revamp its O2O platform to create a more streamlined mobile customer journey. We aim to build a frictionless experience from product search to checkout. To improve customer service and increase engagement, new functions such as enhanced social media interaction and search by image will be added. The new platform is expected to be launched in the second half of 2020.

Retail Market Outlook

2020 outlook for global and local economies along with the retail industry is uncertain. Overall, economic growth is set to be subdued, with plunges in consumer spending especially aggravated by the global COVID-19 outbreak. It is difficult to predict the global economic fallout – and effect on the Hong Kong economy – from widespread quarantines, national lockdowns and supply chain disruptions.

The Group has carried out a series of precautionary measures to prepare for the economic downturn – including rationalising cost structures and further improving operating efficiencies. Our priority is preserving capital strength and sustaining business development.

CHAIRMAN'S LETTER

Looking ahead, 2020 is likely to remain tough. Increased unemployment to 3.7% over the three months from December 2019 to February 2020 is likely to further exacerbate investment and consumption appetites. On the other hand, despite economic difficulties in 2019, the total number of agreements for sale and purchase of residential building units still recorded a modest 4.4% increase.

Looking ahead, the Group will continue its cost leadership approach and prudent management strategy to manage its business development, aiming to smoothly weather the current economic downturn.

CASH FINANCIAL SERVICES GROUP – THE TRUSTED WEALTH MANAGEMENT ADVISOR

Continued Business Transformation

During the year, the Securities and Futures Commission of Hong Kong has issued a new regulation limiting the amount of money a brokerage can lend to its clients to trade stocks at five times its capital. This has seriously aggravated the brokerage industry of Hong Kong, forcing practitioners like us to develop the business with more caution. Further, having foreseen business uncertainties amid the unfavourable macroeconomic and political outlook, the Group has been proactively managing the challenging external environment to prudently control our credit risk. At the beginning of 2019, we have earmarked more resources for transforming the Group from a brokerage-driven model to a well-rounded wealth management business, while simplifying our organisational structure and improving our operating and capital efficiencies.

Cost Rationalisation

We relocated our headquarters and back office to the rising new Hong Kong CBD and high-tech hub in Kowloon Bay in October 2019. This not only substantially saves rental expense, but also brings much synergy with other businesses of the holding company.

Business Restructuring

In view of the subdued performance of the international commodities market, we will retain minimal operation in relevant areas, while channeling our resources to build resilience and increase returns in the promising wealth management business. In this highly competitive corporate finance arena, we are reforming our corporate financial advisory business into a lean and mean operation.

To facilitate this transformation, new teams of wealth managers and new products are being introduced to bolster our product portfolio and investment capabilities. We have also established new offices in the Greater Bay Area, namely Shenzhen, Dongguan and Guangzhou, to bolster presence and sales in this exciting cross-border zone of new opportunity.

Financial Services Market Outlook

However, continuing though seemingly calmer China-US trade tensions, unpredictable outcomes from Brexit and the upcoming US Presidential election, and other geopolitical uncertainties all conspire to cloud 2020 prospects for global economies.

Domestically, unresolved local social unrest and underlying distrust and discontent with the HKSAR Government along with unprecedented repercussions from the coronavirus contribute to poor investment and consumption sentiment.

While hopeful that macroeconomic easing measures by various governments will take effect, the Group is cautiously reforming and transforming our business while maintaining strict cost leadership to ensure healthy standing for future development.

Overall, global and local economic outlook for 2020 is clouded by concerns over the COVID-19 outbreak. Together with ongoing China-US trade tensions, the upcoming US presidential election, Brexit execution and other geopolitical issues, business performance in various sectors will inevitably be adversely affected.

It is, however, somewhat fortunate that Mainland China was able to promptly contain the COVID-19 outbreak. Its economy may pick up much faster than other economies over the remainder of 2020. With closest ties of all to the Mainland economy, Hong Kong might be among the first to benefit from this economic recovery.

Last but not least, I would like to thank the Board of Directors for their guidance and leadership, and all staff members for their dedication, diligence and professionalism.

Yours sincerely,

Dr Bankee P. Kwan, *JP*
Chairman & CEO

FINANCIAL REVIEW

FINANCIAL PERFORMANCE

Facing the challenging of both local and global environment, political and economic uncertainties throughout the year under review, the Group's business encountered a slight drop in revenue yet still managed to weather through the difficulties. For the year ended 31 December 2019, the Group recorded revenue of HK$1,387.8 million as compared to HK$1,420.3 million in the previous year.

During the year, the Group recorded an impairment loss recognised on interest in an associate of HK$20.6 million and share of loss of associates of HK$40.8 million, the Group reported a net loss of HK$100.4 million for the year ended 31 December 2019.

Retail Management Business – PRICERITE GROUP

The Hong Kong retailing business was experiencing a rapid downturn during the year under review, the uncertainty caused by the China–US trade tension and the social unrest in Hong Kong were weighing heavily the local consumption sentiment which had continued to face significant downward pressure especially starting from the second half of the year, demonstrated by the Hong Kong retail sales figure which recorded a 11-month downturn consecutively during the year, the first time since the 2008 global financial crisis. The GDP had experienced two consecutive quarters of negative economic growth which brought Hong Kong into a technical economic recession in the third quarter. Months of social unrest have inflicted tremendous harm on Hong Kong economy during the second half of the year, some of our stores were frequently forced to shorten the trading hours or even close for days inevitably due to the broaden street protest. The value of total retail sales in Hong Kong had decreased by approximately 11.1% when compared with 2018. Despite the challenging economic environment, the Hong Kong property market still remained stable, the transaction volume of Hong Kong residential market rose by 4.4%, compared with same period last corresponding year. Benefited by this solid demand of the property market, we recorded only a mild decrease in revenue against this significant economic downturn. To counteract the downturn, we had optimised the store network by closing down 4 underperforming stores and opening 1 new store in strategy northern district, the new store has been making a substantial revenue contribution to the Group since its opening in October. Moreover, in order to adopt the ever-changing customer preferences, we reviewed and improved our product mix and further strengthened our supply chain management. This not only optimised the use of warehouse space and enhanced the logistic efficiency, but also strengthened sourcing price negotiation which improved our gross profit margin. The improvement of the warehouse and logistic efficiency also lead to further reduce the labour cost and rental cost compared with last corresponding year. In addition, we had continued implementing our strategic O2O business model in order to keep our leading position in the retail market, we have introduced our first virtual store by simulating the actual environment of one of our flagship store which allowed our customers to shop through virtual store and browse the product details by clicking on a product on the shelf of virtual store. By integrating the O2O elements such as virtual reality, big data analytics, artificial intelligence, cryptocurrency payment, to both physical and online store, our traffic had been picking up satisfactorily. Despite the challenging business environment, the retailing business recorded a slightly decline in revenue level and reported revenue of HK$1,385.2 million, representing a decrease of 2.5% as compared with HK$1,420.3 million in 2018. Overall, our retailing business recorded a net loss of HK$2.4 million for the year ended 31 December 2019 as compared to a net loss of HK$23.9 million for the previous year.

Algo Trading Business – CAFG

During the year, in order to provide professional asset management to our clients creating stable, long-term return on investment, the Group had launched several funds which employed quantitative strategies by applying advanced FinTech, across various asset classes including but not limited to futures and forward contracts, index ETF and options. Despite of the uncertain financial environment we faced of the year under review, our asset management business reported a revenue of HK$2.6 million and recorded a net profit of HK$11.8 million for the year ended 31 December 2019.

Mobile Internet Services Business – NET2GATHER (CHINA)

We have set our mobile internet services business as inactive operation after reviewing the market situation and business prospects, in order to allocate the Group's resources to more promising businesses.

CFSG – The Group's Associated Company
Financial Services Business – CFSG

For the year ended 31 December 2019, CFSG recorded revenue of HK$107.5 million, representing a decrease of 12.9% as compared with HK$123.4 million in 2018.

In view of the China–US trade tensions, Brexit and others geopolitical tensions, the fear of slower global economic growth lingered and the US has become more dovish. In the second half of 2019, the interest rate cut by 0.75%, the reduction of the Quantitative Tightening and the improved corporate earnings have sent the longest growth in history to the US economy and exuberance to the US stock market which made a new record high. On the other hand, the prolonged social unrest in Hong Kong has kept investors on the edge since June 2019, hammering local industries from tourism to retail. Hong Kong's economy faced serious challenges from a lingering fallout from the political unrest and confidence among investors had taken a beating. The economic circumstances and the Hong Kong stock market were pulled back. The Hong Kong economy fell into a technical recession in the third quarter of 2019. There was a general increase in unemployment as the overall growth continued to weaken towards the year-end. This caused investors to take a more defensive investing stance and gave extra downside risk to the Hong Kong stock market. However, Hong Kong stocks traded at a low valuation which provided a protection against the downside risks. As a result, trading in the Hong Kong securities market continued to languish in the second half of 2019 and the index remained stable and traded in a narrow range after the flourishing first half of 2019. Even though the stock market rebounded following the improved social situation and the alleviated China–US trade war on the scheduled signing of the first phrase trade deal between China and US, the Hang Seng Index only reached to 28,189.75 at the end of 2019, up by 9.06% compared with the end of 2018 whereas the H-share Index closed at 11,168.06 at the end of 2019, up by 10.3% compared with the end of 2018. Affected by the overall investor sentiment, the average daily trading volume of the Hong Kong stock market for the year recorded a significant decrease compared with last year. The decrease in trading volume had a direct impact on our securities business. Our clients who are mostly retail investors had chosen to flee the highly volatile stock markets to avoid suffering investment and trading losses during this uncertain financial environment. As a result CFSG's brokerage income recorded a decrease of 11.3% for the year. Furthermore, CFSG's asset management business, owing to the poorer market sentiments and uncertain economic outlook, had recorded a drop in revenue compared with 2018. Notwithstanding the market doldrums, CFSG's investment banking team had secured a number of sponsors, advisory and placing contracts and achieved a mild revenue growth in 2019. Owing to the flat Hong Kong stock market in the second half of the year, CFSG recorded a small gain on its portfolio of proprietary trading in the year. To further strengthen our financial services and products to cater for the diverse needs of our clients in order to improve their financial well-being, CFSG had made a change in the strategy direction in the third quarter of 2019 that to scale up our wealth management business by hiring more professional advisers in both Hong Kong and PRC, and at the same time set up offices in Greater Bay Area to promote the wealth management business.

Overall, CFSG recorded a net loss of HK$116.9 million for the year ended 31 December 2019 as compared to a net loss of HK$144.5 million last year.

Liquidity and Financial Resources

The Group's equity attributable to owners of the Company amounted to HK$199.2 million as at 31 December 2019 as compared to HK$307.4 million at the end of the previous year. The decrease in equity was mainly due to the net loss reported for the year.

As at 31 December 2019, the Group had total outstanding borrowings of approximately HK$254.9 million as compared to HK$233.2 million as at 31 December 2018. The increase in borrowings was mainly due to increase in working capital. The borrowings were mostly denominated in Hong Kong dollars comprising unsecured loans of approximately HK$135.2 million and secured loans of approximately HK$119.7 million. The above bank loans of approximately HK$210.7 million were secured by the Group's pledged deposits of HK$69.0 million and corporate guarantees.

As at 31 December 2019, our cash and bank balances totalled HK$206.9 million as compared to HK$256.8 million at the end of the previous year. The decrease in cash and bank balances was mainly due to the net loss reported for the year. The Group derives its revenue mainly in Hong Kong dollars and maintains its cash and bank balances mainly in Hong Kong dollars.

The liquidity ratio as at 31 December 2019 at 0.61 times, as compared to 0.76 times as at 31 December 2018. The decrease in the liquidity ratio was mainly because lease liabilities were recognised due to adoption of the new accounting standard HKFRS 16 Leases as well as the net loss reported for the year under review.

The gearing ratio, which represents the ratio of interest bearing borrowings excluding lease liabilities of the Group divided by the total equity, was 149.5% as at 31 December 2019 as compared to 83.2% as at 31 December 2018. The increase in gearing ratio was mainly due to the decrease of the equity. On the other hand, we have no material contingent liabilities at the end of the year.

The Group's treasury policies are to secure healthy liquidity for running its operations smoothly and to maintain a sound financial position at all time throughout the year. Besides meeting its working capital requirements, cash balances and bank borrowings are maintained at healthy levels to meet its customers' investments needs while making sure all relevant financial regulations have been duly complied.

Foreign Exchange Risks

The Group did not have any material un-hedged foreign exchange exposure or interest rate mismatches at the end of the year.

Material Acquisitions and Disposals

During the year, the Group as tenants entered into various tenancy agreements for new lease or renewal of existing leases for use as retail stores or warehouse of retail management business or office premises of the Group. These tenancy agreements were (i) letter agreement dated 30 April 2019 regarding the premises at "Portion of Level 1, Hilton Plaza, Shatin" for a term of 13 months from 1 March 2019 to 31 March 2020 at an aggregate consideration of approximately HK$9.4 million; (ii) new lease dated 23 May 2019 regarding the premises at "28th Floor, Manhattan Place, Kowloon Bay" for a term of 3 years from 15 December 2019 to 14 December 2022 at an aggregate consideration of approximately HK$25.5 million; (iii) renewal offer letter dated 16 August 2019 regarding the premises at "Shop nos. 2715-23, Level 2, MOSTown" for a term of 2 years from 26 September 2019 to 25 September 2021 at an aggregate consideration of approximately HK$10.5 million; (iv) confirmation of tenancy dated 22 August 2019 regarding the premises at "Shop on 1/F and 2/F of Heya Delight Shopping Centre" for a term of 4 years from 16 October 2019 to 15 October 2023 at an aggregate consideration of approximately HK$10.8 million; (v) renewal tenancy agreement dated 4 September 2019 regarding the premises at "Shop no. N212, Second Floor, Temple Mall North, Wong Tai Sin" for a term of 2 years and 3 months and 15 days from 2 July 2019 to 16 October 2021 at an aggregate consideration of approximately HK$14.4 million; (vi) letter of offer dated 15 October 2019 regarding the premises at "Shop no. L9, Lower Ground Floor, FitFort, North Point" for a term of 4 years from 16 October 2019 to 15 October 2023 at an aggregate consideration of approximately HK$20.2 million; and (vii) tenancy offer dated 1 November 2019 regarding the premises at "A Portion of Ground Floor in the warehouse accommodation of China Resources International Logistics Centre, Kwai Chung" for a fixed term of 4 years and renewal term of 3 years from 1 May 2020 to 30 April 2027 at an aggregate consideration of approximately HK$111.8 million.

Upon implementation of HKFRS 16 effective from 1 January 2019, the entering into the above lease transactions by the Group as a lessee was required to recognise the right-of-use asset and was regarded as an acquisition of asset under the Listing Rules. As a result, during the year, the right-of-use asset of the Group increased to HK$341.4 million at the end of the year, while the lease liabilities of the Group also increased to HK$358.8 million at end of the year at the same time. The above lease transactions constituted notifiable transactions of the Company under the Listing Rules, and details of the transactions were disclosed in the announcements of the Company from April to November 2019 and as set out in the circular of the Company dated 18 December 2019. The tenancy offer dated 1 November 2019 including the exercise of the renewal options were approved by Shareholders at a special general meeting of the Company held on 10 January 2020.

Save as aforesaid, the Group did not make any material acquisitions and disposals during the year.

Save as disclosed in note 44 to the consolidated financial statements in this annual report, there is no important event affecting the Group which has occurred since the end of the financial year.

Capital Commitment

The Group did not have any material outstanding capital commitment at the end of the year.

Material Investments

The market value of financial assets at FVTPL increased from HK$2.0 million as at 31 December 2018 to approximately HK$22.1 million as at 31 December 2019. A net gain on financial assets at FVTPL of HK$10.2 million was recorded for the year.

We do not have any future plans for material investments, or addition of capital assets.

FINANCIAL REVIEW

FINANCIAL AND OPERATIONAL HIGHLIGHTS

Revenue

(HK$'m)	**2019**	2018	% change
Retailing	**1,385.2**	1,420.3	(2.5%)
Asset management	**2.6**	N/A	N/A
Group total	**1,387.8**	1,420.3	(2.3%)

Key Financial Metrics

	2019	2018	% change
The Group			
Net loss attributable to shareholders (HK$'m)	**(99.4)**	(202.4)	50.9%
Loss per share (HK cents)	**(11.96)**	(24.35)	50.9%
Total assets (HK$'m)	**1,121.0**	861.0	30.2%
Cash on hand (HK$'m)	**206.9**	256.8	(19.4%)
Borrowings (HK$'m)	**254.9**	233.2	9.3%
Retailing			
Revenue per sq. ft. (HK$)	**4,224**	4,759	(11.2%)
Growth for same stores (vs last year)	**(2.7%)**	4.1%	N/A
Inventory turnover days	**26.1**	22.8	14.4%

Retail Management Business – Pricerite Group

Industry Review

Continued local social unrest and protracted China-US trade tensions dragged Hong Kong's economy into technical recession in 2019 with GDP contracting by 1.2%. Consequently, Hong Kong retailers faced unprecedented hard times in 2019, with retail sales suffering since February 2019, with a steeper drop in the second half of the year as the subdued economy weakened domestic consumption.

Business Review

Responding to the challenging external environment and economic downturn, Pricerite adopted a prudent approach from early 2019 – focused on reining-in operating costs and capital expenditure while enhancing operating efficiency through simplification, standardisation, systemisation and automation of the business workflow.

As Hong Kong's leading "New Retail" home furnishing specialist, Pricerite continued its multi-brand strategy for innovative home solutions and space management leader for quality home furnishing and lifestyle products. Through in-depth understanding of customer needs with diminishing living space in Hong Kong, our products deliver practical and localised, value-for-money solutions that redefine and rationalise space to help our customers redefine their home spaces.

To timely meet customer requirements with the dual goals of better quality and margin improvement, Pricerite strengthened its regional and global supplier networks in 2019 – extending product sourcing centres in the Yangtze River Delta, Guangdong-Hong Kong-Macau Greater Bay Area and South East Asia.

Pricerite Home

Pricerite Home (PHL) is our principal retailing operating arm that has 25 stores well-distributed in Hong Kong.

To capture additional market opportunities and expand customer base, PHL adopted "hero category" differentiated positioning, building brand and customer loyalty. Our product design team continues designing multi-functional and transformable furniture to enhance product uniqueness, and revamping product mix to enrich product diversification.

In the first half of 2019, PHL launched the "My Own Universe (MOU)" furniture series of customisable, fashionable and innovative living room and dining room solutions, in a widened selection of styles, colours and materials.

During the second half, we developed a series of new "Space Cube Random Dice" living room and bedroom solutions for flexible platform storage. These exclusive products gained positive feedback, helping to improve profit margin and contributing to positive brand image in the market.

Also in the second half, we launched our third New Retail Concept Store at Kowloon Bay Mega Box. This store implements the "O2O" retail model – further integrating new retail technology with online and offline resources for an unprecedented high-tech, seamless, convenient and intimate customer shopping experience.

Continuing to pioneer this "New Retail" business model in Hong Kong, PHL not only provides the widest range of mobile payment methods, but has also become the first local retail chain to accept Hong Kong dollar-equivalent payments in crypto currencies, including Bitcoin (BTC), Ethereum (ETH) and Litecoin (LTC) across all stores.

With the integration of new financial and retail technologies, PHL provides added payment convenience, bringing more secure and free "New Retail" experiences to customers.

PHL meanwhile continues reviewing store network coverage to enhance overall sales performance. Two under-performing stores closed in the first half, and a new store opened at Tuen Mun Waldorf Shopping Centre in the second half, with satisfactory results.

TMF

During the year, TMF was successfully transformed into a stand-alone brand as a professional, reliable and caring service provider in the tailor-made furniture market, dedicated to delivering best "value-for-money" and personal space management solutions to customers.

Looking ahead, more housing supply is destined for the market, both imminently and in the foreseeable future. Implementation of idle tax should provide a further boost to the rising number of inhabited units. Given the growing popularity of micro-apartments, as smaller units are developed and rented or sold demand for tailor-made furniture is anticipated to increase for TMF's smart furniture and micro-space management solutions that help customers manage shrinking living space in Hong Kong.

MANAGEMENT DISCUSSION AND ANALYSIS

SECO

In response to the increasing awareness of personal and home hygiene, SECO continues its positioning and commitment to assemble convenient family well-being and health-essential products for home, environment and personal care, improving customer lifestyles.

Both TMF and SECO are still in the development and investment stage. We are dedicated to gradually building their market awareness and customer bases. We are confident that they will be positively contributing to the Group in the medium term.

Awards

In recognition of unparalleled service for 15 consecutive years and considerable contribution to enhancement of tourism service standards in Hong Kong, PHL was accredited with the Hong Kong Tourism Board's "15-year Quality Tourism Services (QTS) Merchant Award 2019".

PHL and TMF supervisory and frontline staff gained recognition for their excellent quality staff service, honoured in the "Outstanding QTS Merchant Service Staff Awards 2019" across Gold, Silver and Bronze categories.

PHL and TMF salespersons received recognition for outstanding sales professionalism, earning "Distinguished Salesperson Awards (DSA) 2019" from the Hong Kong Management Association.

Both the supervisory and frontline TMF staff were recognised for their professional and outstanding services in the Hong Kong Retail Management Association's "Service and Courtesy Awards 2019".

Outlook

Ongoing social unrest and continuing subdued consumption sentiment in particular due to the unprecedented global outbreak of COVID-19 coronavirus dampened retail sales in 2019, with contraction in the Hong Kong economy expected to continue through early 2020, as the government forecast stagnant growth between –1.5% to 0.5%. With more upward pressure on unemployment, the retail sector is among those particularly hard hit.

Externally, the China-US trade war, Brexit, and geopolitical tensions bring considerable uncertainties and downward pressures to global growth, potentially filtering through onto the Hong Kong economy. National lockdowns across the world imply that all traffic have been shut down, casting unprecedented uncertainties on global and local political and economic development.

Looking forward, the retail sector is expected to remain weak in this unfavourable economic and political environment hindering overall growth of the retail business. With intensified discounting and promotional activities by competitors, the overall business environment will remain challenging.

In the face of these challenges, Pricerite will leverage its well-established corporate brand, strong supplier networks and talented product development team to enrich product diversification and enhance the proportion of house-brand products for margin improvement. Our ultimate goal is to maintain our market share and strengthen our leadership in Hong Kong's furniture and household market.

Despite both internal and external headwinds, Pricerite is cautiously optimistic for its business as strong and resilient demand for home furniture and houseware should continue. Being well-recognised for being a space management solution provider, Pricerite is well-positioned to capture business opportunities when the economy swings back to a growth trend from current sluggish environment. We anticipate that new home owners will seek smart and innovative space management solutions, increasing overall demand for our market-leading home furnishing products and services.

Riding on our quality brands, award-winning service and advanced technologies, we believe Pricerite is well-positioned to capture market opportunities ahead while expanding our touch points for latest convenient digital sales. We remain dedicated to providing enjoyable shopping experiences, helping Hong Kong people create their dream homes and enhancing lifestyles.

Algo Trading Business – CAFG

During the year, the Group launched seven funds across various asset classes. The investment strategies covers a wide array of instruments, including futures and forward contracts, index ETF and options, based on integrated algorithmic trading strategies such as statistical arbitrage of relative values, signals tracking trends and anticipating reversals. We also introduce equity strategies utilising value investing approach to generate long-term capital growth. During the year, our Multi-Strategy Fund implementing a quant-based CTA (Commodity Trading Advisors) strategy topped China's Suntime Private Equity Funds Chart, ranking second among 500 selected quant-based CTA hedge funds. We will continue to strengthen the research and development capability of our core investment strategies, enrich our product offerings, and expand our distribution network via our team and institutional channels. We dedicate to provide excellent asset management services to create long-term and stable investment capital growth for our clients.

Mobile Internet Services Business – NET2GATHER (CHINA)

The Board of Directors reviewed the market situation and business prospects of Net2Gather (China). To preserve financial strength of the Group and channel resources to more promising businesses, the Board of Directors has resolved to set Net2Gather (China) as inactive operation.

CFSG – The Group's Associated Company

Financial Services Business – CFSG

Industry Review

An unprecedented "perfect storm" of various sharply deteriorating geopolitical and economic factors since early 2019 conspired to adversely affect Hong Kong's economic performance. The financial services sector, a major pillar of the economy, initially faced serious headwinds arising from China-US trade tensions from the first half of 2019, followed by unprecedentedly destructive social unrest erupting in the second half.

Resulting disruptions to global trade heavily dragged down economic growth. China's GDP growth was 6.1%, down from 6.6% the year before, while Hong Kong economy shrank by 1.2%, the first annual decrease since 2009.

Notwithstanding fluctuations in global capital markets, Hong Kong's IPO market grew in terms of total IPO funds raised by 9% to HK$312.9 billion. However the number of newly-listed companies slumped by 16% to 183. In addition, total post-IPO funds raised amounted to HK$139.1 billion – a decrease of 46% compared to HK$256 billion raised in 2018.

But overall, investment sentiment in 2019 was subdued, with the Hang Seng Index closing at 28,189.75 at year-end and average daily turnover dropping by 18.86%.

Business Review

As a consequence of trade tensions between China and the US with subsequent slowdown in global economic growth, international capital markets took a big hit. In particular, market sentiment in commodities broking deteriorated distinctly. Together with tightened fund flow in China and other capital markets, our brokerage commission income declined by 11.3% in 2019.

Despite an active IPO market led by the launch of several mega-IPOs, high bank financing costs dampened our overall margin financing business, leading to a moderate drop of 9.4% in interest income.

The volatile global economy, together with escalating costs of compliance, suffocated growth of our brokerage business. CFSG therefore continued to transform its model from brokerage-driven to a well-round wealth management-driven business – with a diversified product offering of professional financial advisory services to high-net-worth clients.

2019 was meanwhile a remarkable year for steady advancement of the Chinese government's Greater Bay Area vision. Since the initiative was launched for closer integration of a world-class "Bay" economy, we identified notably growing momentum towards this vision becoming a closer reality – and in anticipation opened representative offices in Guangzhou and Dongguan in the second half of 2019, extending cross-border presence from our existing office in Shenzhen. We have assembled local marketing teams across various locations to explore business opportunities around the Greater Bay Area.

In 2020 and beyond we will continue introducing latest products and services to capture ever-changing wealth management appetites of our clients. We will also continue seeking new strategic partnerships and strengthen our existing networks with various institutions, leveraging synergy with our long-established Shanghai office to offer comprehensive wealth management solutions to our business partners and clients.

MANAGEMENT DISCUSSION AND ANALYSIS

During 2019 we assisted certain clients in raising funds from the capital market through placings and IPO sub-underwriting. We also advised listing companies on a range of corporate finance transactions, including M&As, acquisition and disposal of assets and businesses, and various connected transactions; and advised a private company in acquiring controlling stake in a listed company. We also continued our sponsor support for a mainboard IPO applicant. Our clients mainly included Hong Kong companies and Mainland China enterprises.

In view of the current market doldrums, we intend to focus on our financial advisory expertise while fine-tuning our team-mix to fortify our investment banking capabilities. We are also closely monitoring the ever-changing market environment, reacting proactively on behalf of our clients to better capture various capital market and corporate finance opportunities.

Our sum of Asset under Management (AUM) for external customers was flat by year-end, compared with 2018. Our focus is on leading blue chips and new economy stocks with high visible outlook for our clients; and target recruiting more investment managers to attract more potential new clients.

The HSI is currently trading at around 10.9x FY2020 prospective PER, 1.17x P/B and 3.4% prospective dividend yield. Compared with historical track record, its valuation is not demanding for long term investors, so we expect our revenue and AUM to pick up again this year.

In 2019 we also continued to improve our mobile trading platforms – Alpha i and Weever, with more value-added features to satisfy our clients' demand for superior service.

Aiming to bring our clients a more efficient way to manage their assets, we are currently developing a new "All-in-One" wealth management platform, encompassing trading services covering a broad range of markets and asset classes, and professional wealth management services. The new wealth management platform will be released in phases in 2020. Besides, we will continue to integrate innovative technologies into our products and services to ensure our clients benefit from latest technological advancements.

On top of 2019 setbacks, the first quarter of 2020 was poised for inevitable negative economic growth in view of stagnation brought by the new COVID-19 coronavirus. On a brighter note, the chill of US and China trade tensions appears to have thawed somewhat, removing some uncertainty with signing of the first phrase of a trade deal in January 2020 and start of second phrase negotiations. With the turnaround of depreciation pressure on the RMB and loosening monetary policy in China, we see positive longer-term signals for the Hong Kong and China stock markets.

But to prepare for inevitably tough economic conditions resulting from the outbreak of COVID-19 in the coming year, we will implement stringent cost control to remain a sustainable business. Meanwhile, we are actively seeking deal-based business opportunities to maintain steady income stream – applying prudent risk management while identifying new financial products and leveraging our client network to increase business activities in the Greater Bay Area and Yangtze River Delta Area.

EMPLOYEE INFORMATION

At 31 December 2019, the Group had 797 employees. Our employees were remunerated according to their performance, working experience and market conditions. The total amount of remuneration cost of employees of the Group for the year under review was approximately HK$207.4 million.

BENEFITS

The Company and some of its subsidiaries provide employee benefits including mandatory provident fund scheme, medical insurance scheme, discretionary share options, performance bonus and sales commission for their staff. The Company also provides its employees in the PRC with medical and other subsidies, and contributes to the retirement benefit plans.

TRAINING

The Group has implemented various training policies and organised a number of training programs aimed specifically at improving the skills of its employees and generally to increase the competitiveness, productivity and efficiency of the Group including training in areas such as language proficiency, product knowledge, customer service, selling techniques, presentation, team building, communication, coaching, quality management, graduate development, leadership transformation, and also professional regulatory training programs as required by regulatory bodies. The Group also arranges for relevant staff, who are licensed persons under the SFO, to attend the requisite training courses to fulfill/comply with the continuous professional training as prescribed in the SFO.

The Group conducts an initial staff orientation for new employees in order to familiarise them with the Group's history and strategy, corporate culture, quality management measures and rules and regulations. This orientation aims to prepare the new employees for the positions by establishing a sense of belongingness and cooperation; by supplying necessary information that resolves an employee's concerns; and by removing any potential barriers for job effectiveness and continuous learning.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Bankee Pak-hoo KWAN, JP

Chairman & CEO

DBA(Hon), MBA, BBA, FFA, FHKSI, CPM(HK), FHKIM

Dr Kwan, aged 60, joined the Board on 9 March 1998. He is responsible for devising the overall business strategy of the Group. Dr Kwan has extensive experience in corporate management, strategic planning, marketing management, financial advisory and banking. An MBA graduate from The Murdoch University of Perth, Australia and a BBA graduate from The Chinese University of Hong Kong, Dr Kwan was also conferred an Honorary Doctorate degree in Business Administration. Dr Kwan is also a fellow of the Institute of Financial Accountants, UK, the Hong Kong Securities and Investment Institute and the Hong Kong Institute of Marketing (HKIM). He is a Certified Professional Marketer (HK) of HKIM.

Dr Kwan is a firm believer in youth education and development. He is a John Harvard fellow of The Harvard University, US; a member of the Harvard University Asia Center Advisory Committee; a trustee of New Asia College of The Chinese University of Hong Kong; an honorary fellow of The Open University of Hong Kong; a member of the Court of City University of Hong Kong, an Adjunct Professor of The Hang Seng University of Hong Kong and an advisory professor and a honorary member of the Board of Trustees of Nanjing University. Dr Kwan is also an honorary advisor of several higher education institutions, including the LiPACE of The Open University of Hong Kong and the Academy of Oriental Studies of Peking University.

In addition to education, Dr Kwan is also active in serving the community. Currently, he is the deputy chairman of the Business Facilitation Advisory Committee (BFAC) and also the convenor of the Wholesale and Retail Task Force (WRTF) of BFAC; a non-executive director of the Mandatory Provident Fund Schemes Authority (MPFA); a standing committee member and deputy convener (Hong Kong and Macao Members) of the Chinese People's Political Consultative Conference (CPPCC), Shanghai Committee; executive vice president of Hong Kong-Shanghai Economic Development Association; a member of the 5th Council of the China Overseas Friendship Association; a Justice of Peace (JP) of the HKSAR; a member of the Election Committee for the Fourth and the Fifth Term of the Chief Executive Election of the HKSAR; a director, honorary advisor and past chairman of the Hong Kong Retail Management Association (HKRMA); a member of the Marketing Management Committee of the HKMA/TVB Awards for Marketing Excellence; a director of the Hong Kong Justice of Peace Association. Dr Kwan has also been a member of the Central Policy Unit of the Government of the HKSAR and an honorary advisor of the CEPA Business Opportunities Development Alliance.

In December 2009, Dr Kwan was named "Entrepreneur of the Year 2009" in the Asia Pacific Entrepreneurship Awards as organised by Enterprise Asia, which recognised his outstanding entrepreneurial success and significant contributions to economic life and society. In April 2016, Dr Kwan was named "Man of the Year for Leadership in Asia" by IAIR, the world's leading financial magazine. The annual IAIR Awards recognise outstanding professionals who actively promote excellences in innovation and sustainability. In August 2018, he was bestowed with the "World Outstanding Chinese Award" organised by World Chinese Business Investments Foundation, which recognised his great contribution to the global Chinese society. In December 2019, The Hang Seng University of Hong Kong bestowed the "Junzi Entrepreneur Award" on Dr Kwan, recognising his continuous contribution to the society of Hong Kong.

Dr Kwan is a substantial Shareholder of the Company and a member of the Remuneration Committee. He is also an executive director, chairman and acting chief executive officer of CFSG, as well as a member of the remuneration committee of CFSG. He is the father of Mr Kwan Teng Hin Jeffrey (executive director of the Company and CFSG).

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

James Siu-pong LEUNG

ED

MBA, BSocSc

Mr Leung, aged 57, joined the Board on 2 September 2019. He is also the executive director and chief executive officer of Pricerite Group, in charge of the entire retail operation, business management and development of Pricerite Group. He has extensive experience in the fields of banking and retail management businesses. Mr Leung received a Master of Business Administration Degree from Heriot-Watt University, UK and a Bachelor of Social Sciences Degree from The University of Hong Kong.

Jeffrey Teng-hin KWAN

ED

BA, MHKSI

Mr Kwan, aged 30, joined the Board on 2 September 2019. He is in charge of corporate management and strategic investments. He has extensive experience in financial technology, corporate and strategic management, private equity and investment management. Mr Kwan received a Bachelor of Arts in Psychology from the Johns Hopkins University, US. He is a member of the Hong Kong Securities and Investment Institute. He is the son of Dr Kwan Pak Hoo Bankee (the Chairman of the Group). Mr Kwan is also an executive director of CFSG.

Derek Hin-sing NG

ED

*MBA, BA, CFP^CM^*

Mr Ng, aged 51, joined the Board on 5 August 2013. He is in charge of the Group's digitalisation plan across all its business disciplines. He has extensive experience in both the financial and retail sectors. Mr Ng received a Master of Business Administration Degree from Southern Illinois University Carbondale, US and a Bachelor of Arts Degree from Ottawa University, US. He holds a Professional Diploma in Financial Planning from The University of Hong Kong and is a CERTIFIED FINANCIAL PLANNER^CM^ professional. In 2014, Mr Ng was bestowed with the "Asia Pacific Entrepreneurship Awards 2014 – Outstanding Entrepreneurship Award", as organised by Enterprise Asia. Mr Ng is also an executive director of CFSG.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Johnny Ka-kui LEUNG

INED

LL.B

Mr Leung, aged 62, joined the Board on 25 October 2000. Mr Leung has extensive experience in the legal field and is the managing partner of a legal firm in Hong Kong. He is a qualified solicitor in Hong Kong, England & Wales and Singapore, and is a Notary Public and China Appointed Attesting Officer. Mr Leung received a Bachelor of Laws Degree (LL.B) from The University of London, UK. Mr Leung is also the chairman of the Audit Committee and the Remuneration Committee.

Chuk-yan WONG

INED

MSc (Business Administration), BBA, CFA, CPA,CGA

Mr Wong, aged 58, joined the Board on 3 June 1998. He has extensive investment management experience in the global financial markets. Mr Wong received a Master of Science Degree in Business Administration from The University of British Columbia, Canada and a Bachelor of Business Administration Degree from The Chinese University of Hong Kong. He is a Chartered Financial Analyst (CFA) charterholder and a Chartered Professional Accountant of Canada (CPA,CGA). Mr Wong is also a member of the Audit Committee and the Remuneration Committee.

Hak-sin CHAN

INED

PhD, MBA, BBA

Dr Chan, aged 58, joined the Board on 25 October 2000. He has extensive experience in the academia in the US as professor, researcher and consultant in the fields of corporate finance and international marketing. Dr Chan is a head of and an associate professor in the Department of Marketing at The Hang Seng University of Hong Kong. Dr Chan received a Doctor of Philosophy Degree in Business, a Master of Business Administration Degree from The University of Wisconsin-Madison, US and a Bachelor of Business Administration Degree from The Chinese University of Hong Kong. Dr Chan is also a member of the Audit Committee.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Lewis Shing-wai LI

CFO

BBus, CPA(Aus), CPA

Mr Li, aged 46, joined the Group in March 2014. He oversees the Group's accounting and financial management functions. He has extensive experience in the fields of financial and accounting management. Mr Li received a Bachelor of Business Degree from Swinburne University of Technology, Australia. He is a Certified Practising Accountant of CPA Australia and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants. Mr Li is also an executive director and chief financial officer of CFSG.

William Wai-lim CHEUNG

Chief Operating Officer, Pricerite Group

MBS, BA, CPA

Mr Cheung, aged 44, joined the Group in September 2016. He oversees the operations workflow, procedures and internal control of Pricerite Group. He has extensive experience in banking, accounting and auditing fields. Mr Cheung received a Master of Business Studies Degree from the University of Kent at Canterbury, UK. He is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants.

Anthony Wai-ching CHEUNG

Executive Director & Chief Operating Officer, CFSG

MA, BBA

Mr Cheung, aged 46, joined the Group in July 1997. He is in charge of the overall administrative and operational control of the CFSG Group. He has extensive experience in the fields of operational control, risk management and dealing in securities and futures market. Mr Cheung received a Master of Arts Degree in Comparative and Public History from The Chinese University of Hong Kong and a Bachelor of Business Administration Degree in Applied Economics from The Hong Kong Baptist University.

Suzanne Wing-sheung LUKE

Company Secretary

FCIS, FCS

Ms Luke, aged 51, joined the Group in May 2000. She is in charge of the company secretarial matters of the Group. She has extensive listed company secretarial experience. She is a fellow of The Institute of Chartered Secretaries and Administrators, UK and The Hong Kong Institute of Chartered Secretaries. In addition to taking the role as company secretary of the Company, Ms Luke is also the company secretary of CFSG.

Rico Wai-kwong LEUNG

General Manager & Head of Supply Chain Management, Pricerite Group

Mr Leung, aged 54, joined the Group in January 2018. He is in charge of the supply chain management function of Pricerite Group and overseeing the overall development of TMF. He has over 20 years' experience in home furnishing industry.

Boris Ting-pong TAM

General Manager of iRetail Strategy & Development, Pricerite Group

BAS

Mr Tam, aged 38, joined the Group in May 2016. He is in charge of the e-commerce business of Pricerite Group. He has extensive experience in the fields of e-commerce and information technology. Mr Tam received a Bachelor of Applied Science Degree in Computing from Swinburne University of Technology, Australia.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Stephen Chong-yip CHAN

Deputy General Manager & Head of Retail Operations, Pricerite Group

Mr Chan, aged 49, joined the Group in May 2018. He is in charge of the retail operations of Pricerite Group. He has over 20 years' experience in the field of retail management.

Nelson Sin-fai CHIU

General Manager of Product Development, Pricerite Group

HKIDA (Professional), HKIDA (Certified Interior Design), MHKDA (Architecture)

Mr Chiu, aged 37, joined the Group in February 2018. He is in charge of the product development of Pricerite Group. He has extensive experience in architectural and interior design industries. Mr Chiu received an Associate Degree of Science in Architectural Studies from City University of Hong Kong.

Bonnie Yee-sin HUNG

Deputy General Manager & Head of Marketing & Brand Management, Pricerite Group

BBA

Ms Hung, aged 42, joined the Group in July 2017. She is in charge of the marketing and brand management of Pricerite Group. She has extensive experience in the field of marketing. Ms Hung received a Bachelor of Business Administration (Hons) Degree from City University of Hong Kong.

Deon Chui-yee WON

Deputy General Manager & Head of Furniture Division of Supply Chain Management, Pricerite Group

Ms Won, aged 51, joined the Group in May 2004. She is in charge of the furniture division of supply chain management of Pricerite Group. She has 20 years' experience in the field of supply chain management.

Katy Wai-tsz YEUNG

Assistant General Manager & Head of Household Division of Supply Chain Management, Pricerite Group

BBA

Ms Yeung, aged 38, joined the Group in May 2018. She is in charge of the household division of supply chain management of Pricerite Group. She has extensive experience in the field of supply chain management. Ms Yeung received a Bachelor of Business Administration Degree from The University of Hong Kong.

Carrie Chiu-mei LAW

Director, Human Resources & Administration

BBA

Ms Law, aged 46, joined the Group in August 2001. She is in charge of the human resources and administrative functions of the Group. She has extensive experience in human capital management, including strategic human resources planning, talent management, succession planning and human resources measurements. She is also experienced in managing human resources and administrative operations across regional offices. Ms Law received a Bachelor of Business Administration (Hons.) Degree in Human Resources Management from The Hong Kong Baptist University. She is a professional member of Hong Kong Institute of Human Resources Management. She is also appointed as Assessor for the Recognition of Prior Learning Scheme with Vocational Training Council.

CORPORATE GOVERNANCE REPORT

The Directors of the Company have adopted various policies to ensure compliance with the code provisions of the CG Code under Appendix 14 of the Listing Rules. For the year ended 31 December 2019, the Company has complied with all the code provisions of the CG Code, except for the deviations with explanation described below:

(i) The Company does not have a nomination committee as provided for in code provision A.5.1 as its function has been performed by the Board as a whole. The Board under the leadership of the Chairman is responsible for reviewing the structure, size and composition of the Board and the appointment of new directors from time to time to ensure that it has a balanced composition of skills and experience appropriate for the requirements of the businesses of the Company, and the Board as a whole is also responsible for reviewing the succession plan for the directors.

(ii) Dr Kwan (Chairman of the Board) also acted as CEO of the Company during the underlying year. According to code provision A.2.1, the roles of Chairman and CEO of the Company should be separate. The dual role of Dr Kwan provides a strong and consistent leadership to the Board and is critical for efficient business planning and decisions of the Group. The respective CEOs of each business units of the Group assisted Dr Kwan in performing the CEO's responsibilities. The balance of power and authorities is also ensured by the operation of the Board and the senior management, which comprise experienced and high caliber individuals.

THE BOARD COMPOSITION

Up to the publication date of this report, the Board comprised 7 Directors (4 EDs and 3 INEDs) who possess the skills, experience and expertise either in the same industry or relevant to the management of the business of the Group. The INEDs will also share their valuable impartial view on matters to be discussed at the board meetings. The biographies of the Directors are set out from pages 16 to 19 of this annual report under the "Board of Directors and Senior Management" section.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Dr Kwan Pak Hoo Bankee, the Chairman of the Board and the CEO of the Company, is responsible for formulating the strategies and policies of the business development of the Group, providing leadership and overseeing the functioning of the Board. The CEOs of respective business units of the Group will be responsible for formulating business plans and monitoring the business operation and development of the Group, and report regularly to the Chairman. In addition, the 3 INEDs provide independent and impartial opinion on issues to be considered by the Board. The Board is of the opinion that the current Board structure functions effectively.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The INEDs are all professionals with well recognised experience and expertise in professional and/or accounting fields who provide valuable advice to the Board. They are appointed for a term of 1 year and are subject to retirement from office and re-election at the AGM every year. The Company has received a confirmation of independence from each of the INEDs. The Board considers each of them to be independent by reference to the factors as set out in Rule 3.13 of the Listing Rules. The INEDs have been expressly identified as such in all corporate communications of the Company that disclose the names of the Directors.

ROLES AND RESPONSIBILITIES OF THE BOARD

The Board is responsible for the leadership and control of the Group and is responsible for promoting the success of the Group by directing and supervising the business operations of the Group in the interests of the Shareholders by formulating strategic directions and monitoring the financial and management performance of the Group.

DELEGATION TO THE MANAGEMENT

The Management is led by the EDs of the Board and has delegated powers and authorities to carry out the day-to-day management and operation of the Group; formulate business policies and make decision on key business issues; and exercise power and authority delegated by the Board from time to time. The Management assumes full accountability to the Board for the operation of the Group.

There is a formal schedule of matters specifically reserved to and delegated by the Board. The Board had given clear directions to the Management that certain matters (including the followings) must be reserved to the Board:

— Publication of final and interim results of the Company

— Dividend distribution or other distribution

— Major issues of treasury policy, accounting policy and remuneration policy

— Review on risk management and internal control systems

— Corporate governance functions

— Review on the succession plan and consideration of the appointment, re-election and removal of the Directors

— Changes to major group structure or board composition requiring notification by announcement

— Notifiable transaction and non-exempted connected transaction/continuing connected transaction

— Proposed transaction requiring the Shareholders' approval

— Capital restructuring

— Joint venture with outside party involving substantial capital commitment from the Group that requires notification by announcement

— Financial assistance to the Directors

RELATIONSHIP BETWEEN THE BOARD MEMBERS

Dr Kwan Pak Hoo Bankee (the Chairman of the Group) is the father of Mr Kwan Teng Hin Jeffrey (ED). Save as disclosed herein, none of the members of the Board has any relationship (including financial, business, family or other material/relevant relations) between each other.

INDUCTION, SUPPORT AND PROFESSIONAL DEVELOPMENT OF THE DIRECTORS

There is a Directors' handbook containing relevant guideline materials regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest and business of the Group and corporate information of the Group. The Directors' handbook will be regularly updated to reflect the updated corporate information and new rules and regulations.

The Directors received regular updates and presentation on changes and developments to the Group's business and on the latest developments in the law, rules and regulations relating to Directors' duties and responsibilities. Directors' training is an ongoing process. All Directors are encouraged to attend training sessions including but not limited to seminars, briefings, conference forums and workshop and reading materials to enrich their knowledge in discharging their duties as a director.

To summarise, the Directors received trainings on the following areas to update and develop their skills and knowledge during the year under review:

Name of Directors	**Covered areas** *(Notes)*
Kwan Pak Hoo Bankee	(a) to (e)
Leung Siu Pong James *(was appointed on 2 September 2019)*	(b), (d), (e)
Kwan Teng Hin Jeffrey *(was appointed on 2 September 2019)*	(a) to (e)
Ng Hin Sing Derek	(b), (d)
Chan Chi Ming Benson *(resigned on 27 March 2020)*	(a) to (e)
Law Ping Wah Bernard *(resigned on 1 July 2019)*	(b)
Leung Ka Kui Johnny	(b), (c)
Wong Chuk Yan	(b)
Chan Hak Sin	(b)

Notes:

(a) Global and local economy and financial market, general business environment

(b) Regulatory and corporate governance and directors' duties and responsibilities

(c) Finance, law and taxation

(d) Leadership, management and language skills

(e) Other information relevant to the Group's business

There is a procedure agreed by the Board to ensure the Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses. The Directors confirmed that they have complied with the code provision A.6.5 of the CG Code during the year.

CORPORATE GOVERNANCE REPORT

DIRECTORS' INSURANCE

The Company has arranged appropriate insurance cover in respect of legal action against the Directors.

DIRECTORS' ATTENDANCE AND TIME COMMITMENT

The attendance record of the Directors at the following meetings during the year is set out below:

	Meetings attended/held					
Name of Directors	**Executive Committee Meeting**	**Full Board Meeting**	**Audit Committee Meeting**	**Remuneration Committee Meeting**	**Annual General Meeting**	**Special General Meeting**
EDs						
Kwan Pak Hoo Bankee	7/7	4/4	N/A	1/1	0/1	1/1
Leung Siu Pong James *(was appointed on 2 September 2019)*	2/2	1/1	N/A	N/A	N/A	N/A
Kwan Teng Hin Jeffrey *(was appointed on 2 September 2019)*	2/2	1/1	N/A	N/A	N/A	N/A
Ng Hin Sing Derek	1/7	4/4	N/A	N/A	1/1	1/1
Chan Chi Ming Benson *(resigned on 27 March 2020)*	4/7	4/4	N/A	N/A	1/1	1/1
Law Ping Wah Bernard *(resigned on 1 July 2019)*	3/4	1/1	N/A	N/A	1/1	1/1
INEDs						
Leung Ka Kui Johnny	N/A	4/4	4/4	1/1	1/1	1/1
Wong Chuk Yan	N/A	4/4	4/4	1/1	1/1	1/1
Chan Hak Sin	N/A	3/4	3/4	N/A	0/1	0/1
Total number of meetings held:	7	4	4	1	1	1

During the year, the Chairman of the Board held a meeting with the INEDs without the presence of the EDs.

Upon reviewing (i) the annual confirmation of the time commitment given by each Director; (ii) the directorships and major commitments of each Director; and (iii) the attendance rate of each Director on full Board and their executive committee meetings with the Management on their respective functional duties and responsibilities, the Board is satisfied that all Directors have spent sufficient time in performing their responsibilities during the year.

BOARD MEETINGS AND PROCEEDINGS

Regular Board meetings were held at approximately quarterly interval. The Directors have access to the advice and services of the Company Secretary and key officers of the company secretarial team for ensuring that the Board procedures, and all applicable rules and regulations, are followed.

All Directors are consulted as to whether they wish to include any matter in the meeting agenda before the agenda for each board meeting is issued. Board meeting notice is sent to the Directors at least 14 days prior to each regular board meeting. Originals of the minutes of board meetings will be kept by the Company Secretary and are opened for inspection at any reasonable time on reasonable notice by any Director.

If a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the Director will abstain from voting on the relevant board resolution in which he/she or any of his/her associates has a material interest and that he/she shall not be counted in the quorum present at the board meeting.

AUDIT COMMITTEE *(SET UP ON 28 JUNE 1999)*

The Audit Committee comprises 3 INEDs, namely Mr Leung Ka Kui Johnny (chairman of the committee), Mr Wong Chuk Yan and Dr Chan Hak Sin.

The specific written terms of reference of the Audit Committee was revised on 17 November 2015 and is available on the Company's website.

The Audit Committee is primarily responsible for making recommendations to the Board on the appointment and removal of the external auditor, approving the remuneration and terms of engagement of external auditor, reviewing financial information and overseeing the financial reporting system, risk management and internal control procedures. The Audit Committee held 4 meetings during the year.

A summary of work performed by the Audit Committee during the year is set out as follows:

i. reviewed the annual and interim financial statements and the quarterly business operation and development of the Group;

ii. discussed/met with the external auditor on general accounting issues of the Group, and reviewed their work and findings relating to the annual audit and the effectiveness of the audit process;

iii. reviewed the effectiveness of the risk management and internal control systems of the Group;

iv. annual review of the non-exempt continuing connected transactions of the Group; and

v. reviewed the external auditor's independence, approved the engagement and remuneration of external auditor and recommended the Board on the re-appointment of external auditor.

REMUNERATION COMMITTEE *(SET UP ON 1 JUNE 2005)*

The Remuneration Committee comprises 2 INEDs, Mr Leung Ka Kui Johnny (chairman of the committee) and Mr Wong Chuk Yan, as well as Dr Kwan Pak Hoo Bankee (Chairman of the Board).

The specific written terms of reference of the Remuneration Committee (as re-adopted on 7 February 2012) is available on the Company's website. Pursuant to model B.1.2(c)(ii) and the terms of reference in the CG Code adopted by the Remuneration Committee, its primary duties are to make recommendation to the Board on the Company's policies and structure of the remuneration of Directors and senior management and the remuneration packages of individual EDs and senior management. Details of the remuneration of each of the Directors for the year are set out in note 11 to the consolidated financial statements. The Remuneration Committee held 1 meeting during the year.

A summary of the work performed by the Remuneration Committee during the year is set out as follows:

i. determined and endorsed to the remuneration policy and structure for the Directors and senior management;

ii. assessed the performance of executive Directors and reviewed their current level and remuneration structure/package and approved their specific remuneration package of executive Directors; and

iii. reviewed and approved the cost rationalisation measures and business re-engineering plan of the Group.

NOMINATION POLICY FOR THE DIRECTORS

Nomination of the Directors

The Company had adopted a nomination policy incorporating the board diversity policy for the criteria, procedures, and process of the appointment and removal of the Directors. The criteria to select candidates for directorship is based on a range of diversity perspectives, including gender, age, culture and educational background, professional skill, experience in relevant areas, personal qualities, and whether the candidate can demonstrate his commitment, competence and integrity required for the position of the Director, and in case of INEDs, the independence requirements set out in the Listing Rules and their time commitment to the Company. Nomination of new Director(s) will continue to be made on a merit basis and candidates will be considered against objective criteria, with due regard to the benefits of diversity of the Board and our business model and specific needs from time to time. Nomination of new Director(s) will normally be proposed by the Chairman and/or CEO subject to the Board's approval. External consultants may be engaged, if necessary, to access a wider range of potential candidate(s).

During the year, the Board as a whole regularly reviewed the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company. The independence of the INEDs was assessed according to the relevant rules and requirements under the Listing Rules.

During the year under review, 2 meetings were held by the executive Directors in resolving the resignation and appointment of EDs of the Company and the promotion and appointment of deputy CEO of the Company.

Remuneration policy of the Directors

The Company adopted a remuneration policy providing guideline for the Directors' remuneration.

Under the remuneration policy, the Directors' remuneration should be based on internal equity factors and external market conditions and will be reviewed from time to time.

The remuneration of EDs generally consists of:

- fixed monthly salary/allowance – which is set in accordance to the Director's duties, responsibilities, skills, experiences and market influences;

- pension – which is based on the local Mandatory Provident Fund Contribution Scheme;

- short term variable incentive – which may include discretionary cash bonus depending on the achievement of short-term corporate objectives and/or personal targets;

- long term variable incentive – which may include share options designed to encourage long-term commitment.

The remuneration of the non-executive Director(s) of the Company (if any) and the INEDs will be a lump sum of Directors' remuneration made annually.

The remuneration paid to and/or entitled by each of the Directors for the year under review is set out in note 11 to the consolidated financial statements in this annual report.

The share options granted to and/or entitled by the Directors during the year under review are set out in the section headed "Directors' Interests in Securities" in the Directors' report of this annual report.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for the corporate governance functions of the Group. The specific written terms of reference of the corporate governance functions is available on the Company's website. The primary duties of the corporate governance functions are (a) reviewing the policies and practices on (i) corporate governance and (ii) compliance with legal and regulations requirements of the Company; (b) reviewing and monitoring the training and continuous professional development of the Directors and senior management; and (c) reviewing the Company's compliance with code and disclosure in this report.

During the year, the Board reviewed the policies and practices on corporate governance, the training and continuous professional development of Directors and senior management and the Company's compliance with code and disclosure in this report.

DIVIDEND POLICY

The Company has adopted a dividend policy as set out below:

1. Purpose

The policy aims to set out the approach for the declaration and payment of dividend by the Board.

2. Vision

The Company considers stable and sustainable returns to the Shareholders to be our goal.

3. Power of the Board

3.1 The Company may declare and distribute dividends to the Shareholders by way of cash or by other means that the Board considers appropriate.

3.2 In proposing any dividend payout, the Board shall also take into account, inter alia:

(i) the Company's actual and expected financial performance;

(ii) retained earnings and distributable reserves of the Company and each of the members of the Group;

(iii) the level of the Group's debts to equity ratio, return on equity and the relevant financial covenants;

(iv) any restrictions on payment of dividends that may be imposed by the Group's lenders;

(v) the Group's expected working capital requirements and future expansion plans;

(vi) general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and

(vii) any other factors that the Board deems appropriate.

3.3 Any declaration and/or payment of future dividend is subject to the Board's determination that the same would be in the best interests of the Group and the Shareholders as a whole.

4. Governing rules

Declaration of the dividend by the Company is also subject to any restrictions under the Laws of Bermuda, the bye-laws of the Company and any applicable laws, rules and regulations.

5. Approval

5.1 The Board may from time to time pay to the Shareholders such interim and/or special dividends as it considers to be justified by the profits of the Group.

5.2 Any final dividends declared by the Company must be approved by an ordinary resolution of the Shareholders at an AGM and must not exceed the amount recommended by the Board.

6. Review of this policy

The Board will review the policy from time to time and may exercise at its sole and absolute discretion to update, amend and/or modify the policy at any time as it deems fit and necessary.

7. Legal validity

The policy shall in no way constitute a legally binding commitment by the Company in respect of its future dividend and/or in no way obligate the Company to declare a dividend at any time or from time to time. There is no assurance that dividends will be paid in any particular amount for any given period.

SECURITIES TRANSACTIONS OF DIRECTORS

The Company has adopted the Model Code for Securities Transactions of Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries to the Directors of the Company, all of them confirmed that they have complied with the required standard of dealings and the code of conduct throughout the year.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge that it is their responsibilities to prepare the financial statements of the Group and other financial disclosures required under the Listing Rules and the Management has provided such explanation and information to the Board to enable it to make an informed assessment of the financial and other Board decisions. The Directors believe that they have selected suitable accounting policies and applied them consistently, made judgment and estimates that are prudent and reasonable and ensured the financial statements are prepared on a "going concern" basis. The auditor of the Company has made a statement about their reporting responsibilities in the Independent Auditor's Report.

The Management has provided all members of the Board with monthly internal financial statements so as to give the Directors a balanced and understandable assessment of the Company's performance, position and prospects.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibilities for establishing and maintaining appropriate and effective risk management and internal control systems, and for determining the nature and extent of the risks it is willing to take in achieving its strategic objectives. The Management is primarily responsible for the design, implementation and monitoring of the risk management and internal control systems.

Procedures have been designed for safeguarding the Group's assets against unauthorised use or disposal, maintaining proper accounting records, ensuring the reliability and usefulness of financial information for internal business use or for publication, and monitoring the compliance with applicable laws, rules and regulations. Furthermore, they are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatements or losses.

The key risk management and internal control procedures include the following:

(i) Delegation of authority within limits set by the Board

The managements of business units and functional departments have been delegated powers and authorities by the Board to carry out the day-to-day management, operation, and maintenance of the internal control systems that are appropriate to their business or function. The Group has adopted a tailored governance and organisational structure with formal and clearly defined lines of responsibility and delegation of authority to ensure segregation of duties with check and balance controls are effectively in place.

(ii) Risk management process

System and procedures are in place to identify, evaluate, manage, and report on the material risk types facing the Group including strategic, operations, compliance, reporting, and information and technology risks. Exposure to these risks is monitored by the Risk Management Committee ("RMC"). RMC oversees and defines the Group overall risk management framework, formulates the Group's risk management policy and guideline, determines the overall risk acceptance level, assesses the Group's risk profile, prioritises top risks for the Group, and promotes risk awareness and management knowledge.

Under the Risk Management Framework, the five steps of the risk management process adopted are risk identification, risk assessment and prioritisation, risk manager appointment, risk responses, and risk communication and monitoring. The Group maintains a set of risk registers to record the major and significant risks that will hinder the Company from achieving its business objectives. Risk managers are appointed by the Board to monitor the identified high risk areas of business practices on an ongoing basis and to develop the subsequent risk response action plans. The risk registers are reviewed and approved by the RMC on a biannual basis for continuous risk assessment.

(iii) Changes in market condition/external environment

Processes are in place to identify new risks arising from changes in market conditions or external environment which could expose the Group to heightened risk of loss or reputational damage. The Management is primarily accountable for measuring, monitoring, mitigating and managing the risks and controls in their areas of responsibility.

(iv) Financial reporting

The Management monitors the business activities closely and reviews monthly financial results of operations against budgets or forecast. Proper controls are in place for the recording of complete, accurate and timely accounting and management information. In addition, regular reviews and statutory audits are performed by our external auditor to ensure that the preparation of the Group's financial statements are carried out in accordance with generally accepted accounting principles, the Group's accounting policies and applicable laws and regulations.

(v) Internal audit

The establishment of the Group's internal audit function is to provide the Management with an independent and impartial view on the adequacy, efficiency and effectiveness of the Group's risk management, internal control and governance system and to provide recommendations for improvement. The Group's internal audit function is undertaken by the Operational Control Department ("OCD"). A risk-based approach is adopted in developing the annual internal audit work plan that is reviewed and endorsed by the Audit Committee. The audit progress and audit observations are reported to the Audit Committee on a biannual basis.

(vi) Inside information

There are internal procedures and controls for the handling and dissemination of inside information. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the safe harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensure that information contained in announcement or circulars are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

(vii) Whistle-blowing channels

The Group maintains a Whistle-blowing policy to encourage employees to report any suspected misconduct contrary to our ethical belief in confidence without the fear of recrimination. Procedures are established for employees to raise complaints directly to the OCD, which will evaluate the complaint and determine whether an investigation is appropriate. OCD coordinates with relevant departments for investigation where necessary and recommendations on improvements are communicated to the respective management for implementation. Audit procedures, investigation results and subsequent follow-up actions taken are reported to the Audit Committee on a biannual basis.

Overall assessment

The Board, through the Audit Committee, has conducted an annual review of the effectiveness of our risk management and internal controls systems covering all material controls, including financial, operational and compliance controls, and the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting, internal audit and financial reporting functions.

In addition, the Board has received confirmation from the Management that the Group's risk management and internal controls systems are in place and functioning effectively.

During the year ended 31 December 2019, the Board is not aware of any material internal control deficiency or significant areas of concern that may affect Shareholders' interests.

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS

The Directors consider communication with the Shareholders are mainly in the following ways: (i) the holding of AGMs and SGMs, if any, which may be convened for specific purpose and can provide opportunities for the Shareholders to communicate directly to the Board; (ii) the publication of announcements, annual reports, interim reports and/or circulars as required under the Listing Rules and press releases of the Company providing updated information of the Group; (iii) the holding of press briefings and media interviews from time to time; and (iv) the upkeeping of the latest information of the Group on the Company's website at www.cash.com.hk. The Shareholders and investors are welcome to visit such website.

In order to protect the environment and save costs for the benefit of the Shareholders, the Company has introduced electronic means for receiving corporate communication materials by the Shareholders. The Shareholders may choose to receive printed or electronic copies. In line with our social caring policies, the Shareholders are encouraged to get access to corporate communication materials of the Company through the Company's website.

Separate resolutions are proposed at each general meetings of the Company. The Company's notice to the Shareholders for the AGM was sent to Shareholders at least 20 clear business days before the meeting and notices of the SGMs were sent to Shareholders at least 10 clear business days before such meetings in year 2019.

CONSTITUTIONAL DOCUMENTS

There are no significant changes in the Company's constitutional documents during the year.

SHAREHOLDERS' RIGHTS

Convening a SGM and putting forward proposals at general meetings

Pursuant to the bye-laws of the Company, Shareholder(s) holding at the date of the deposit of the requisition not less than one-tenth (10%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall have the right to submit a written requisition requiring a SGM to be called by the Board.

The written requisition (i) must state the object(s) of the meeting, and (ii) must be signed by the requisitionists and deposited at the registered office of the Company for attention of the Company Secretary of the Company, and may consist of several documents in like form, each signed by one or more requisitionists. Such requisitions will be verified with the Company's share registrar and upon its confirmation that the requisition is proper and in order, the Company Secretary will ask the Board to convene a SGM by serving sufficient notice to all Shareholders. On the contrary, if the requisition has been verified as not in order, the requisitionists will be advised of this outcome and accordingly, the SGM will not be convened as requested.

If Directors do not within 21 days from the date of the deposit of the requisition proceed duly to convene a SGM for a day within 2 months after the date of deposit of such requisition, the requisitionists or any of them representing more than one-half of the total voting rights of all of them may convene a SGM, but any SGM so convened shall not be held after the expiration of 3 months from the said date of deposit of the requisition. A meeting convened by the requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by Directors.

Pursuant to the Bermuda Companies Act 1981, either any number of the registered Shareholders holding not less than one-twentieth (5%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company ("Requisitionists"), or not less than 100 of such registered Shareholders, can request the Company in writing to (a) give to Shareholders entitled to receive notice of the next AGM notice of any resolution which may properly be moved and is intended to be moved at that meeting; and (b) circulate to Shareholders entitled to have notice of any general meeting any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting. The requisition signed by all the Requisitionists must be deposited at the registered office of the Company with a sum reasonably sufficient to meet the Company's relevant expenses and not less than 6 weeks before the meeting in case of a requisition requiring notice of a resolution or not less than 1 week before the meeting in the case of any other requisition. Provided that if an AGM is called for a date 6 weeks or less after the requisition has been deposited, the requisition though not deposited within the time required shall be deemed to have been properly deposited for the purposes thereof.

Enquiries from Shareholders

Shareholders should direct their enquiries about their shareholdings to the Company's branch share registrar in Hong Kong, Tricor Standard Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong or tel: (852) 2980 1333 or email: cash1049@cash.com.hk.

Other Shareholders' enquiries can be directed to the Group Public Affairs Department of the Company at 28/F Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Hong Kong or tel: (852) 2287 8888 or fax: (852) 2287 8000 or email: inquiry@cash.com.hk.

AUDITOR'S INDEPENDENCE AND REMUNERATION

The Audit Committee is mandated to review and monitor the independence of the auditor to ensure objectivity and the effectiveness of the audit process of the financial statements in accordance with applicable standard. Members of the Audit Committee were of the view that the Company's auditor, Messrs. Deloitte Touche Tohmatsu is independent and has recommended the Board to re-appoint it as the Company's auditor at the forthcoming annual general meeting. During the year, Messrs. Deloitte Touche Tohmatsu has rendered audit services and certain non-audit services to the Company and the remuneration paid/payable to it by the Company are set out as follows:

Services rendered	**Fees paid/payable** HK$
Audit services	2,000,000
Non-audit services:	
Preparation for open offer and major transaction circulars	600,000
Preparation for sales report, tax and accounting advisory	358,200
	2,958,200

On behalf of the Board
Dr Bankee P. Kwan, *JP*
Chairman & CEO

Hong Kong, 27 March 2020

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

According to the requirements set forth in the ESG Guide under Appendix 27 of the Listing Rules, the Group hereby presents the Environmental, Social and Governance ("ESG") report for the year ended 31 December 2019 ("Reporting Period").

SCOPE OF REPORT

This report covers the Group's principal businesses of subsidiaries in Hong Kong, which represent the major investment and income sources of the Group, including retail management business including sales of furniture, household items and electrical appliances through chain stores under the multiple brand names, including "Pricerite", "TMF" and "SECO" in Hong Kong.

The ESG data that the Group has direct access to and is under the Group's direct operational control has been included in this report.

MATERIALITY ASSESSMENT

To identify the ESG issues relevant to the Group, we engaged our Management and staff to review our operations. Subsequently, the identified ESG issues have been assessed by considering their importance to our stakeholders as well as our Group. The ESG issues considered to be material are listed below:

ESG aspects as set forth in ESG Guide	Material ESG issues for the Group
A. Environmental	
A1 Emissions	Waste management and carbon emissions
A2 Use of resources	Use of electricity and packaging material
A3 The environment and natural resources	Light pollution
B. Social	
B1 Employment	Equal opportunity and diversity
B2 Health and safety	Health and safety workplace
B3 Development and training	Staff development and training
B4 Labour standards	Anti-child and forced labour
B5 Supply chain management	Supply chain management
B6 Product responsibility	Customer service, quality assurance, safeguarding customer assets, and handling of personal data
B7 Anti-corruption	Anti-corruption and money laundering
B8 Community investment	Supporting local community

The Group has complied with the "comply or explain" provisions set out in the ESG Guide for the Reporting Period.

A. Environmental

The Group upholds the belief of "Green CASH" in our business activities. The purpose of "Green CASH" is to promote the practice of minimising the depletion of natural resources (i.e. timber, electricity, etc.), while saving part of the operating cost of the Group. The Group advocates the corporate social responsibility to be aware of environmental protection and natural resources conservation, and bring mutual advantages to both the society and the Group.

In 2019, Pricerite received Bronze Award in Shops and Retailers sector at 2018 Hong Kong Awards for Environmental Excellence, Hong Kong Green Organisation Certificate and 2018 Hong Kong Green Organisation Certification – Wastewi$e Certificate (Excellence level) from Environmental Campaign Committee, as well as the Bronze Award of HSBC Living Business SDG Awards 2018 (Goal 10: Reduced Inequalities) and the Certificate of Merit at HSBC Living Business ESG Awards 2018. CASH was granted HSBC Living Business Sustainable Supply Chain Leaders and the Certificate of Merit at HSBC Living Business ESG Awards 2018 by Business Environment Council, as well as 2018 Hong Kong Green Organisation Certification – Wastewi$e Certificate (Excellence level). The awards recognised our efforts on environmental management, with continuously improving the performance on environmental protection.

During the Reporting Period, the Group did not note any cases of non-compliance relating to environmental laws and regulations in Hong Kong.

A1 Emissions

Waste management

Considering the principal business activities of the Group (i.e. retail management business), we have not produced a notable level of air or water pollutants.

We established environmental policies that introduce the desired environmental practices, and measurable objectives to our employees. To mitigate the impact of waste, the principles "reduce", "reuse" and "recycle" are applied. We are committed to promoting waste reduction at source, in the offices and retail stores. Waste should be properly handled and disposed by an authorised party to central waste processing facilities. Categorisation of waste is encouraged to facilitate efficient recycling.

Paper is considered the major form of waste generated by our offices and retail stores, of which, we consumed approximately 10,565.15 kg[1] (2018: 14,796.04 kg) during the Reporting Period.

To enhance our waste management techniques, we always monitor the latest environmental regulations, as well as market trends on new environmental practices. We continuously seek opportunities on improving the effectiveness of our current practices.

In our offices, we have set up waste separation facilities. We place recycle bags and tailor-made recycle bins designated for the collection of scrap paper, plastic bottles, aluminium cans, and recyclable toner cartridges. All of which, is later delivered to the recycling agents for further processing.

1 Paper consumption intensity is not considered as an applicable performance indicator due to our nature of business.

In Pricerite retail stores, recycling bins are implemented to facilitate recycling for customers, and we have engaged qualified service providers for the collection and recycling on a regular basis. Pallets used in logistics' activities are collected and reused by our non-governmental organisation partner.

The amount of recycling at our collection points in the Reporting Period is summarised as follows:

Issue	Amount		Unit
	2019	2018	
Paper	**14,810**	9,618	Kg
Aluminium cans	**921**	1,182	Pieces
Plastic bottles	**623**	663	Pieces
Toner cartridges	**276**	245	Pieces
Battery	**247**	225	Kg
Lighting tube	**1,386**	1,539	Pieces
Light bulb	**497**	2,830	Pieces
Pallet	**0**	11,600	Kg

Apart from recycling, a series of programmes and activities have been launched to encourage the participation of our stakeholders towards waste management, which include:

- Implementing Green Information and Communication Technology (ICT) Platform including systems such as E-workflow and CASHARE (Group's intranet) to build a highly efficient "paperless, IT-driven and systematic" working environment;
- Achieving waste reduction goals set under Wastewi$e Certificate recognition scheme;
- Purchasing paper made from the Programme for the Endorsement of Forest Certification (PEFC) and Forest Stewardship Council (FSC) certified plantations to minimise logging in natural forest;
- Posting a "Green message" as a reminder around the office;
- Using e-channels to disseminate corporate information;
- Installing electronic product catalogues and promotions in retail stores;
- Providing reusable utensils to office staff to reduce the use of disposable utensils;
- Recommending duplex or 2-on-1 page copying on recycled paper; and
- Applying used envelopes for internal document circulation.

No particular hazardous waste was noted in our business activities during the Reporting Period.

In recognising our achievement in waste reduction, the Group and its subsidiary, including Pricerite, were awarded the Wastewi$e Certificate (Excellence Level) by Environmental Campaign Committee.

Carbon emissions

The major source of our carbon emissions is the use of electricity. There were 2,607.99 tonnes (2018: 2,966.42 tonnes) of carbon dioxide equivalent (CO_2e) generated[1] from our operations during the Reporting Period[2]. In order to reduce our carbon footprint, we have launched a series of programmes and activities. Please refer to the "A2 Use of resources" section below.

In the retail management business, transportation and deliveries of products are provided by external transportation service providers. To reduce the carbon emissions from the mobile transportation activities of our business partners, we aim to optimise the number of deliveries, which includes:

- Working closely with logistic partners in developing a better fuel-efficient transportation practice;
- Packing and loading products more efficiently to reduce the number of delivery journeys; and
- Continuously improving our transportation management system to achieve more efficient journey planning.

1 The carbon emission was calculated with reference to the Greenhouse Gas Protocol, and the carbon conversion factors published by CLP Holdings Limited and HK Electric Investment Limited.

2 Carbon emission intensity is not considered as an applicable performance indicator due to our nature of business.

A2 Use of resources

Use of electricity

Electricity is consumed during daily business operations in our offices and retail stores, through the use of indoor lighting, air-conditioning, functioning of office equipment, etc. During the Reporting Period, the total electricity consumption of the Group was 4,738,659 kWh[1] (2018: 5,532,577 kWh).

The Group has established guidelines on implementing green measures towards energy conservation:

1) Lighting

- T5 energy-efficient lighting tubes have been installed in offices and retail stores;
- Staff are encouraged to switch off lighting while they are off duty;
- "Light-out" during lunch hour is highly recommended;
- A lighting and energy conservation programme is implemented in retail stores, which strictly switches off all power after business or operating hours; and
- Indoor lighting should be switched off if sufficient sunlight is available.

2) Office equipment

- Computers and other electronic equipment should be switched off while they are not in use for energy conservation; and
- Security guards patrol the offices at night to ensure all non-use equipment is switched off.

In addition to the aforesaid measures, Caring Committee sends messages related to "Green information" to staff with the aim to raise the consciousness of environmental protection. Furthermore, green posters have been framed along the corridor/pantries through which, the "green theme" of the environmental friendly atmosphere is promoted throughout the working space.

To enhance employee's awareness on low-carbon office and energy saving practices, we participated in "Earth Hour" events by turning off all non-essential lights for one hour at our retail stores and encouraged all staff to adopt the same practice at home.

1 Energy intensity is not considered as an applicable performance indicator due to our nature of business.

Use of water

We do not consume significant amounts of water through our business activities. The majority of the water supply facilities are provided and managed by property managers on our rental premises, and the usage have been included in the management fees.

Although the water consumption is considered minimal, we also encourage saving by driving behavioural changes in the workplace. Green messages are posted in pantries and washrooms as reminders for using water efficiently.

Use of packaging material

In the retail management business (i.e. Pricerite), packaging material is used for delivery of goods. The major packaging material used in the business is plastic bag, which is offered to customers upon request.

We strictly implement the Plastic Shopping Bag Charging enforced by the Government. Customers are required to pay a levy in requesting a plastic bag, hence restricting the consumption of plastic bags. Furthermore, promotion material of BYOB – Bring Your Own Bag is displayed in our retail stores to raise customer awareness in order to reduce plastic bag usage.

A3 The environment and natural resources

The Group is committed to controlling its operations' impact on the environment and natural resources. In addition to complying with environment-related laws and incorporating the concept of environmental protection into internal management and daily operation activities, we continuously assess and control the potential impacts of our business activities on the environment.

Light pollution

Due to the high building density in Hong Kong, external lighting at night may disturb nearby residents.

To reduce the impact of light pollution, Pricerite strictly follows the "Charter on External Lighting" which has been in effect since April 2016. Certain Pricerite's stores are committed to switching off decorative, promotional or advertising lighting, which affects the outdoor environment during the preset time (i.e. midnight to 7 am). This measure also helps reduce energy wastage.

B. Social

B1 Employment

Respect for the rights of everyone who works for us is fundamental to the sustainability of the Group and the communities in which we operate. Our commitment to operating with respect for individuals is reflected in all aspects of the Group's business operations and is integrated in our policies and relevant procedures. We are committed to providing a happy and family-friendly workplace.

The Employee Handbook is formulated to stipulate general practices and policies related to employment, compensation and benefits. To stay competitive, our base salaries are within industry norms, contributing to our ability to attract and retain highly skilled and motivated staff.

The Group is committed to developing, maintaining and supporting a culture of equality and diversity in employment, on the basis of age, race, colour, nationality, religious belief, disability, sexual orientation, political opinion and any other status protected by applicable legislations and ordinances. We believe that the diversity can enrich all employees by providing a more rewarding and less stressful environment. No one shall be discriminated at recruitment, selection, employment, compensation, transfers, promotion, training or development. Qualified individuals are employed to carry out our fiduciary duties based on their education, experience, and ability without discrimination.

Meanwhile, the Group introduces family-friendly employment practices, including offering family leave benefits and employee support schemes, providing fresh fruits, and organising health talks and joggling classes to promote employee well-being.

There were no non-compliance cases noted in relation to employment laws and regulations during the Reporting Period.

The total workforce of the Group is summarised as follows:

Gender	**No. of staff**	
	2019	2018
Male	**359**	489
Female	**438**	435
Total	**797**	924

Employment type	**No. of staff**	
	2019	2018
Full-time	**668**	738
Part-time	**126**	143
Temporary and contract	**3**	43
Total	**797**	924

Age	No. of staff	
	2019	2018
<30	**189**	259
30–50	**470**	515
>50	**138**	150
Total	**797**	924

Note: The above statistics represents the number of employees at the end of the Reporting Period.

B2 *Health and safety*

Ensuring the health and safety of our employees is an integral part of our business activities. Therefore, we are dedicated to maintaining a safe, hygienic and productive workplace by minimising the potential risk of accidents, injuries and exposure in relation to health risks. We ensure all employees are competent at work, and are given adequate training to comply with all local legislations and ordinances with regard to health and safety.

The Group did not violate any health and safety laws and regulations of Hong Kong during the Reporting Period.

Occupational health and safety record is maintained to ensure that a healthy and safe workplace is provided for our employees at all times. Preventive measures were undertaken with the use of appropriate office equipment as well as performing periodic office risk assessment to enhance workplace safety. We also regularly arrange flu vaccination, and free medical and dental check-ups for our employees.

B3 *Development and training*

We are committed to ensuring that the talents, skills and abilities of our employees are recognised and are utilised to their full capacity. The Group has implemented various training policies and organised a number of training programmes aiming specifically at improving the skills and developing the talents of our employees and generally increasing the competitiveness, productivity and efficiency of the Group.

Our training programmes are developed based on business needs and competencies of employees. During the Reporting Period, we organised more than a hundred of in-house classes including training in areas such as language proficiency, knowledge on products, customer service, operational and selling techniques, career orientation, presentation, team building, communication, coaching, quality management, graduate development, leadership transformation, Continuous Professional Training (CPT) of professional qualifications, and professional license examinations preparation.

B4 *Labour standards*

Our Group prohibits the use of all forms of forced labour. All legal regulations regarding employment of young persons whose age ranged between 15 and 18 shall be followed by the Group.

There were no material non-compliance issues noted regarding labour standards as required by related laws and regulations during the Reporting Period.

B5 Supply chain management

To support sustainability, our Green Supply Chain initiative applies strict environmental, social and ethical criteria to the suppliers of our business. We place high demands on suppliers and request them to comply with the same standards that have been set by the Group.

We have incorporated sustainability considerations into our sourcing and outsourcing practices, requiring suppliers to meet the basic standards. For example, all suppliers are expected to adhere to these basic principles:

- Operating as an equal opportunity employer, and recognising the right to collective bargaining, minimum and prevailing wages and benefits;
- Maintaining probity and accountability standards;
- Minimising discrimination against small and medium-sized enterprises and local vendors;
- Providing a healthy and safe working environment, not employing forced or child labour, and refraining from harassment or abuse of employees; and
- Supporting sustainable development, acting responsibly with regard to the environment, observing environmental criteria to conserve resources, minimising the negative environmental impact of production, application and disposal of products, and reducing the use of hazardous products as much as possible.

In the procurement process, we communicate with suppliers on their environmental and social responsibilities. The environmental friendliness of suppliers' practices and products are examined. Selected suppliers' performance is monitored through onsite factory assessments, quality reviews of products and customer feedback. Areas that do not adhere to the standard set forth by the Group are evaluated with the suppliers to identity opportunities to improve their current environmental and social practices.

B6 Product responsibility

The Group is committed to providing reliable products and services, while acting responsibly and protecting the interests of various stakeholder groups. We take responsibility in offering reliable products and services, through our principal activity of retail management business, and in meeting stakeholders' expectations on quality and sustainability.

Customer service

Satisfying our clients is our central focus. This principle guides all our activities and applies to all business divisions. The key elements are transparency and high-quality advice, which enable us to improve client satisfaction and achieve customer loyalty in the long term.

We aim to customise our solutions based on the unique needs of customers, in delivering sustainable value and fostering long-term relationship with our customers. During advertising, we ensure information and marketing materials are easily understood and provide all relevant information in facilitating the decision making of customers.

Quality assurance

In the sales of furniture and household items, we strive to achieve the highest standard in terms of quality, safety, and consistency. To safeguard our baseline, we involve an independent Quality Assurance Team in assuring product quality and safety. The team assures the satisfaction of customer expectations by the following means:

- Product development – review of new designs, examination of product specifications, analysis of customer expectation conformance;
- Supplier assessment – inspection of suppliers' capability in satisfying quality requirements, solving supply problem by establishing communication channels with suppliers;
- Pre-shipment inspection – inspection of functionality and safety of finished goods to ensure conformance to required specifications; and
- Complaint handling – review of product defects and mismatches against customer expectation, provision of improvement plans on product quality.

Pricerite has received Q-Mark Service Certification from Hong Kong Q-Mark Council since 2006, and TMF has received the certification since 2018. The certification recognises our competency on providing high standards of service to customers.

Handling of personal data

The Group strictly adheres to regulatory requirements of data privacy, through fulfilling high security and confidentiality. We are committed to maintaining and protecting personal data.

Internal policy has been established to govern the collection and handling of personal data received from a data subject. Under our data protection principles, a Privacy Policy Statement ("PPS") is acknowledged to enable the public to ascertain the data user's general policies and practices in relation to the collection, holding and use of individual personal data.

Furthermore, in accordance with our data protection principles, a Personal Information Collection Statement ("PICS") is acknowledged whenever there is collection of personally identifiable information from individuals to notify data subjects of certain matters in relation to specific collections of personal information from them. The Group will not use or provide personal data to any person for use in direct marketing unless we have obtained the data subject's consent in writing. Meanwhile, the Group maintains a sound safety system and protective measures to prevent unauthorised use of personal data.

There were no material non-compliance issues noted regarding product responsibility as required by related laws and regulations during the Reporting Period.

B7 Anti-corruption

The Group strives to promote and maintain the highest standard of honesty, integrity and fairness. All of our staff must ensure that the Group's reputation is not tarnished by dishonesty, disloyalty or corruption.

Apart from the internal guidelines for monitoring anti-money laundering, counter-terrorist financing as well as gifts or advantages received from or given to clients or suppliers, the Group has established an assessment form to evaluate high risk customers and whistle-blowing channels to enable staff to report on suspicious transactions. Any reporting suspicious transactions will be followed up timely and investigated by independent personnel.

During the Reporting Period, no legal case regarding corruption was brought against the Group or its employees. In addition, the Group was not aware of any cases of non-compliance with laws and regulations relating to anti-money laundering.

B8 Community investment

People-centric is one of our core corporate values that guide our business and day-to-day operation. We therefore care about the interests of the communities and people that we serve. We and our employees are dedicated to working hand-in-hand with the local communities in a variety of initiatives ranging from job creation to youth education and disaster reliefs.

On behalf of the Board
Dr Bankee P. Kwan, *JP*
Chairman & CEO

Hong Kong, 27 March 2020

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group during the year consisted of (a) retail management business including sales of furniture and household items and electrical appliances through the chain stores under multi-brand names including "Pricerite", "TMF" and "SECO" in Hong Kong; (b) provision of asset management services to the fund investors; (c) general investment holding; and (d) the financial services business carried out via CFSG (stock code: 510) that includes online and traditional brokerage of securities, futures and options as well as life insurance, mutual funds and mandatory provident fund products, proprietary trading of debt and equity securities and derivatives, margin financing and money lending, investment banking and asset management services.

RESULTS AND DIVIDENDS

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 60 of this annual report.

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

BUSINESS REVIEW

A review of the business of the Group during the year, a discussion on the Group's future business development and possible risks and uncertainties that the Group may be facing are provided in the section of "Financial Review", "Management Discussion and Analysis" and "Chairman's Letter" of this annual report and note 37 to the consolidated financial statements.

The financial risk management objectives and policies of the Group are shown in note 37 to the consolidated financial statements.

An analysis of the Group's performance during the year using financial key performance indicators is provided in the section of "Financial Review" of this annual report.

Save as disclosed in note 44 to the consolidated financial statement and in this annual report, there is no important event affecting the Group that have occurred since the end of the financial year ended 31 December 2019.

RELATIONSHIPS WITH STAKEHOLDERS

We fully understand that our business is built on the long-term well-being of the "people" in our service areas at large.

Throughout the course of our business development, we care about the needs of our key stakeholders, inter alia, our shareholders, our employees, our customers, our suppliers and our community. As such, we strive to become a "Total Caring Organisation" to embrace the all-round needs of our key stakeholders.

The Group upholds the "People-oriented" principle as our core belief and this forms the essence of our corporate culture. We respect the various needs of these "people" as our stakeholders and we strive to balance the different spectrum of interests for the development of a better future.

Our five core values namely "People", "Customers", "Quality", "Teamwork" and "Change" serve as the guiding principles for the whole team to move ahead.

We are dedicated to creating an enjoyable work environment to highly engage our employees so as to maximise their potential, meeting the needs of our customers with quality products and innovative services and enhancing cooperation with our suppliers so as to provide high-quality products and services to our customers so as to ensure our sustainable development.

Shareholders

The Group is committed to communicating with our shareholders and the financial community proactively, transparently and effectively, and thereby ensuring consistent and timely dissemination of information to shareholders and potential investors.

We have established effective channels of communication with our shareholders to ensure that the corporate information is readily accessible. Corporate communications materials with regard to regulatory disclosures and notices of the Company, such as financial reports, results announcements, corporate announcements and circulars will be distributed according to the principles of continuous disclosure, and complies with the legal and regulatory requirement applicable to the Company. Corporate communications and other general information concerning the Company and its businesses such as press releases will be posted on the corporate website (www.cash.com.hk) and distributed to the media as soon as practicable. The Company adheres to its corporate policy of not disclosing unpublished or potentially price-sensitive information such as sales and profit forecasts.

Employees

Our staff is regarded as the most important asset of the Group. We offer a competitive remuneration package and great opportunities for career advancement based on performance-linked appraisal system. Our passion in fostering a learning culture is recognised. The Group has been honoured as "Manpower Developer" at Employees Retraining Board ("ERB") Manpower Developer Award Scheme in recognition of the Group's efforts and commitment to training and development. We also provide our staff with regular trainings, including internal trainings and refresher courses offered by professional organisations, so as to keep them abreast of the latest development in the market, industry and various businesses. Our retail business was once again honoured with a variety of awards, demonstrating the company's caring corporate culture and drive to lead by example. Staff members received the Distinguished Salesperson Award and Outstanding Young Salesperson Award from the Hong Kong Management Association, the 2019 Service and Courtesy Award from The Hong Kong Retail Management Association (HKRMA), as well as the Outstanding QTS Merchant Service Staff Award 2019 from Hong Kong Tourism Board. The recognitions, individually and collectively, strengthened the reputation of Pricerite and TMF in training and development and boosted the companies' profiles with the public and business community.

The Group is committed to the well-being of our employees as we believe that a healthy body and soul will have a positive impact on people's professional and personal lives.

Along with initiatives designed to improve the health, safety and well-being of our employees, the Group also offers recreational and educational activities in different topics such as professional growth, work-life balance, health and safety, rewards and recognitions, employees' families, amazing occasions to help staff to pursue their interests, explore their full potential and recharge after work. The Group is the "Family-Friendly Employer" under the scheme by the Home Affairs Bureau and the Family Council in recognition of our family-friendly employment policies and practices which have positive impact to the Company and employees' family life.

In recognition of our commitment and effort in developing employee-orientated human resources management and promoting Family-friendly Employment Practices, we have been recognised as a Signatory of Good Employer Charter under the scheme by the Labour Department.

We sincerely care about our employees' retirement needs and have gone the extra mile to provide additional retirement benefits for them. We have been awarded the accolade of "Good MPF Employer Award" by the Mandatory Provident Fund Schemes Authority (MPFA).

Customers

We value the customers' interests as the first priority. It is our mission to provide customers with a meaningful experience when utilising our services.

We value the feedback from customers and always try to understand their thoughts through Internet, daily communication, customer services and after-sale services etc. In addition, we also set up website, e-portal, email, Facebook and customer service hotline to respond to the feedback of customers.

Recognising the Group's excellent performance in financial technology, ET NET awarded CAFG the FinTech of the Year 2018 in Start-up award and Outstanding Big Data Application and Analytics Solution award in the FinTech Award 2018. The Institute of Financial Technologists of Asia (IFTA) also awarded CAFG the IFTA Fintech Achievement Award 2018 in recognition of its excellent performance and contribution in financial technology.

Recognising the heartfelt service provided by Pricerite, the Hong Kong Tourism Board awarded the company QTS Merchants of 15-year Accreditation. Pricerite also gained the Q-Mark Elite Brand Award, which proves that the service provided by the Company is excellent and well received by the public, while TMF received the Q-Mark Service Certification from the Hong Kong Q-Mark Council for its outstanding service provided to customers.

Suppliers

We firmly believe that our suppliers are equally important in building high-quality businesses. We proactively communicate with our suppliers to ensure they are committed to delivering high-quality and sustainable products and services.

Community

The Group is devoted to supporting the community in which we operate through donation, education, volunteering and encourage others to give.

Over the past years, we show our care about the community with unsparing support for wide-ranging community services and charities. We have also been encouraging our employees and their family members to take part in voluntary services after work and serve the disadvantaged in the community.

Showing the sustainability and breadth of our corporate social responsibility efforts, we have been awarded the accolade of "10 Years Plus Caring Company" by the Hong Kong Council of Social Service (HKCSS) in recognition of our achievements in "Caring for the Community", "Caring for the Employee" and "Caring for the Environment". It serves as a recognition for our contribution to community services and commitment to employee engagement. In addition, we have attained the "Hong Kong Outstanding Corporate Citizenship Logo" organised by the Hong Kong Productivity Council in recognition of the Group's devoted efforts in corporate social responsibilities.

The Social Capital Builder Logo Award (2018-2020) from the Labour and Welfare Bureau recognised our active role in promoting cross-sectoral partnership and sustainable supportive network. In recognition of our commitment and effort in demonstrating sustainability into operations and cultures, we have first attained the "Certificate of Excellence of the Hong Kong Sustainability Award" by The Hong Kong Management Association this year.

ENVIRONMENTAL POLICY AND PERFORMANCE

As a total caring organisation, the Group is dedicated to keeping the environmental impact of our operations to a minimum, balancing business needs with conservation.

The Group adopted "Green Office Policy" with various measures regarding minimisation of energy and paper consumption and recycling being implemented. We also execute different types of "Green Office Campaign" in our office to enhance staff awareness and participation for environmental protection.

Over the years, the Group has participated in various environmental protection programmes and campaigns organised by reputable institutions and have been recognised with awards. The Group and its subsidiary (Pricerite) gained Wastewi$e Certificates (Excellence Level), and Pricerite received Bronze award in Shops and Retailers at 2018 Hong Kong Awards for Environmental Excellence from Environmental Campaign Committee. Pricerite was also recognised as Hong Kong Green Organisation by the Committee. The Group was granted the HSBC Living Business ESG Awards 2018 (Certificate of Merit) and HSBC Living Business Sustainable Supply Chain Leader, and Pricerite was awarded the HSBC Living Business ESG Awards 2018 (Certificate of Merit) and the Bronze Award of HSBC Living Business SDG Awards 2018 (Goal 10: Reduced Inequalities) by Business Environment Council. The achievements highlighted the Group's total caring culture and commitment to responsible business.

COMPLIANCE WITH LAWS AND REGULATIONS

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations, in particular, those have significant impact on the Group. During the year, the Group has complied with the relevant laws and regulations on corporate level as well as those that have a significant impact on the operations of the Group namely, among other things, the Listing Rules, the Companies Ordinance, Cap. 622 of the laws of Hong Kong, the Securities and Futures Ordinance, Cap. 571 of the laws of Hong Kong, the Trade Descriptions Ordinance, Cap. 362 of the laws of Hong Kong, the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance, Cap. 615 of the laws of Hong Kong and the Competition Ordinance, Cap. 619 of the laws of Hong Kong.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the audited results and the assets and liabilities of the Group for the last five financial years ended 31 December 2019 is set out on pages 145 to 146 of this annual report.

PROPERTY AND EQUIPMENT

Details of movements during the year in the property and equipment of the Group are set out in note 16 to the consolidated financial statements.

DIRECTORS' REPORT

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 45 to the consolidated financial statements.

SHARE CAPITAL

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

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Group during the year are set out in the "Consolidated Statement of Changes in Equity" of the consolidated financial statements on pages 63 to 64 of this annual report.

Details of movements in the reserves of the Company during the year are shown in note 46 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year under review, there were no connected transactions and continuing connected transactions which are required to be disclosed in accordance with the requirements of the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the Group's turnover attributable to the five largest customers accounted for less than 30% of the Group's total turnover.

In the year under review, the Group's purchases attributable to the five largest suppliers accounted for less than 30% of the Group's total purchases.

DIRECTORS

The Directors of the Company during the year and up to the publication date of this annual report were as follows:

Executive Directors:

Kwan Pak Hoo Bankee
Leung Siu Pong James *(was appointed on 2 September 2019)*
Kwan Teng Hin Jeffrey *(was appointed on 2 September 2019)*
Ng Hin Sing Derek
Chan Chi Ming Benson *(resigned on 27 March 2020)*
Law Ping Wah Bernard *(resigned on 1 July 2019)*

Independent Non-executive Directors:

Leung Ka Kui Johnny
Wong Chuk Yan
Chan Hak Sin

The following Directors shall retire and, being eligible, offer themselves for re-election at the forthcoming AGM:

(i) Dr Kwan Pak Hoo Bankee, being ED, shall retire at least once in every 3 years at the AGM in accordance with the Company's bye-laws and corporate governance code;

(ii) Mr Leung Siu Pong James and Mr Kwan Teng Hin Jeffrey, being newly appointed EDs, shall retire at the AGM in accordance with the Company's bye-laws; and

(iii) Mr Leung Ka Kui Johnny, Mr Wong Chuk Yan and Dr Chan Hak Sin, all being INEDs, shall retire at the AGM in each year in accordance with their terms of office of directorship.

DISCLOSURE OF INFORMATION OF DIRECTORS PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Save as disclosed in this annual report, there are no other changes to the Directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No Director or any entity connected with Director had a materially interested in, either directly or indirectly, any transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party subsisting during or at the end of the financial year under review.

RETIREMENT BENEFITS SCHEMES

Details of the Group's retirement benefits schemes are set out in note 39 to the consolidated financial statements.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2019, the interests or short positions of each Director and chief executive of the Company in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were recorded in the register required to be kept under section 352 of the SFO; or (b) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

A. The Company

(a) Long positions in the Shares

		Number of Shares		
Name	**Capacity**	**Personal**	**Corporate interest**	**Shareholding** (%)
Kwan Pak Hoo Bankee	Beneficial owner and interested in a controlled corporation	4,260,000	281,767,807*	34.41
Leung Siu Pong James	Beneficial owner	250,950	—	0.03
Chan Chi Ming Benson (Note (5))	Beneficial owner	6,310	—	0.00
		4,517,260	281,767,807	34.44

* The Shares were held by Cash Guardian. Dr Kwan Pak Hoo Bankee was deemed to be interested in all these Shares as a result of his interests in Cash Guardian as disclosed in the "Substantial Shareholders" below.

(b) Long positions in the underlying Shares

Options under share option scheme

Name	Date of grant	Exercise period	Exercise price per Share (HK$)	Notes	Number of options: outstanding as at 1 January 2019	reallocated upon change of directorate (Notes (4) & (6))	lapsed during the year (Note (7))	outstanding as at 31 December 2019	Percentage to issued Shares as at 31 December 2019 (%)
Kwan Pak Hoo Bankee	18/12/2015	18/12/2015—31/12/2019	0.460	(1) to (3)	8,000,000	—	(8,000,000)	—	—
Leung Siu Pong James (Note (4))	18/12/2015	18/12/2015—31/12/2019	0.460	(2) & (3)	N/A	2,000,000	(2,000,000)	—	—
Kwan Teng Hin Jeffrey (Note (4))	18/12/2015	18/12/2015—31/12/2019	0.460	(2) & (3)	N/A	4,800,000	(4,800,000)	—	—
Ng Hin Sing Derek	18/12/2015	18/12/2015—31/12/2019	0.460	(2) & (3)	4,800,000	—	(4,800,000)	—	—
Law Ping Wah Bernard (Note (6))	18/12/2015	18/12/2015—31/12/2019	0.460	(2) & (3)	4,800,000	(4,800,000)	N/A	N/A	N/A
					17,600,000	2,000,000	(19,600,000)	—	—

Notes:

(1) Dr Kwan Pak Hoo Bankee is also the substantial Shareholder of the Company.

(2) The options are vested in 4 tranches as to 25% each exercisable from 18 December 2015 (the date of grant), 1 January 2017, 1 January 2018 and 1 January 2019 respectively and is subject to the vesting conditions as set out in (3) below.

(3) The vesting of the options is subject to the achievement of agreed milestones/performance indicators as determined at the sole discretion of the Board. The options must be exercised within 1 month from the date on which the Board's approval of the vesting of the options.

(4) Mr Leung Siu Pong James and Mr Kwan Teng Hin Jeffrey were appointed as Directors during the year.

(5) Mr Chan Chi Ming Benson resigned as Director on 27 March 2020 (subsequent to the reporting period).

(6) Mr Law Ping Wah Bernard resigned as Director during the year.

(7) The lapsed options were lapsed due to expiry of the options.

(8) No option was granted, exercised or cancelled during the year.

(9) The options were held by the Directors in the capacity of beneficial owners.

B. Associated corporations (within the meaning of SFO)

CFSG

(a) Long positions in the ordinary shares of HK$0.02 each

Name	Capacity	Number of shares: Personal	Number of shares: Corporate interest	Shareholding (%)
Kwan Pak Hoo Bankee	Interest in a controlled corporation	—	1,667,821,069*	33.65
Chan Chi Ming Benson (Note (7))	Beneficial owner	10,924,000	—	0.22
		10,924,000	1,667,821,069	33.87

* The shares were held by CIGL, a wholly-owned subsidiary of Praise Joy Limited (which was 100% beneficially owned by the Company). The Company was beneficially owned as to approximately 34.41% by Dr Kwan Pak Hoo Bankee, details of which were disclosed in the "Substantial Shareholders" below. Pursuant to the SFO, Dr Kwan Pak Hoo Bankee was deemed to be interested in all the shares held by CIGL in CFSG.

(b) Long positions in the underlying shares — options under share option scheme

Name	Date of grant	Exercise period	Exercise price per share (HK$)	Notes	Number of options: outstanding as at 1 January 2019	granted during the year (Notes (4) & (5))	reallocated upon change of directorate (Notes (6) & (8))	lapsed during the year (Note (9))	outstanding as at 31 December 2019	Percentage to issued shares as at 31 December 2019 (%)
Kwan Pak Hoo Bankee	3/12/2015	3/12/2015—31/12/2019	0.315	(1)	40,000,000	—	—	(40,000,000)	—	—
	31/8/2017	1/1/2018—31/12/2020	0.253	(2)	49,000,000	—	—	—	49,000,000	0.98
	29/3/2019	1/5/2019—30/4/2022	0.071	(3)	—	48,000,000	—	—	48,000,000	0.96
Kwan Teng Hin Jeffrey (Note (6))	3/12/2015	3/12/2015—31/12/2019	0.315	(1)	N/A	N/A	40,000,000	(40,000,000)	—	—
	31/8/2017	1/1/2018—31/12/2020	0.253	(2)	N/A	N/A	24,000,000	—	24,000,000	0.48
	29/3/2019	1/5/2019—30/4/2022	0.071	(3)	N/A	N/A	48,000,000	—	48,000,000	0.96
Ng Hin Sing Derek	3/12/2015	3/12/2015—31/12/2019	0.315	(1)	16,000,000	—	—	(16,000,000)	—	—
Chan Chi Ming Benson (Note (7))	31/8/2017	1/1/2018—31/12/2020	0.253	(2)	49,000,000	—	—	—	49,000,000	0.98
	29/3/2019	1/5/2019—30/4/2022	0.071	(3)	—	48,000,000	—	—	48,000,000	0.96
Law Ping Wah Bernard (Note (8))	3/12/2015	3/12/2015—31/12/2019	0.315	(1)	40,000,000	—	(40,000,000)	N/A	N/A	N/A
	31/8/2017	1/1/2018—31/12/2020	0.253	(2)	49,000,000	—	(49,000,000)	N/A	N/A	N/A
	29/3/2019	1/5/2019—30/4/2022	0.071	(3)	—	48,000,000	(48,000,000)	N/A	N/A	N/A
					243,000,000	144,000,000	(25,000,000)	(96,000,000)	266,000,000	5.32

Notes:

(1) The options are vested in 4 tranches as to 25% each exercisable from 3 December 2015 (the date of grant), 1 January 2017, 1 January 2018 and 1 January 2019 respectively, and is subject to the achievement of agreed milestones/performance indicators as determined at the sole discretion of the CFSG Board. The options must be exercised within 1 month from the date on which the CFSG Board's approval of the vesting of the options.

(2) The options are subject to the achievement of agreed milestones/performance indicators and/or business budget plan for the relevant year during the option period as approved by the Chairman of the CFSG Board and/or the CFSG Board determined at their sole discretion. The options must be exercised within 1 month from the date on which the CFSG Board's approval of the vesting of the options.

(3) The options are vested in 3 tranches as to 25% exercisable from 1 May 2019 to 30 April 2020, 25% exercisable from 1 May 2020 to 30 April 2021 and 50% exercisable from 1 May 2021 to 30 April 2022 respectively, and is subject to the achievement of agreed milestones/performance indicators and/or business budget plan for the relevant year during the option period as approved by the Chairman of the CFSG Board and/or the CFSG Board determined at their sole discretion. Any option that is not vested before the expiry date of each tranch period shall lapse automatically. The options must be exercised within 1 month from the date on which the CFSG Board's approval of the vesting of the options.

(4) The closing price of the share immediately before the date of grant of options on 29 March 2019 was HK$0.066.

(5) The value of the options granted during the year ended 31 December 2019 was zero as the performance targets set for the options had not been achieved by the end of the year under review.

(6) Mr Kwan Teng Hin Jeffrey was appointed as Director during the year.

(7) Mr Chan Chi Ming Benson resigned as Director on 27 March 2020 (subsequent to reporting period).

(8) Mr Law Ping Wah Bernard resigned as a Director during the year.

(9) The lapsed options were lapsed due to expiry of the options.

(10) No option was exercised or cancelled during the year.

(11) The options were held by the Directors in the capacity of beneficial owners.

Save as disclosed above, as at 31 December 2019, none of the Directors, chief executive or their associates had any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

THE SHARE OPTION SCHEMES

(A) The Company

The Share Option Scheme was adopted pursuant to an ordinary resolution passed at an AGM held on 21 May 2012. Particulars of the terms of the Share Option Scheme are set out in note 38 to the consolidated financial statements.

Details of the movements in the share options to subscribe for the Shares granted under the Share Options Scheme during the year are set out below:

					Number of options			
Name of scheme	Date of grant	Exercise period	Exercise price per share (HK$)	Notes	outstanding as at 1 January 2019	reallocated upon change of directorate	lapsed during the year (Note (4))	outstanding as at 31 December 2019
Directors								
The Share Option Scheme	18/12/2015	18/12/2015—31/12/2019	0.460	(1)	17,600,000	2,000,000	(19,600,000)	—
Employees and other grantees								
The Share Option Scheme	18/12/2015	18/12/2015—31/12/2019	0.460	(2) & (3)	16,600,000	(2,000,000)	(14,600,000)	—
					34,200,000	—	(34,200,000)	—

Notes:

(1) Details of the options granted to the Directors are set out in the section headed "Directors' Interests in Securities".

(2) The options are vested in 4 tranches period as to 25% each exercisable from 18 December 2015 (the date of grant), 1 January 2017, 1 January 2018 and 1 January 2019 respectively and is subject to the vesting conditions as set out in (3) below.

(3) The vesting of the options is subject to the achievement of agreed milestones/performance indicators as determined at the sole discretion of the Board. The options must be exercised within 1 month from the date on which the Board's approval of the vesting of the options.

(4) The lapsed options were due to expiry of the options or cessation of employment of participants with members of the Group.

(5) No option was granted, exercised or cancelled during the year.

(B) The associated company

CFSG

The CFSG New Option Scheme was adopted pursuant to an ordinary resolution passed at an annual general meeting of CFSG held on 8 June 2018 to replace the CFSG Old Option Scheme dated 22 February 2008. The options granted under the CFSG Old Option Scheme before expiry and remained outstanding shall continue to be valid and exercisable in accordance with the terms of the options.

Details of the movements in the share options to subscribe for shares of HK$0.02 each in CFSG granted under the CFSG Old Option Scheme and the CFSG New Option Scheme during the year are set out below:

					Number of options				
Name of scheme	Date of grant	Exercise period	Exercise price per share (HK$)	Notes	outstanding as at 1 January 2019	granted during the year (Notes (7) & (8))	reallocated upon change of directorate	lapsed during the year (Note (9))	outstanding as at 31 December 2019
Directors									
CFSG Old Option Scheme	3/12/2015	3/12/2015—31/12/2019	0.315	(1)	96,000,000	—	—	(96,000,000)	—
	31/8/2017	1/1/2018—31/12/2020	0.253	(1)	147,000,000	—	(25,000,000)	—	122,000,000
CFSG New Option Scheme	29/3/2019	1/5/2019—30/4/2022	0.071	(1)	—	144,000,000	—	—	144,000,000
					243,000,000	144,000,000	(25,000,000)	(96,000,000)	266,000,000
Employees and other grantees									
CFSG Old Option Scheme	3/12/2015	3/12/2015—31/12/2019	0.315	(2) & (3)	84,000,000	—	—	(84,000,000)	—
	31/8/2017	1/1/2018—31/12/2020	0.253	(4)	72,000,000	—	25,000,000	—	97,000,000
	31/8/2017	1/1/2018—31/12/2020	0.253	(5)	194,400,000	—	—	—	194,400,000
CFSG New Option Scheme	29/3/2019	1/5/2019—30/4/2022	0.071	(6)	—	296,000,000	—	(17,000,000)	279,000,000
	4/6/2019	4/6/2019—3/6/2022	0.052	(5)	—	56,000,000	—	—	56,000,000
					350,400,000	352,000,000	25,000,000	(101,000,000)	626,400,000
					593,400,000	496,000,000	—	(197,000,000)	892,400,000

Notes:

(1) Details of the options granted to the Directors are set out in the section headed "Directors' interests in securities" above.

(2) The options are vested in 4 tranches as to 25% each exercisable from 3 December 2015 (the date of grant), 1 January 2017, 1 January 2018 and 1 January 2019 respectively and is subject to the vesting conditions as set out in (3) below.

(3) The vesting of the options is subject to the achievement of agreed milestones/performance indicators as determined at the sole discretion of the CFSG Board. The options must be exercised within 1 month from the date on which the CFSG Board's approval of the vesting of the options.

(4) The vesting of the options is subject to the achievement of agreed milestones/performance indicators and/or business budget plan for the relevant year during the option period as approved by the Chairman of the CFSG Board and/or the CFSG Board determined at their sole discretion. The options must be exercised within 1 month from the date on which the CFSG Board's approval of the vesting of the options.

(5) The vesting of the options is subject to the satisfactory delivery of services to members of the Group as approved by the Chairman of the CFSG Board and/or the CFSG Board determined at their sole discretion. The options must be exercised within 1 month from the date on which the CFSG Board's approval of the vesting of the options.

(6) The options are vested in 3 tranches as to 25% exercisable from 1 May 2019 to 30 April 2020, 25% exercisable from 1 May 2020 to 30 April 2021 and 50% exercisable from 1 May 2021 to 30 April 2022 respectively, and is subject to the vesting conditions as set out in (4) above. Any option that is not vested before the expiry date of each tranch period shall lapse automatically.

(7) The closing price of the share immediately before the date of grant of options on 29 March 2019 and 4 June 2019 respectively were HK$0.066 and HK$0.053.

(8) The value of the options granted during the period ended 31 December 2019 was zero as the performance targets set for the options had not been achieved by the end of the year under review.

(9) The lapsed options were due to expiry of the options or cessation of employment of participants with members of the Group.

(10) No option was exercised or cancelled during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2019, so far as is known to the Directors and chief executive of the Company, the persons/companies (other than a Director or chief executive of the Company) who had, or were deemed or taken to have an interest or short positions in the Shares or underlying Shares as recorded in the register required to be kept under Section 336 of the SFO or as otherwise notified to the Company were as follows:

Name	**Capacity**	**Number of Shares**	**Shareholding** (%)
Hobart Assets Limited (Notes (1) & (2))	Interest in a controlled corporation	281,767,807	33.89
Cash Guardian (Notes (1) & (2))	Interest in a controlled corporation	281,767,807	33.89
Mr Wang Shui Ming (Note (3))	Beneficial owner, interest in a controlled corporation and other interest	77,404,926	9.31

Notes:

(1) This refers to the same number of the Shares held by Cash Guardian, a wholly-owned subsidiary of Hobart Assets Limited, which in turn was 100% beneficially owned by Dr Kwan Pak Hoo Bankee. Pursuant to the SFO, Dr Kwan Pak Hoo Bankee and Hobart Assets Limited were deemed to be interested in the Shares held by Cash Guardian.

(2) Dr Kwan Pak Hoo Bankee (a Director whose interests is not shown in the above table) was interested and/or deemed be interested in a total of 286,027,807 Shares (34.41%), which were held as to 281,767,807 Shares by Cash Guardian and as to 4,260,000 Shares in his personal name. Detail of his interest is set out in the section "Directors Interests in Securities" above.

(3) The Shares were held as to 19,631,226 in his personal name, as to 42,114,150 held by Mingtak Holdings Limited (a 100%-owned controlled corporation of Mr Wang), and 15,659,550 held by him as nominee under a power of attorney. Pursuant to the SFO, Mr Wang was deemed to be interested in all these Shares.

Save as disclosed above, as at 31 December 2019, the Directors and chief executive of the Company were not aware of any other parties or corporation (other than a Director or chief executive of the Company) who had, or were deemed or taken to have, any interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept under Section 336 of the SFO or as otherwise notified to the Company.

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 of the Company listed securities.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float of not less than 25% of its Shares in the hands of the public in accordance with the Listing Rules as at the latest practicable date prior to the issue of this annual report.

MANAGEMENT CONTRACTS

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

EQUITY-LINKED AGREEMENTS

Save as the share option schemes of the Company as disclosed in note 38 to the consolidated financial statements, no equity-linked agreements were entered into by the Company during the year ended 31 December 2019 or subsisted at the end of the year.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision (as defined in section 469 of the Hong Kong Companies Ordinance) for the benefit of the Directors is currently in force and was in force throughout the financial year.

CONFIRMATION OF INDEPENDENCE

The Company has received a written confirmation in respect of independence from each of the INEDs in compliance with rule 3.13 of the Listing Rules, and the Company still considers that each of them to be independent.

AUDITOR

There have been no changes of auditor in the preceding three years.

The consolidated financial statements of the Company for the year were audited by Messrs. Deloitte Touche Tohmatsu. A resolution will be submitted to the forthcoming AGM to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board
Dr Bankee P. Kwan, *JP*
Chairman & CEO

Hong Kong, 27 March 2020

Independent Auditor's Report

Deloitte. 德勤

TO THE MEMBERS OF CELESTIAL ASIA SECURITIES HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

Opinion

We have audited the consolidated financial statements of Celestial Asia Securities Holdings Limited ("Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 60 to 144, 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, consolidated statement of changes in equity and 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 ("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.

Independent Auditor's Report (continued)

Key Audit Matters

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

Key audit matter	How our audit addressed the key audit matter
Impairment assessment on interests in CASH Financial Services Group Limited ("CFSG")	
We identified the impairment assessment on the Group's equity interests in an associate, CFSG, as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the significant estimation and judgement involved by management of the Group in determining the recoverable amount of CFSG for the purposes of impairment assessment. As set out in notes 5 and 21 to the consolidated financial statements, the recoverable amount of CFSG is determined by management of the Group with reference to the higher of its value in use and fair value less costs of disposal. The recoverable amount has been determined based on value in use calculations as at 31 December 2019. The management of the Group estimated the value in use using the present value of estimated future cash flows expected to be arisen from dividends to be received from CFSG and proceeds on the ultimate disposal of CFSG, taking into account a suitable discount rate by reference to comparable companies. Accordingly, the management of the Group determined that the recoverable amount is estimated to be less than the carrying amount of the interests in CFSG. An impairment loss of HK$20,565,000 in respect of interests in an associate is recognised in profit or loss for the year and the carrying amount of the Group's interests in CFSG is HK$190,265,000 as at 31 December 2019. Further details of the impairment assessment are set out in notes 5 and 21 to the consolidated financial statements.	Our procedures in relation to the impairment assessment on interests in CFSG included: • understanding the impairment assessment of interests in CFSG performed by management of the Group, including the valuation model adopted and key assumptions used; • assessing the valuation model adopted by the management; • involving internal valuation specialists in evaluating the mathematical accuracy of the value in use calculations and the reasonableness of the key assumptions and inputs used by the management of the Group, including the future cash flows expected to be generated by CFSG based on the cash flows from the proceeds on the ultimate disposal of CFSG, taking into account a suitable discount rate by reference to comparable companies; • comparing the result of the value in use calculation prepared by the management of the Group with fair value less costs of disposal in determining the recoverable amount of interest in CFSG; • comparing the recoverable amount of interest in CFSG with its carrying amount; and • evaluating the mathematical accuracy of the impairment calculation.

Key audit matter	**How our audit addressed the key audit matter**
Impairment assessment on goodwill and intangible assets with indefinite useful life allocated to the retailing business	
We identified the impairment assessment on goodwill and trademarks with indefinite useful life allocated to the group of cash generating units ("CGUs") of retailing business as a key audit matter due to their significance to the consolidated financial statements as a whole and significant judgement involved in determining the recoverable amounts for the purposes of impairment assessments. As at 31 December 2019, the carrying amounts for impairment assessments of goodwill and trademarks allocated to the group of CGUs of retailing business were HK$39,443,000 and HK$38,000,000 respectively. As set out in notes 5 and 20 to the consolidated financial statements, the recoverable amount of the group of CGUs of retailing business is determined by management of the Group with reference to the higher of its value in use and fair value less costs of disposal. The recoverable amount has been determined based on value in use calculations. The management of the Group estimated the value in use using the present value of the future cash flows expected to be generated by the CGUs based on the cash flows from operations, taking into account revenue growth rates, gross margin and long term growth rate used in the cash flow projections and a suitable discount rate by reference to comparable companies. Accordingly, based on the results of the impairment assessment conducted by management of the Group, it is concluded that no impairment loss in respect of goodwill and trademark is required for the year ended 31 December 2019. Further details of the impairment assessment are set out in note 20 to the consolidated financial statements.	Our procedures in relation to the impairment assessment on goodwill and intangible assets with indefinite useful life allocated to the retailing business included: • understanding the impairment assessment of goodwill and intangible assets with indefinite useful life performed by management of the Group; • involving internal valuation specialists in evaluating the mathematical accuracy of the value in use calculations and the reasonableness of key assumptions and inputs used by the management of the Group, including the future cash flows expected to be generated by the retailing business based on the cash flows from operations, taking into account revenue growth rates, gross margin and long term growth rate used in the cash flow projections and a suitable discount rate by reference to comparable companies; and • comparing the recoverable amount of the CGU of retailing business with its carrying amount.

Independent Auditor's Report (continued)

Other Information

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

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

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

Responsibilities of 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Independent Auditor's Report (continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Chau Chi Ka.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

27 March 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	Notes	**2019 HK$'000**	2018 HK$'000
Revenue	6	**1,387,769**	1,420,264
Cost of inventories	13	**(791,369)**	(824,943)
Other income	8	**12,983**	13,177
Other gains and losses	8	**8,953**	15,490
Salaries, allowances and related benefits	9	**(207,401)**	(248,330)
Other operating, administrative and selling expenses		**(219,927)**	(418,454)
Depreciation of property and equipment	16	**(22,644)**	(26,190)
Depreciation of right-of-use assets	17	**(167,232)**	—
Impairment loss recognised		**(5,788)**	(8,537)
Finance costs	10	**(26,680)**	(9,666)
Loss before loss arising from associates and taxation		**(31,336)**	(87,189)
Share of loss of associates	21	**(40,819)**	(48,459)
Impairment loss recognised on interests in an associate	21	**(20,565)**	(64,966)
Loss before taxation		**(92,720)**	(200,614)
Income tax expense	12(a)	**(7,632)**	(4,325)
Loss for the year	13	**(100,352)**	(204,939)
Other comprehensive (expense) income for the year, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of foreign operation		**(506)**	1,598
Share of other comprehensive (expense) income of an associate		**(844)**	94
		(1,350)	1,692
Total comprehensive expense for the year		**(101,702)**	(203,247)
Loss for the year attributable to:			
Owners of the Company		**(99,392)**	(202,415)
Non-controlling interests		**(960)**	(2,524)
		(100,352)	(204,939)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(100,742)**	(200,723)
Non-controlling interests		**(960)**	(2,524)
		(101,702)	(203,247)
Loss per share	14		
— Basic (HK cents)		**(11.96)**	(24.35)
— Diluted (HK cents)		**(11.96)**	(24.35)

Consolidated Statement of Financial Position

At 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property and equipment	16	**46,020**	56,293
Right-of-use assets	17	**341,378**	—
Goodwill	18	**39,443**	39,443
Intangible assets	19	**43,460**	43,460
Interests in associates	21	**197,266**	259,494
Rental and utilities deposits		**37,198**	41,708
Deferred tax assets	12(b)	**8,188**	6,550
		712,953	446,948
Current assets			
Inventories — finished goods held for sale		**55,445**	57,848
Accounts and other receivables	22	**118,223**	91,215
Loans receivable	23	**4,372**	4,171
Amount due from an associate	21	**198**	1,904
Tax recoverable		**832**	72
Financial assets at fair value through profit or loss ("FVTPL")	24	**22,142**	2,018
Pledged bank deposits	25	**74,434**	44,379
Bank balances (general accounts) and cash	25	**132,450**	212,450
		408,096	414,057
Current liabilities			
Accounts payable	26	**219,771**	238,335
Financial liabilities arising from consolidated investment funds	27	**8,203**	—
Accrued liabilities and other payables	28	**66,813**	63,789
Contract liabilities	29	**16,389**	23,140
Taxation payable		**14,260**	13,463
Lease liabilities/obligations under finance leases	30	**132,695**	444
Borrowings	31	**210,659**	208,685
		668,790	547,856
Net current liabilities		**(260,694)**	(133,799)
Total assets less current liabilities		**452,259**	313,149

Consolidated Statement of Financial Position (continued)

At 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Capital and reserves			
Share capital	32	**8,312**	83,122
Reserves		**190,926**	224,275
Equity attributable to owners of the Company		**199,238**	307,397
Non-controlling interests	33	**(28,730)**	(27,086)
Total equity		**170,508**	280,311
Non-current liabilities			
Deferred tax liabilities	12(b)	**9,955**	6,949
Lease liabilities/obligations under finance leases	30	**227,530**	1,375
Borrowings — amount due after one year	31	**44,266**	24,514
		281,751	32,838
		452,259	313,149

The consolidated financial statements on pages 60 to 144 were approved and authorised for issue by the board of directors on 27 March 2020 and are signed on its behalf by:

KWAN PAK HOO BANKEE
DIRECTOR

LEUNG SIU PONG JAMES
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

		Attributable to owners of the Company											
	Notes	Share capital HK$'000	Share premium HK$'000 (Note (a))	Contributed surplus HK$'000 (Notes (b) & (c))	General reserve HK$'000	Other reserve HK$'000 (Note (d))	Translation reserve HK$'000	Share option reserve HK$'000	Revaluation reserve HK$'000 (Note (e))	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000 (note 33)	Total HK$'000
At 1 January 2018		83,122	591,437	88,926	1,160	59,722	11,599	5,145	11,164	(344,152)	508,123	(24,562)	483,561
Loss for the year		—	—	—	—	—	—	—	—	(202,415)	(202,415)	(2,524)	(204,939)
Other comprehensive income for the year		—	—	—	—	—	1,692	—	—	—	1,692	—	1,692
Total comprehensive income (expense) for the year		—	—	—	—	—	1,692	—	—	(202,415)	(200,723)	(2,524)	(203,247)
Effect of lapsed and expired share options		—	—	—	—	—	—	(5,145)	—	5,145	—	—	—
Acquisition of additional interest in a non-wholly owned subsidiary	34	—	—	—	—	(3)	—	—	—	—	(3)	—	(3)
At 31 December 2018		83,122	591,437	88,926	1,160	59,719	13,291	—	11,164	(541,422)	307,397	(27,086)	280,311
Adjustments (see note 3)		—	—	—	—	—	—	—	—	(7,412)	(7,412)	(684)	(8,096)
At 1 January 2019 (restated)		83,122	591,437	88,926	1,160	59,719	13,291	—	11,164	(548,834)	299,985	(27,770)	272,215
Loss for the year		—	—	—	—	—	—	—	—	(99,392)	(99,392)	(960)	(100,352)
Other comprehensive expense for the year		—	—	—	—	—	(1,350)	—	—	—	(1,350)	—	(1,350)
Total comprehensive expense for the year		—	—	—	—	—	(1,350)	—	—	(99,392)	(100,742)	(960)	(101,702)
Capital reduction	32	(74,810)	—	74,810	—	—	—	—	—	—	—	—	—
Amount transferred to set-off accumulated losses	32	—	—	(74,810)	—	—	—	—	—	74,810	—	—	—
Acquisition of additional interest in a non-wholly owned subsidiary	34	—	—	—	—	(5)	—	—	—	—	(5)	—	(5)
At 31 December 2019		**8,312**	**591,437**	**88,926**	**1,160**	**59,714**	**11,941**	**—**	**11,164**	**(573,416)**	**199,238**	**(28,730)**	**170,508**

Notes:

(a) Under the Companies Act 1981 of Bermuda, the share premium of the Company can be used in paying up unissued shares of the Company to be issued to members of the Company as fully paid bonus shares.

(b) Under the Companies Act 1981 of Bermuda, contributed surplus is available for distribution to shareholders. However, a company cannot declare or pay a dividend, or make a distribution out of contribution surplus, if:

(i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

(c) The contributed surplus of the Group represents the difference between the nominal value of the share capital of the subsidiaries acquired pursuant to the group reorganisation in 1994 and the nominal value of the issued share capital of the Company issued in exchange thereof, and the net amount arising from the reduction of share premium account, capital reduction and the amounts transferred to set-off accumulated losses.

Movement of contribution surplus during the year ended 31 December 2019 arose from capital reduction as disclosed in note 32, of which the respective amount was transferred to set-off accumulated losses.

(d) The other reserve of the Group represents the reserve arising from the distribution of shares of CASH Financial Services Group Limited ("CFSG") (formerly known as CASH on-line Limited) in year 2000 and the effect arising from the change in the Group's ownership interest in existing subsidiaries without losing control.

Movement of other reserves during the years ended 31 December 2019 and 2018 arose from the effect due to changes in the Group's ownership interests in existing subsidiaries without losing control. Details of change in shareholding in subsidiaries without losing control are disclosed in note 34.

(e) Revaluation reserve of HK$11,164,000 represented the adjustment to the fair value of trademark (included in the intangible assets) related to previously held interest in an associate when the Group acquired additional interest and obtained control over the associate in 2006.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Operating activities			
Loss before taxation		**(92,720)**	(200,614)
Adjustments for:			
Depreciation of property and equipment	16	**22,644**	26,190
Depreciation of right-of-use assets	17	**167,232**	—
Write-down of inventories	13	**1,379**	2,960
Interest expense	10	**26,680**	9,666
Interest income	8	**(2,629)**	(970)
Dividend income	8	**(541)**	(811)
Loss on disposal/write-off of property and equipment	8	**870**	97
Impairment loss recognised in respect of property and equipment	16	**1,026**	8,537
Impairment loss recognised in respect of right-of-use assets	17	**4,762**	—
Gain on dilution of interests in an associate	21	**—**	(7,349)
Share of loss of associates	21	**40,819**	48,459
Impairment loss recognised on interests in an associate	21	**20,565**	64,966
Operating cashflow before movements in working capital		**190,087**	(48,869)
Decrease (increase) in inventories		**1,024**	(20,017)
Decrease (increase) in accounts receivable		**905**	(106)
(Increase) decrease in prepayments, deposits and other receivables		**(28,623)**	61,851
(Increase) decrease in financial assets at FVTPL		**(20,124)**	9,007
(Decrease) increase in accounts payable		**(18,564)**	51,155
Increase in financial liabilities arising from consolidated investment funds		**8,203**	—
Increase (decrease) in accrued liabilities and other payables		**6,978**	(34,825)
(Decrease) increase in contract liabilities		**(6,751)**	5,075
Net cash generated from operations		**133,135**	23,271
Income taxes paid		**(3,576)**	(923)
Net cash from operating activities		**129,559**	22,348

Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Investing activities			
Interest received		**902**	895
Dividend received		**541**	811
Placement of pledged bank deposits		**(30,000)**	(2,405)
Advance of loans receivable		**(2,270)**	—
Repayment of loans receivable		**2,073**	5,522
Proceeds from disposal of property and equipment		**128**	—
Purchase of property and equipment		**(17,270)**	(48,544)
Payments for rental deposits		**(883)**	—
Refund of rental deposits		**2,376**	—
Acquisition of interests in an associate	21	**—**	(1,891)
Net cash inflow from disposal of subsidiaries	41	**255**	—
Advance to an associate		**—**	(140)
Repayment from an associate		**1,706**	—
Net cash used in investing activities		**(42,442)**	(45,752)
Financing activities			
Purchase of additional interest in a non-wholly owned subsidiary	34	**(5)**	(3)
Drawdown of borrowings		**678,764**	561,158
Repayment of borrowings		**(657,038)**	(523,134)
Repayment of lease liabilities/obligations under finance leases		**(161,720)**	(507)
Interest paid on lease liabilities/obligations under finance leases		**(15,085)**	(63)
Interest paid on borrowings		**(11,595)**	(9,603)
Net cash (used in) from financing activities		**(166,679)**	27,848
Net (decrease) increase in cash and cash equivalents		**(79,562)**	4,444
Cash and cash equivalents at beginning of year		**212,450**	209,031
Effect of foreign exchange rate changes		**(438)**	(1,025)
Cash and cash equivalents at end of year		**132,450**	212,450
Being:			
Bank balances (general accounts) and cash		**132,450**	212,450

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended) and its shares are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information of this annual report.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 45.

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Company's current liabilities exceeded its current assets by HK$260,694,000 as at 31 December 2019 and the Group incurred a loss of HK$100,352,000 for the year then ended.

In order to improve the Group's financial position, to provide liquidity and cash flows and to sustain the Group as a going concern, the Group has been implementing a number of measures. These measures include but not limited to obtaining financial support from a substantial shareholder, banks and an independent third party through arrangement of new long-term facilities, considering usage of existing banking facilities and reducing central corporate expenses, such as corporate expenses relating to marketing and promotion activities.

The directors of the Company are of the opinion that, taking into account the measures as described above, the Group will have sufficient working capital to meet its cash flow requirements in the next twelve months. Accordingly, these consolidated financial statements have been prepared on a going concern basis.

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

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

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

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

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

HKFRS 16 "Leases"

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

Definition of a lease

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

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

As a lessee

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

For leases previously classified as finance leases, the carrying amount of the right-of-use asset and the lease liability at the date of initial application is the carrying amount of the lease asset and lease liability immediately before that date measured applying HKAS 17. For those leases, the Group accounted for the right-of-use asset and the lease liability applying HKFRS 16 from the date of initial application.

For leases previously classified as operating leases under HKAS 17, the Group recognised additional lease liabilities and measured right-of-use assets at the carrying amounts as if HKFRS 16 had been applied since commencement dates, but discounted using the incremental borrowing rates of the relevant group entities at the date of initial application by applying HKFRS 16.C8(b)(i) transition. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

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

i. 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;

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

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

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

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

New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

HKFRS 16 Leases (continued)

As a lessee (continued)

Summary of effects arising from initial application of HKFRS 16

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

	Carrying amounts previously reported at 31 December 2018	Adjustments	Carrying amounts under HKFRS 16 at 1 January 2019
	HK$'000	HK$'000	HK$'000
Non-current assets			
Property and equipment	56,293	(4,672)	51,621
Right-of-use assets	—	387,379	387,379
Rental and utility deposits	41,708	(3,720)	37,988
Deferred tax assets	6,550	2,640	9,190
Current assets			
Accounts and other receivables	91,215	(434)	90,781
Current liabilities			
Accrued liabilities and other payables	(63,789)	8,299	(55,490)
Lease liabilities/obligations under finance leases	(444)	(148,385)	(148,829)
Non-current liabilities			
Lease liabilities/obligations under finance leases	(1,375)	(249,203)	(250,578)
Capital and reserves			
Accumulated losses attributable to owners of the Company	(541,422)	(7,412)	(548,834)
Non-controlling interests	(27,086)	(684)	(27,770)

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

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

New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

HKFRS 16 Leases (continued)

As a lessee (continued)

Summary of effects arising from initial application of HKFRS 16 (continued)

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The incremental borrowing rates applied by the relevant group entities range from 4% to 4.125%.

	Note	**At 1 January 2019** HK$'000
Operating lease commitments disclosed as at 31 December 2018		478,613
Lease liabilities discounted at relevant incremental borrowing rates		405,766
Less: Termination option not reasonably certain not to be exercised		(8,178)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16		397,588
Add: Obligations under finance leases recognised as at 31 December 2018	(b)	1,819
Lease liabilities as at 1 January 2019		399,407
Analysed as		
Current		148,829
Non-current		250,578
		399,407

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

	Notes	**Right-of-use assets** HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	(a)	385,366
Amounts included in property and equipment under HKAS 17		
– assets previously under finance leases	(b)	2,013
		387,379
By class:		
Leased properties		385,366
Motor vehicles		2,013
		387,379

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

New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

HKFRS 16 Leases (continued)

As a lessee (continued)

Summary of effects arising from initial application of HKFRS 16 (continued)

Notes:

(a) The right-of-use assets relating to operating leases recognised upon application of HKFRS 16 as at 1 January 2019 was derived taking into account of adjustments relating to (i) the estimated costs of reinstating the rented premises previously included in property, plant and equipment; (ii) the discounting effect of refundable rental deposits paid previously considered as rights and obligations under leases to which HKAS 17 applied under rental and utilities deposits/other receivables; and (iii) accrued lease liabilities arising from rent-free periods and lease payments that increase progressively over lease terms, which were previously included in trade and other payables, since the commencement of the relevant leases.

(b) In relation to assets previously under finance leases, the Group recategorised the carrying amounts of the relevant assets which were still under lease as at 1 January 2019 amounting to HK$2,013,000 as right-of-use assets. In addition, the Group reclassified the obligations under finance leases of HK$444,000 and HK$1,375,000 to lease liabilities as current and non-current liabilities respectively at 1 January 2019.

The following table summarises the impact of transition to HKFRS 16 on accumulated losses at 1 January 2019.

	Impact of adopting HKFRS 16 at 1 January 2019 HK$'000
Accumulated losses	
Net effect on measurement of right-of-use assets and lease liabilities, accrued lease payments and rental deposits	10,736
Tax impact	(2,640)
Impacts at 1 January 2019	8,096

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

New and amendments to HKFRSs in issue but not yet effective

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

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

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

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

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

Amendments to HKAS 1 and HKAS 8 Definition of Material

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

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and
- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

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

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

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

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

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

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

4. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

- has power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power over the investee to affect its returns.

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

When the Group is an investor of a fund in which the Group also acts as a fund manager, the Group will determine whether it is a principal or an agent for the purpose of assessing whether the Group controls the relevant fund.

An agent is a party primarily engaged to act on behalf and for the benefit of another party or parties (the principal(s)) and therefore does not control the investee when it exercises its decision-making authority. In determining whether the Group is an agent to the fund, the Group would assess:

- the scope of its decision-making authority over the investee;
- the rights held by other parties;
- the remuneration to which it is entitled in accordance with the remuneration agreements; and
- the decision maker's exposure to variability of returns from other interests that it holds in the investee.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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

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

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

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

Changes in the Group's interests in existing subsidiaries

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

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

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets and liabilities of the subsidiary attributable to owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs).

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

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

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

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

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

Investment in associates

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

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

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

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

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers

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

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

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

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

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

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

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

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

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method – asset management services

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract, that best depict the Group's performance in transferring control of services.

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group's performance completed to date, the Group recognises revenue in the amount to which the Group has the right to invoice.

Input method – tailor-made furniture

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (continued)

Variable consideration

For contracts that contain variable consideration, such as management fee from asset management services, the Group estimates the amount of consideration to which it will be entitled using the most likely amount.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of the reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations (sales of goods and award credits for customers under the Group's customer loyalty scheme), the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Leases

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

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

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

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

Allocation of consideration to components to a lease

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

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

Short-term leases and leases of low-value assets

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

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

Right-of-use assets

The cost of right-of-use asset includes:

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

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

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

When the Group obtains ownership of the underlying leased assets at the end of the lease term, upon exercising purchase options, the cost of the relevant right-of-use assets and the related accumulated depreciation and impairment loss are transferred to property, plant and equipment.

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

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

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

Lease liabilities (continued)

Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period in which the event or condition that triggers the payment occurs.

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

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

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

Lease modifications

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

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

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

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

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

The Group as lessee (prior to 1 January 2019)

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

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

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rates of exchanges prevailing at the end of the reporting period. Income and expenses are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date 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.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

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

Retirement benefit costs

Payments to defined contribution plans including state-managed benefit scheme and the Mandatory Provident Fund Scheme ("MPF Scheme") are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

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

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

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from loss before taxation because it excludes items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the ending 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 base 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 goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. 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 the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

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

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

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

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax is 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.

Property and equipment

Property and equipment held for use in supply of good/service, or for administrative purpose are stated at cost less subsequent accumulated depreciation and accumulated impairment loss, if any.

Depreciation is recognised so as to write off the cost of items of property and equipment 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 the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property 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 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

Intangible assets acquired separately

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

Intangible assets acquired in a business combination

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

Subsequent to initial recognition, intangible assets with acquired in a business combination finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

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

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

Restoration provisions

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

Financial instruments

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets

Classification and subsequent measurement of financial assets

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

A financial asset is held for trading if:

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

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

(i) Amortised cost and interest income

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

(ii) 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 the reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including accounts receivable arising from retailing business, loans receivable, receivables from securities brokers, amount due from an associate, other receivables and deposits, pledged bank deposits and bank balances and cash). The assessment of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for accounts receivable arising from retailing business and the ECL are assessed individually for each debtor.

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

(i) Significant increase in credit risk

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

In particular, the following information is taken into account when assessing whether the 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 debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(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
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(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 accounts receivable arising from retailing business, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(v) Measurement and recognition of ECL (continued)

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

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount with the exception of accounts receivable arising from retailing business and loans receivable where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

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.

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

(i) Financial liabilities at FVTPL arising from consolidated investment funds

A financial instrument that gives the holder the right to put it back to the Group for cash or another financial asset (a "puttable instrument") is a financial liability. The financial instrument is a financial liability even when the amount of cash or other financial assets is determined on the basis that has the potential to increase or decrease.

Net assets attributable to holders consolidated investment funds are determined based on the attributable shares or units of the residual assets of the consolidated investment fund after deducting the consolidated investment fund's other liabilities. The holders have the right to put their attributable shares to the fund for cash with no cause.

Financial liabilities at FVTPL are measured at fair value at the end of the reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss is included in the "other gains and losses" line item.

As at the end of the reporting period, such financial liability of net assets attributable to holders of non-controlling interests in consolidated investment funds is presented as an "financial liabilities arising from consolidated investment funds" in the consolidated statement of financial position.

(ii) Financial liabilities at amortised cost

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Derecognition of financial liabilities

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

Equity-settled share-based payment transactions

Share options granted to employees of the Group for their services to the Group

The fair value of services received in exchange for the grant of the share options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of share options granted at the grant date without taking into account any service and non-market performance vesting conditions. Services and non-market performance vesting conditions are included in assumptions about the number of share options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied, with a corresponding increase in equity (share option reserve).

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

When share options are exercised, the amount previously recognised in share option 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 option reserve will be transferred to accumulated losses.

Share options granted to consultants

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the 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 counterparty renders the service. The fair values of the goods or services received are recognised as expenses (unless the services qualify for recognition as assets).

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (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.

Determination on lease term of contracts with renewal options

The Group applies judgement to determine the lease term for lease contracts in which it is a lease that include renewal option, specifically, the leases relating to certain retail stores. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The assessment of whether the Group is reasonably certain to exercise renewal options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised. Re-assessment is performed upon the occurrence of either a significant event or a significant change in circumstances that is within the control of lessee and that affects the assessment.

When assessing reasonable certainty, the Group considers all relevant facts and circumstances including economic incentives/penalties for exercising or not exercising the options. Factors considered include:

- contractual terms and conditions for the optional periods compared with market rates;
- the extent of leasehold improvements undertaken by Group; and
- costs relating to termination of the lease (e.g. relocation costs, costs of identifying another underlying asset suitable for the Group's needs).

As at 31 December 2019, the potential exposures to future lease payments for extension options in which the Group is not reasonably certain to exercise was approximately HK$10,160,000. Details of the extension options are detailed in note 17.

Determination of consolidation of investment funds

The Group set up certain investment funds in which the Group is an investor and also the fund manager. The relevant activities are directed by means of contractual arrangements and the Group, acts as the fund manager, has the power and authority to make decisions.

All facts and circumstances are taken into consideration in the assessment of whether the Group, as an investor, controls the investment funds. The principle of control sets out the following three elements of control: (a) power over the investment funds; (b) exposure, or rights, to variable returns from involvement with the investment funds; and (c) the ability to use power over the investment funds to affect the amount of the investor's returns.

The Group's initial assessment of control or its status as a principal or an agent would not change simply because of a change in market conditions (e.g. a change in the investee's returns driven by market conditions), unless the change in market conditions changes one or more of the three elements of control listed above or changes the overall relationship between a principal and an agent.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Determination of consolidation of investment funds (continued)

For these investment funds, the Group assesses whether (i) there are any other holders in these investment funds which have practical ability to remove the Group and prevent the Group to direct the relevant activities of the investment funds; and (ii) the combination of investments it held together with its remuneration creates exposure to variability of returns from the activities of the investment funds that is of such significance that it indicates the Group is a principal.

As at 31 December 2019, the directors of the Company concluded that the Group had control over two of the investments funds and acted as agent for the remaining investment funds. Details of these investment funds are disclosed in notes 24 and 27.

Key sources of estimation uncertainty

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

Impairment assessment of interests in CFSG

Determining whether interests in CFSG are impaired requires an estimation of the recoverable amount of the interests in CFSG which is the higher of value in use and fair value less costs of disposal. The management of the Group estimates the value in use using the present value of the estimated future cash flow expected to be arisen from dividends to be received from CFSG and proceeds on the ultimate disposal of CFSG together with suitable discount rate by reference to comparable companies. Where the recoverable amount are less than or more than expected, or upon the management's revision of estimated cash flows for the purpose of determining the value in use due to changes in conditions, facts and circumstances, an additional impairment loss or reversal of impairment loss may arise.

As at 31 December 2019, the carrying amount of the Group's interests in CFSG was approximately HK$190,265,000 (2018: HK$250,256,000). An impairment loss of approximately HK$20,565,000 (2018: HK$64,966,000) was recognised in profit or loss during the year. Details of the recoverable amount calculation are disclosed in note 21.

Estimated impairment of goodwill and intangible assets with indefinite life

Determining whether goodwill and intangible assets with indefinite life are impaired requires an estimation of recoverable amounts of relevant intangible assets and the respective group of cash generating units ("CGUs") of retailing business in which the goodwill and intangible assets with indefinite life have been allocated, which is the higher of value in use and fair value less costs of disposal. The management of the Group estimates the value in use using the present value of the future cash flows expected to arise from the group of CGUs based on the cash flows from operations, taking into account revenue growth rates, gross margin and long term growth rate used in the cash flow projections and a suitable discount rate by reference to comparable companies. The discount rate reflects current market assessments of time value of money and the risks specific to the asset or group of CGUs for which the future cash flow estimates have not been adjusted. Where the actual future cash flows are less than expected or there is a downward revision of future estimated cash flows due to unfavourable changes in facts and circumstances, a material impairment loss may arise. Details of the recoverable amount calculation of the group of CGUs are disclosed in note 20.

6. REVENUE

(i) Disaggregation of revenue from contracts with customers

	2019 HK$'000	2018 HK$'000
Types of goods or service		
Sales of furniture and household goods	**1,166,365**	1,188,557
Sales of electrical appliances	**133,720**	142,108
Sales of tailor-made furniture	**85,062**	89,599
Revenue from retailing segment	**1,385,147**	1,420,264
Management fee from asset management services	**2,622**	—
	1,387,769	1,420,264
Timing of revenue recognition		
A point of time	**1,300,085**	1,330,665
Over time	**87,684**	89,599
	1,387,769	1,420,264
Geographical market		
Hong Kong	**1,385,147**	1,420,264
The People's Republic of China ("PRC")	**2,622**	—
	1,387,769	1,420,264

(ii) Performance obligations for contracts with customers

Sales of furniture and household goods and electronic appliances

The Group makes sales transactions of furniture and household goods and electronic appliances with customers both through its own retail stores directly and through internet sales.

For sales of furniture and household goods and electronic appliances to retail customers, revenue is recognised when control of the goods has transferred, being at the point the customer purchases and took the goods at the retail stores directly or being when the goods have been transported to the customers' specific location (delivery). Transportation and other related activities that occur before customers obtain control of the related products are considered as fulfilment activities. Payment of the transaction price is due immediately at the point the customer purchases the goods in the retail stores, except for corporate customers that the Group allows an average credit period of 30 days for their accounts receivable. The transaction price received by the Group for goods that require delivery is recognised as a contract liability until the goods have been delivered to the customer.

For internet sales, revenue is recognised when control of the goods has transferred to the customer, being at the point the goods are delivered to the customer. Delivery occurs when the goods have been transported to the customer's specific location. Transportation and other related activities that incurred before customers obtain control of the related products are considered as fulfilment activities. When the customer initially purchases the goods online, the transaction price is due immediately and amount received by the Group is recognised as a contract liability until the goods have been delivered to the customer.

6. REVENUE (continued)

(ii) Performance obligations for contracts with customers (continued)

Sales of tailor-made furniture

The Group makes sales transactions of tailor-made furniture through its own retail stores.

Revenue are recognised over time as the Group 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. Revenue is recognised for these tailor-made orders based on the stage of completion of the contract using input method.

The Group requires customers to provide full amount of upfront payments. When the Group receives the advance payments in the retail stores, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the specific contract exceeds the amount of the deposit.

Customer loyalty programme

The Group operates a customer loyalty programme for sales through the Group's retail stores and internet sales where retail customer award points for purchases made which entitle them to redeem award points as sales discounts in the future. The transaction price is allocated to the product and the award points on a relative stand-alone selling price basis. The customer loyalty points expire every year and customers can redeem the award points any time before the specified expiration date. Revenue from the award points is recognised when the award points are redeemed or expired. Contract liabilities are recognised until the award points are redeemed or expired. The sales discounts is recognised and net to the revenue.

Asset management services

Asset management services to investment funds are recognised over time as the Group provides asset management services. The asset management income is charged at (1) a fixed percentage per annum of the asset value under management of the Group on a daily basis; and (2) a variable consideration when pre-set performance target for the relevant performance period is met. The variable consideration is recognised when it is highly probable that a significant reversal in the revenue recognised will not occur when the performance target is evaluated on a quarterly basis for each of the funds. Fixed management fee is normally due monthly or quarterly while the variable consideration is normally due quarterly.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

As at 31 December 2019 and 2018, contracts with customers with unsatisfied performance obligations, including customer loyalty award points, have original expected durations of one year or less. As permitted under HKFRS 15, the transaction prices allocated to these unsatisfied contracts or customer loyalty programmes are not disclosed.

7. SEGMENT INFORMATION

Segment information

Information reported to the executive directors of the Company, being the chief operating decision makers, for the purposes of resources allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

The Group previously presented online game services segment as a reportable segment. Due to inactive operation, management considered that this segment was no longer identified as reportable segment. Accordingly, the segment information for the year ended 31 December 2018 has been represented to align with current year presentation.

In addition, during the year ended 31 December 2019, the Group commenced asset management business in the PRC ("Asset Management") and considered as a new operating and reportable segment.

Specifically, the Group's operating and reportable segments are as follows:

Retailing	Sales of furniture and household goods and electrical appliances
Asset Management	Provision of asset management services to the fund investors

Segment revenue and results

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

For the year ended 31 December 2019

	Retailing HK$'000	Asset Management HK$'000	Consolidated HK$'000
Revenue	**1,385,147**	**2,622**	**1,387,769**
Segment (loss) profit	**(2,384)**	**11,805**	**9,421**
Unallocated other income, gain and losses			**(3,602)**
Corporate expenses			**(34,678)**
Share of loss of associates			**(40,819)**
Impairment loss recognised on interests in an associate			**(20,565)**
Unallocated finance costs			**(2,477)**
Loss before taxation			**(92,720)**

For the year ended 31 December 2018 (Re-presented)

	HK$'000
Revenue from retailing segment	1,420,264
Segment loss from retailing segment	(23,937)
Unallocated other income, gain and losses	22,474
Corporate expenses	(85,663)
Share of loss of associates	(48,459)
Impairment loss recognised on interests in an associate	(64,966)
Unallocated finance costs	(63)
Loss before taxation	(200,614)

All the segment revenue is derived from external customers.

Segment result represents the profit earned/loss incurred by each segment without allocation of certain other income, gain and losses, corporate expenses, share of loss of associates, impairment loss recognised on interests in an associate and certain finance costs. This is the measure reported to the executive directors of the Company for the purposes of resource allocation and performance assessment.

7. SEGMENT INFORMATION (continued)

Segment assets and liabilities

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

As at 31 December 2019

	Retailing HK$'000	Asset Management HK$'000	Consolidated HK$'000
ASSETS			
Segment assets	752,969	53,181	806,150
Unallocated property and equipment			641
Unallocated right-of-use assets			25,086
Interests in associates			197,266
Tax recoverable			832
Deferred tax assets			8,188
Loans receivable			4,372
Amount due from an associate			198
Unallocated financial assets at FVTPL			1,336
Unallocated prepayments, deposits and other receivables			44,961
Unallocated bank balances and cash			32,019
Total assets			1,121,049
LIABILITIES			
Segment liabilities	831,238	10,590	841,828
Unallocated accrued liabilities and other payables			15,615
Taxation payable			14,260
Deferred tax liabilities			9,955
Unallocated borrowings			44,266
Unallocated lease liabilities			24,617
Total liabilities			950,541

7. SEGMENT INFORMATION (continued)

Segment assets and liabilities (continued)

As at 31 December 2018 (Re-presented)

	HK$'000
ASSETS	
Segment assets — Retailing segment	495,124
Unallocated property and equipment	5,469
Interests in associates	259,494
Tax recoverable	72
Deferred tax assets	6,550
Loans receivable	4,171
Amount due from an associate	1,904
Financial assets at FVTPL	2,018
Unallocated prepayments, deposits and other receivables	54,278
Unallocated bank balances and cash	31,925
Total assets	861,005
LIABILITIES	
Segment liabilities — Retailing segment	542,933
Unallocated accrued liabilities and other payables	15,530
Taxation payable	13,463
Deferred tax liabilities	6,949
Obligations under finance leases	1,819
Total liabilities	580,694

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

- all assets are allocated to the reportable and operating segment other than certain property and equipment, certain right-of-use assets, interests in associates, tax recoverable, deferred tax assets, loans receivable, certain financial assets at FVTPL, amount due from an associate, certain prepayments, deposits and other receivables and certain bank balances and cash; and

- all liabilities are allocated to reportable and operating segment other than certain accrued liabilities and other payables, taxation payable, deferred tax liabilities and certain lease liabilities/obligations under finance leases and certain borrowings.

7. SEGMENT INFORMATION (continued)

Other segment information

For the year ended 31 December 2019

	Retailing HK$'000	Asset Management HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:				
Additions of property and equipment	**19,071**	**—**	**—**	**19,071**
Additions/modification of right-of-use assets	**104,421**	**—**	**23,917**	**128,338**
Interest income	**2,501**	**6**	**122**	**2,629**
Depreciation of property and equipment	**20,113**	**100**	**2,431**	**22,644**
Depreciation of right-of-use assets	**157,403**	**623**	**9,206**	**167,232**
Finance costs	**24,144**	**59**	**2,477**	**26,680**
Net gain (loss) on financial assets at FVTPL	**—**	**15,276**	**(5,505)**	**9,771**
Write-down on inventories	**1,379**	**—**	**—**	**1,379**
Loss on disposal/write-off of property and equipment	**868**	**—**	**2**	**870**
Impairment loss recognised in respect of property and equipment	**1,026**	**—**	**—**	**1,026**
Impairment loss recognised in respect of right-of-use assets	**4,762**	**—**	**—**	**4,762**

For the year ended 31 December 2018 (Re-presented)

	Retailing HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:			
Additions of property and equipment	45,996	2,802	48,798
Interest income	657	313	970
Depreciation of property and equipment	22,913	3,277	26,190
Finance costs	9,603	63	9,666
Net gain on financial assets through FVTPL	—	8,384	8,384
Write-down on inventories	2,960	—	2,960
Loss on disposal/write-off of property and equipment	97	—	97
Impairment loss recognised in respect of property and equipment	8,537	—	8,537

7. SEGMENT INFORMATION (continued)

Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services:

	2019 HK$'000	2018 HK$'000
Sales of furniture and household goods	**1,251,427**	1,278,156
Sales of electrical appliances	**133,720**	142,108
Management fee from asset management services		
— Fixed	**1,871**	—
— Variable	**751**	—
	1,387,769	1,420,264

Geographical information

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

The Group's segment revenue from external customers determined based on location of the group entities' operations and information about its non-current assets (excluding financial assets and deferred tax assets) by geographical location of the assets are detailed below:

	Revenue		Non-current assets	
	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000
Hong Kong	**1,385,147**	1,420,264	**663,795**	440,032
PRC	**2,622**	—	**3,772**	366
	1,387,769	1,420,264	**667,567**	440,398

No customers individually contributed over 10% of the Group's revenue during both years.

8. OTHER INCOME, OTHER GAINS AND LOSSES

	2019 HK$'000	2018 HK$'000
Other income		
Dividends from financial assets at FVTPL	**541**	811
Interest income from banks and loan receivables	**961**	970
Interest income from rental deposits	**1,668**	—
Sundry income	**9,813**	11,396
	12,983	13,177
Other gains and losses		
Net gain on financial assets at FVTPL	**10,204**	8,384
Net loss on remeasurement of liabilities arising from investment funds	**(433)**	—
Loss on disposal/write-off of property and equipment	**(870)**	(97)
Net foreign exchange gain (loss)	**52**	(146)
Gain on dilution of interests in an associate (note 21)	**—**	7,349
	8,953	15,490

9. SALARIES, ALLOWANCES AND RELATED BENEFITS

	2019 HK$'000	2018 HK$'000
Salaries, allowances and related benefits represent the amounts paid and payable to the directors of the Company and employees comprises of:		
Salaries and allowances	**167,616**	203,524
Sales commission	**32,198**	34,620
Contributions to retirement benefits schemes	**7,587**	10,186
	207,401	248,330

10. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interest on:		
— borrowings	**11,595**	9,603
— lease liabilities/finance lease	**15,085**	63
	26,680	9,666

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' REMUNERATION

Directors' and chief executive's remuneration

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

	Executive directors						Independent non-executive directors			
	Kwan Pak Hoo Bankee HK$'000 (Note (1))	Leung Siu Pong James HK$'000 (Note (2))	Kwan Teng Hin Jeffrey HK$'000 (Note (2))	Ng Hin Sing Derek HK$'000	Chan Chi Ming Benson HK$'000 (Note (3))	Law Ping Wah Bernard HK$'000 (Note (4))	Leung Ka Kui Johnny HK$'000	Chan Hak Sin HK$'000	Wong Chuk Yan HK$'000	Total HK$'000
2019										
Fee	—	—	—	—	—	—	150	150	—	300
Other remuneration:										
Salaries and allowances	1,128	200	200	725	920	207	—	—	—	3,380
Contributions to retirement benefits scheme	56	10	10	36	46	10	—	—	—	168
Total remuneration	1,184	210	210	761	966	217	150	150	—	3,848

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' REMUNERATION (continued)

Directors' and chief executive's remuneration (continued)

	Executive directors						Independent non-executive directors			
	Kwan Pak Hoo Bankee HK$'000 (Note (1))	Ng Hin Sing Derek HK$'000	Chan Chi Ming Benson HK$'000 (Note (3))	Law Ping Wah Bernard HK$'000 (Note (4))	Law Ka Kin Eugene HK$'000 (Note (5))	Kwok Lai Ling Elaine HK$'000 (Note (5))	Leung Ka Kui Johnny HK$'000	Chan Hak Sin HK$'000	Wong Chuk Yan HK$'000	Total HK$'000
2018										
Fee	—	—	—	—	—	—	150	150	—	300
Other remuneration:										
Salaries and allowances	1,469	1,580	927	624	1,479	1,144	—	—	—	7,223
Contributions to retirement benefits scheme	73	79	46	31	60	55	—	—	—	344
Total remuneration	1,542	1,659	973	655	1,539	1,199	150	150	—	7,867

Notes:

(1) Dr Kwan Pak Hoo Bankee is also the Company's chief executive and his remunerations disclosed above include those for services rendered by him as chief executive.

(2) Mr Leung Siu Pong James and Mr Kwan Teng Hin Jeffery were appointed as directors of the Company on 2 September 2019.

(3) Mr Chan Chi Ming Benson was appointed as director of the Company on 16 March 2018 and resigned as director of the Company on 27 March 2020 (subsequent to the reporting period).

(4) Mr Law Ping Wah Bernard resigned as director of the Company on 1 July 2019.

(5) Mr Law Ka Kin Eugene and Ms Kwok Lai Ling Elaine resigned as directors of the Company on 1 July 2018.

The emoluments of executive directors are for their services in connection with the management of the affairs of the Company and the Group. The emoluments of independent non-executive directors are for their services as directors of the Company.

During both years, no remuneration was paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the years.

The performance related bonuses (if any) of executive directors are based on the review and recommendation from the remuneration committee of the Company with reference to the performance in discharging their duties and responsibilities within the Group, the Group's performance and prevailing market situation.

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' REMUNERATION (continued)

Employees' remuneration

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

	2019 **HK$'000**	2018 HK$'000
Salaries and allowances	**4,444**	2,785
Performance related bonus (Note)	**758**	—
Contributions to retirement benefits scheme	**235**	123
	5,437	2,908

Note: The performance related bonuses are based on the performance of individuals and market trends.

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	Number of Employees	
	2019	2018
HK$1,000,001 to HK$1,500,000	**2**	2
HK$1,500,001 to HK$2,000,000	**2**	—

12(a). INCOME TAX EXPENSE

	2019 HK$'000	2018 HK$'000
Current tax:		
— Hong Kong Profits Tax	**3,026**	4,000
— PRC Enterprise Income Tax	**808**	—
(Over)underprovisions in prior years	**(210)**	25
Deferred tax charge	**4,008**	300
	7,632	4,325

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 ("Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. Accordingly, starting from the year ended 31 December 2018, the Hong Kong Profits Tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Under the Law of the People's Republic of China on Enterprise Income Tax ("EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards. No provision for the PRC income tax has been made for the year ended 31 December 2018 as no assessable profits were incurred.

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

	2019 HK$'000	2018 HK$'000
Loss before taxation	**(92,720)**	(200,614)
Tax at domestic income tax rate of 16.5% (2018: 16.5%)	**(15,299)**	(33,101)
Tax effect of share of loss of associates	**6,735**	7,996
(Over)underprovisions in prior years	**(210)**	25
Tax effect of expenses not deductible for tax purpose	**11,134**	21,317
Tax effect of income not taxable for tax purpose	**(79)**	(2,986)
Tax effect of deductible temporary difference not recognised	**826**	1,766
Tax effect of utilisation of deductible temporary difference previously not recognised	**(33)**	(372)
Tax effect of estimated tax losses not recognised	**3,470**	10,014
Tax effect of utilisation of estimated tax losses previously not recognised	**(452)**	(280)
Effect of different tax rates of subsidiaries operating in another jurisdiction	**1,399**	—
Tax effect on two-tiered tax rate	**(165)**	(165)
Others	**306**	111
Income tax expense	**7,632**	4,325

12(b).DEFERRED TAX ASSETS/LIABILITIES

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2019 HK$'000	2018 HK$'000
Deferred tax assets	**8,188**	6,550
Deferred tax liabilities	**(9,955)**	(6,949)
	(1,767)	(399)

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

	Right-of-use assets and related lease liabilities HK$'000	**Decelerated tax depreciation** HK$'000	**Accelerated depreciation allowance** HK$'000	**Unrealised gain on financial assets at FVTPL** HK$'000	**Fair value adjustment on intangible assets under business combination** HK$'000	**Total** HK$'000
At 1 January 2018	—	6,550	—	—	(6,649)	(99)
Charge to profit or loss	—	—	(300)	—	—	(300)
At 31 December 2018	—	6,550	(300)	—	(6,649)	(399)
Adjustments (note 3)	2,640	—	—	—	—	2,640
At 1 January 2019 (restated)	2,640	6,550	(300)	—	(6,649)	2,241
Credit (charge) to profit or loss	98	(1,100)	300	(3,306)	—	(4,008)
At 31 December 2019	2,738	5,450	—	(3,306)	(6,649)	(1,767)

As at 31 December 2019, the Group has deductible temporary differences in respect of decelerated tax depreciation and estimated unused tax losses of approximately HK$62,968,000 and HK$839,753,000 (2018: HK$58,164,000 and HK$836,396,000) available for offset against future profits, while HK$14,937,000 (2018: HK$70,374,000) of estimated unused tax losses from certain subsidiaries operating in the PRC expired during the year ended 31 December 2019. No deferred tax asset has been recognised as at 31 December 2019 and 31 December 2018 in respect of these deductible temporary differences and estimated unused tax losses as it is not probable that taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilised.

For certain subsidiaries operating in the PRC, unrecognised tax losses of HK$22,972,000 (2018: HK$37,799,000) will expire in various dates up to 2023 (2018: 2022). The remaining unrecognised tax losses of the Group can be carried forward indefinitely.

13. LOSS FOR THE YEAR

	2019 HK$'000	2018 HK$'000
Loss for the year has been arrived at after charging:		
Auditor's remuneration	**2,000**	2,228
Operating lease rentals in respect of land and buildings:		
Minimum lease payments	**N/A**	218,535
Contingent rents (Note)	**N/A**	2,435
Handling expenses for securities dealing	**2,245**	3,252
Advertising and promotion expenses	**28,984**	45,300
Utilities expenses	**25,216**	26,063
Telecommunication expenses	**6,358**	11,226
Legal and professional fees	**17,877**	17,914
Other selling and distribution expenses	**61,603**	58,046
Cost of inventories in retailing business (including write-down of inventories of HK$1,379,000 (2018: HK$2,960,000))	**791,369**	824,943

Note: The contingent rents are determined based on certain percentage of the gross sales of the relevant shops when the sales meet certain specified level.

14. LOSS PER SHARE

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

	2019 HK$'000	2018 HK$'000
Loss for the purposes of basic and diluted loss per share	**(99,392)**	(202,415)

	2019 '000	2018 '000
Number of ordinary shares for the purpose of basic and diluted loss	**831,222**	831,222

The incremental shares from assumed exercise of share options granted by the Company are excluded in calculating the diluted loss per share during the years ended 31 December 2019 and 2018 because they are antidilutive in calculating the diluted loss per share.

15. DIVIDENDS

No dividend was paid or proposed during 2019 and 2018, nor has any dividend been proposed since the end of the reporting period.

16. PROPERTY AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST				
At 1 January 2018	126,287	41,032	3,311	170,630
Additions	32,790	13,686	2,322	48,798
Disposals/written off	(10,410)	(28,512)	—	(38,922)
Exchange adjustments	(97)	(300)	—	(397)
At 31 December 2018	148,570	25,906	5,633	180,109
Adjustments upon application of HKFRS 16	(8,331)	—	(2,322)	(10,653)
At 1 January 2019 (restated)	140,239	25,906	3,311	169,456
Additions	13,696	5,375	—	19,071
Disposals/written off	(35,725)	(11,891)	—	(47,616)
Exchange adjustments	—	(8)	—	(8)
At 31 December 2019	118,210	19,382	3,311	140,903
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
At 1 January 2018	102,698	22,885	2,695	128,278
Provided for the year	16,231	9,432	527	26,190
Impairment loss recognised for the year	8,537	—	—	8,537
Eliminated on disposals/written off	(10,377)	(28,448)	—	(38,825)
Exchange adjustments	(97)	(267)	—	(364)
At 31 December 2018	116,992	3,602	3,222	123,816
Adjustments upon application of HKFRS 16	(5,672)	—	(309)	(5,981)
At 1 January 2019 (restated)	111,320	3,602	2,913	117,835
Provided for the year	13,540	8,886	218	22,644
Impairment loss recognised for the year	—	1,026	—	1,026
Eliminated on disposals/written off	(34,863)	(11,755)	—	(46,618)
Exchange adjustments	—	(4)	—	(4)
At 31 December 2019	89,997	1,755	3,131	94,883
CARRYING AMOUNTS				
At 31 December 2019	28,213	17,627	180	46,020
At 31 December 2018	31,578	22,304	2,411	56,293

16. PROPERTY AND EQUIPMENT (continued)

The above property and equipment are depreciated on a straight-line basis over the following years:

Leasehold improvements	Shorter of the lease terms or 5 years
Furniture, fixtures and equipment	3 to 7 years
Motor vehicles	3 to 5 years

During the year ended 31 December 2019, certain retail stores incurred significant operating losses. In the opinion of the directors of the Company, the unsatisfactory results of these retail stores may not be able to turn around in the foreseeable future. In view of this, property and equipment of these stores amounting to HK$1,026,000 were fully impaired during the year ended 31 December 2019.

During the year ended 31 December 2018, the Group started certain new brands namely "SECO" and "Galleon" in Hong Kong under the retailing segment, while operating losses were incurred. In the opinion of the directors of the Company, the unsatisfactory results of these new brands may not be able to turn around in the foreseeable future and the Group decided to move the stores under the brands "SECO" and "Galleon" into the brand of "Pricerite". In view of this, the leasehold improvements amounting to HK$8,537,000 in relation to the stores under the brands "SECO" and "Galleon" were fully impaired during the year ended 31 December 2018.

The carrying amounts of motor vehicles include amounts of approximately HK$2,013,000 in respect of assets held under finance leases as at 31 December 2018. No arrangements had been entered into for contingent rental payments.

17. RIGHT-OF-USE ASSETS

	Leased properties HK$'000	**Motor vehicles** HK$'000	**Total** HK$'000
COST			
At 1 January 2019 (restated)	645,862	2,322	648,184
Additions	44,029	—	44,029
Written off upon end of leases	(70,034)	—	(70,034)
Modification of lease terms	82,038	—	82,038
Exchange adjustments	(108)	—	(108)
At 31 December 2019	701,787	2,322	704,109
ACCUMULATED DEPRECIATION AND IMPAIRMENT			
At 1 January 2019 (restated)	260,496	309	260,805
Provided for the year	166,767	465	167,232
Written off upon end of leases	(70,034)	—	(70,034)
Impairment loss recognised for the year	4,762	—	4,762
Exchange adjustments	(34)	—	(34)
At 31 December 2019	361,957	774	362,731
CARRYING VALUES			
At 31 December 2019	339,830	1,548	341,378

17. RIGHT-OF-USE ASSETS (continued)

During the year ended 31 December 2019, the Group has the following expenses and cash outflow in relation to leases:

	HK$'000
Expense relating to short-term leases	994
Expense relating to leases of low-value assets, excluding short-term leases of low value assets	7
Variable lease payments not included in the measurement of lease liabilities	2,551
Total cash outflow of the leases	180,357

For both years, the Group leases various retail stores, warehouses, office premises and motor vehicles for its operations. Lease contracts are entered into for fixed term of 1 year to 6 years, but may have extension options for certain lease contracts as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for smaller office premises, office equipment and advertising billboards. As at 31 December 2019, the portfolio of short-term leases is relatively similar to the portfolio of short-term leases during the year. The short-term lease expenses disclosed above excluded expenses relating to leases with a lease term of one month or less.

Variable lease payments

Leases of retail stores are either with only fixed lease payments or higher of variable lease payment that are based on 5% to 13% of sales and minimum annual lease payment that are fixed over the lease term. The payment terms are common in retail stores in Hong Kong where the Group operates. The amount of fixed and variable lease payments paid/payable to relevant lessors for the year ended 31 December 2019:

	Number of retail stores	**Fixed payments** HK$'000	**Variable payments** HK$'000	**Total** HK$'000
Retail stores without variable lease payments	10	36,976	N/A	36,976
Retail stores with variable lease payments	24	115,770	2,551	118,321
		152,746	2,551	155,297

The overall financial effect of using variable payment terms is that higher rental costs are incurred by stores with higher sales. Variable rent expenses are expected to continue to represent a similar proportion of store sales in future years.

17. RIGHT-OF-USE ASSETS (continued)

Extension and termination options

The Group has extension option in certain leases for office premise and retail stores as at 31 December 2019. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The extension held are exercisable only by the Group and not by the respective lessors.

The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The potential exposures to these future lease payments for extension options in which the Group is not reasonably certain to exercise as at 31 December 2019 is summarised below:

	Lease liabilities recognised as at 31 December 2019	**Potential future lease payments not included in lease liabilities (undiscounted)**
	HK$'000	HK$'000
Office premise — Hong Kong	22,591	7,760
Retail stores — Hong Kong	1,378	2,400

During the year ended 31 December 2019, the Group has not exercised any extension options included in the Group's lease contracts.

In addition, the Group reassesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. During the year ended 31 December 2019, there is no such triggering event.

Restrictions or covenants on leases

In addition, lease liabilities of HK$360,225,000 are recognised with related right-of-use assets of HK$341,378,000 as at 31 December 2019. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Impairment assessment

During the year ended 31 December 2019, certain retail stores incurred significant operating losses. In the opinion of the directors of the Company, the unsatisfactory results of these retail stores may not be able to turn around in the foreseeable future. In view of this, right-of-use assets amounting to HK$4,762,000 were fully impaired during the year ended 31 December 2019.

Details of the lease maturity analysis of lease liabilities are set out in notes 30 and 37.

18. GOODWILL

	HK$'000
COST	
At 1 January 2018, 31 December 2018 and 31 December 2019	238,440
IMPAIRMENT	
At 1 January 2018, 31 December 2018 and 31 December 2019	198,997
CARRYING AMOUNTS	
At 31 December 2018 and 2019	39,443

The carrying amounts of goodwill are allocated to the retailing CGU. Particulars regarding impairment testing on goodwill as at 31 December 2019 and 2018 are disclosed in note 20.

19. INTANGIBLE ASSETS

	Online game development costs HK$'000	**Domain name** HK$'000 (Note (a))	**Trademark** HK$'000 (Note (b))	**Gaming licences** HK$'000	**Total** HK$'000
COST					
At 1 January 2018, 31 December 2018 and 31 December 2019	63,271	5,460	38,000	40,295	147,026
AMORTISATION AND ACCUMULATED IMPAIRMENT					
At 1 January 2018, 31 December 2018 and 31 December 2019	63,271	—	—	40,295	103,566
CARRYING AMOUNTS					
At 31 December 2018 and 2019	—	5,460	38,000	—	43,460

Notes:

(a) At 31 December 2019, intangible assets with carrying amounts of HK$5,460,000 (2018: HK$5,460,000) represent domain name. It represents the legal and beneficial ownership of domain name "www.shanghai.com" and has indefinite useful life. The domain name is considered by management of the Group as having an indefinite useful life because it is expected to be used indefinitely. The domain name will not be amortised until its useful life is determined to be finite, instead it will be tested for impairment annually and whenever there is an indication that it may be impaired.

For the purpose of impairment testing on domain name at 31 December 2019 and 2018, the recoverable amount has been determined based on fair value less costs of disposal. The fair value less costs of disposal is arrived at by market approach, with reference to the desirability of the domain name through recent sales or offering of similar domain name currently on the market in order to arrive at an indication of the most probable selling price for the domain name. The fair value less costs of disposal at 31 December 2019 and 2018 was supported by a valuation carried out by Peak Vision Appraisals Limited, an independent qualified professional valuer not connected with the Group.

(b) At 31 December 2019, trademark amounting to HK$38,000,000 (2018: HK$38,000,000) represents the perpetual right for the use of the brand name 'Pricerite' in Hong Kong which takes the form of a sign, symbol, name, logo design or any combination thereof arising from acquisition of retail business. Various studies including product life cycle studies, market, competitive and environmental trends, and brand extension opportunities have been performed by management of the Group, which supports that the trademark has no foreseeable limit to the period over which the products are expected to generate net cash flows for the Group. As a result, the trademark is considered by the management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The trademark will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired. Particulars regarding impairment testing on trademark are disclosed in note 20.

20. IMPAIRMENT ASSESSMENT ON RETAILING CGU

For the purpose of impairment testing, the carrying amounts of goodwill and trademark set out in notes 18 and 19 have been allocated to the group of retailing CGUs.

Goodwill of HK$39,443,000 (2018: HK$39,443,000) and trademark of HK$38,000,000 (2018: HK$38,000,000) are allocated to the group of CGUs of retailing business in Hong Kong. The recoverable amount of the group of CGUs of retailing business has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management of the Group covering a five-year period having an average annual growth rate of 2.1% and pre-tax discount rate of 14.9% (2018: five-year period, average annual growth rate of 3.6% and pre-tax discount rate of 16.8%) and projection of terminal value using the perpetuity method at a growth rate of 3% (2018: 3%). A key assumption for the value in use calculation is the budgeted growth rate, which is determined based on past performance and management's expectations for the market development in Hong Kong. No impairment on this group of CGUs is made for both years as the recoverable amount exceeded the carrying amount. Management of the Group believes that any reasonably possible change in any of the assumptions would not cause the carrying amount of the group of CGUs to exceed the recoverable amount of the above CGUs.

21. INTERESTS IN ASSOCIATES AND AMOUNT DUE FROM AN ASSOCIATE

Interests in associates

	2019 **HK$'000**	2018 HK$'000
Cost of investment in associates		
Listed in Hong Kong	**492,007**	492,007
Unlisted	**9,240**	9,240
Share of post-acquisition loss and other comprehensive income	**(92,690)**	(51,027)
Less: Impairment loss recognised on interests in associates	**(211,291)**	(190,726)
	197,266	259,494
Fair value of listed investments (Note)	**65,045**	91,730

Note: The fair value of the listed investments are determined based on the quoted market bid price available on the Stock Exchange.

21. INTERESTS IN ASSOCIATES AND AMOUNT DUE FROM AN ASSOCIATE (continued)

Interests in associates (continued)

The Group has interests in the following associates:

Name of entity	Form of business structure	Country of incorporation/ date of incorporation	Principal place of operation	Class of share held	Proportion of nominal value of issued capital held by the Group 2019 & 2018 %	Proportion of voting power held 2019 & 2018 %	Principal activities
CFSG (Note (i))	Incorporated	Bermuda	Hong Kong	Ordinary	33.65	33.65	Investment holding with its subsidiaries engaged in provision of financial services
Weever FinTech Limited (Note (ii))	Incorporated	Hong Kong	Hong Kong	Ordinary	18.91	18.91	Investment trading

Notes:

(i) CFSG's shares are listed on the Stock Exchange.

(ii) Weever FinTech Limited ("Weever") is a non-wholly owned subsidiary of CFSG. The Group considers Weever is an associate of the Group as the Group exercises significant influence over Weever through its representation on the board of directors and its participation in the financial and operating policy decisions.

During the year ended 31 December 2018, the Group subscribed an aggregate of 1,890,500 new shares of Weever, a wholly-owned subsidiary of CFSG, at par (HK$1 per share) which represents equity interests of approximately 19.9% in Weever. Weever then issued 500,000 new shares to an independent third party at a consideration of USD5,000,000 (equivalent to approximately HK$39,000,000) and the shareholding interest of the Company in this associate was diluted from approximately 19.9% to 18.91%. Accordingly, the dilution in interests in an associate resulted in a gain of approximately HK$7,349,000, being the difference between the proportionate share of Weever's net assets attributable to the Company and the consideration, recognised in the profit or loss during the year ended 31 December 2018.

At 31 December 2019 and 2018, the carrying amount of the Group's interests in CFSG was higher than their fair value determined based on the quoted market price of CFSG on the same date. Management of the Group carried out impairment review on the carrying amount of its interests in CFSG as a single asset by comparing to its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount.

The value in use estimation was assessed by the management based on a valuation performed by an independent professional qualified valuer using income approach, which estimates the present value of the estimated future cash flows expected to be arisen from dividends to be received from CFSG and proceeds on the ultimate disposal of CFSG, together with pre-tax discount rate of 11% (2018: 12%).

The fair value less costs of disposal on CFSG has been determined by reference to the quoted market price of CFSG's shares available on the Stock Exchange which is within level 1 fair value hierarchy.

During the year ended 31 December 2019, the management of the Group determined that the recoverable amount, which represented the value in use estimation, is estimated to be HK$190,265,000 (2018: HK$250,256,000) and is less than the carrying amount of the interests in CFSG. Impairment loss of HK$20,565,000 (2018: HK$64,966,000) in respect of interests in CFSG is recognised in profit or loss during the year ended 31 December 2019.

21. INTERESTS IN ASSOCIATES AND AMOUNT DUE FROM AN ASSOCIATE (continued)

Interests in associates (continued)

Summarised financial information of associates

Summarised financial information in respect of the Group's associates is set out below. The summarised financial information below represents amounts shown in the associates' consolidated financial statements prepared in accordance with HKFRSs.

CFSG

	2019 **HK$'000**	2018 HK$'000
Non-current assets	**116,400**	68,955
Current assets	**1,387,207**	1,680,992
Current liabilities	**(980,493)**	(1,122,106)
Non-current liabilities	**(19,316)**	(3,932)
Net assets	**503,798**	623,909

	2019 **HK$'000**	2018 HK$'000
Revenue	**107,492**	123,445
Loss for the year	**(114,048)**	(144,132)
Other comprehensive (expense) income for the year attributable to owners of CFSG	**(2,512)**	280
Total comprehensive expense for the year attributable to owners of CFSG	**(116,560)**	(143,852)
The Group's share of loss	**(38,582)**	(48,457)
The Group's share of other comprehensive (expense) income	**(844)**	94
	(39,426)	(48,363)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2019 **HK$'000**	2018 HK$'000
Net assets	**503,798**	623,909
Non-controlling interests of CFSG's subsidiaries	**(8,501)**	(11,343)
	495,297	612,566
Proportion of the Group's ownership interest	**33.65%**	33.65%
The Group's share of net assets of CFSG	**166,519**	205,945
Unrecognised reserves of CFSG	**(9,647)**	(9,647)
Goodwill	**244,684**	244,684
Accumulated impairment loss recognised on interests in an associate	**(211,291)**	(190,726)
Carrying amount of the Group's interest	**190,265**	250,256

21. INTERESTS IN ASSOCIATES AND AMOUNT DUE FROM AN ASSOCIATE (continued)

Interests in associates (continued)

Summarised financial information of associates (continued)

Weever

	2019 HK$'000	2018 HK$'000
Non-current assets	**19**	19
Current assets	**38,213**	48,846
Current liabilities	**(1,198)**	—
Net assets	**37,034**	48,865

	2019 HK$'000	2018 HK$'000
Revenue	**71**	—
Loss and total comprehensive expense for the year	**(11,831)**	(10)
The Group's share of loss and total comprehensive expense	**(2,237)**	(2)

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

	2019 HK$'000	2018 HK$'000
Net assets	**37,034**	48,865
Proportion of the Group's ownership interest	**18.905%**	18.905%
The Group's share of net assets of Weever	**7,001**	9,238
Carrying amount of the Group's interests	**7,001**	9,238

Amount due from an associate

Amount is non-trade nature, unsecured, interest-free and repayable on demand.

22. ACCOUNTS AND OTHER RECEIVABLES

	2019 **HK$'000**	2018 HK$'000
Accounts receivable arising from retailing business	**867**	1,772
Receivables from securities brokers	**68,828**	46,619
Prepayments	**14,174**	13,342
Rental deposits	**20,668**	13,985
Other deposits	**10,191**	12,775
Other receivables	**3,495**	2,722
	118,223	91,215

As at 1 January 2018, the accounts receivable arising from retailing business were amounted to HK$1,666,000.

Rental deposits paid were adjusted upon the initial application of HKFRS 16. Details of the adjustments are set out in note 3.

The Group allows an average credit period of 30 days to its corporate customers on retailing business. The ageing analysis based on the invoice date, which is approximately the revenue recognition date, is as follows:

	2019 **HK$'000**	2018 HK$'000
0–30 days	**426**	480
31–60 days	**103**	284
61–90 days	**81**	268
Over 90 days	**257**	740
	867	1,772

As at 31 December 2019, included in the Group's accounts receivable balance are debtors with aggregate carrying amount of HK$441,000 (2018: HK$1,362,000) which are past due as at the reporting date. Out of the past due balances, HK$217,000 (2018: HK$437,000) has been past due 90 days or more and is not considered as in default since the directors of the Company are of the opinion that the balances are still considered fully recoverable due to the management's historical experience on the settlement pattern or record from these debtors. The Group does not hold any collateral over these balances.

Other deposits and other receivables are non-interest bearing and repayable on demand or within one year.

23. LOANS RECEIVABLE

	2019 HK$'000	2018 HK$'000
Variable-rate loans receivable	**4,372**	4,171

The credit quality of loans receivable is summarised as follows:

	2019 HK$'000	2018 HK$'000
Neither past due nor impaired	**4,372**	4,171

The loans receivable are unsecured and bear variable-rate interest of Hong Kong Prime Rate plus a spread for both years.

The Group has policy for assessing the impairment of loans receivable on an individual basis. The assessment is based on a close monitoring and evaluation of collectability and on management's judgment, including the current creditworthiness, collateral value (if any), the past collection history of each client and supportive forward-looking information.

At the end of the reporting date, the Group's loans receivable were individually assessed for impairment. In determining the recoverability of the loans receivable, the Group considers any change in the credit quality of the loans receivable from the date of the credit was initially granted up to the reporting date. As at 31 December 2019 and 2018, management of the Group considered no impairment allowance is necessary.

The Group has concentration of credit risk from three highest borrowers of HK$4,372,000 (2018: three highest borrowers of HK$4,171,000) in total at 31 December 2019.

The carrying amount of variable-rate loans receivable has remaining contractual maturity dates as follows:

	2019 HK$'000	2018 HK$'000
On demand or within one year	**4,372**	4,171

24. FINANCIAL ASSETS AT FVTPL

	2019 **HK$'000**	2018 HK$'000
Equity securities listed in Hong Kong (Note (1))	**1,336**	2,018
Unlisted investment funds (Note (2))	**20,806**	—
	22,142	2,018

Notes:

(1) The fair values of the listed equity securities are determined based on the quoted market bid prices available on the relevant exchange.

(2) The amount represented the investment in certain unconsolidated investment funds ("Unconsolidated Investment Funds") with primary objectives for capital appreciation, investment income and selling in the near future for profit. These Unconsolidated Investment Funds are set up and managed by an indirect wholly-owned subsidiary acting as fund manager who has the power and authority to manage and make decisions for these Unconsolidated Investment Funds.

Among those Unconsolidated Investment Funds held by the Group where the Group directly involves as fund manager, the Group regularly assesses and determines whether:

- the Group is acting as an agent or a principal in these Unconsolidated Investment Funds;
- substantive removal rights held by other parties may remove the Group as a fund manager; and
- the investment interests held together with its remuneration from servicing and managing these Unconsolidated Investment Funds create significant exposure to variability of returns in these Unconsolidated Investment Funds.

In the opinion of the directors of the Company, the combination of remuneration from the asset management services and variable returns the Group exposed from the Group's investments, if any, are not significant, the Group therefore considers such the decision-making rights is acting an agent and hence did not consolidate these Unconsolidated Investment Funds.

The total assets and liabilities of Unconsolidated Investment Funds managed by the Group amounted to HK$248,593,000 and HK$733,000 as at 31 December 2019 (2018: nil). The funding of these Unconsolidated Investment Funds is mainly from the holders of these funds.

The Group has invested HK$9,647,000 of interests in the Unconsolidated Investment Funds and the Group's maximum exposure to loss from its interests is the carrying amount of such investments of HK$20,806,000 as at 31 December 2019. Other than the investments as stated above, the Group did not have other assets or liabilities recognised relating to the interests in the Unconsolidated Investment Funds.

During the year ended 31 December 2019, the Group has fair value gain of interests in these Unconsolidated Investment Funds of HK$15,276,000 (2018: nil), which is included in "other gains or losses" line item and management fee income of HK$2,622,000 (2018: nil) from these Unconsolidated Investment Funds.

The Group has no contractual obligation nor current intention to provide financial support to the Unconsolidated Investment Funds.

25. PLEDGED BANK DEPOSITS/BANK BALANCES (GENERAL ACCOUNTS) AND CASH

Pledged bank deposits

The pledged bank deposits carried fixed rate in a range of 0.01% to 1.95% (2018: 0.01% to 1.82%) per annum, which was the effective interest rate on the Group's bank deposits. Pledged bank deposits of HK$69,000,000 (2018: HK$39,000,000) and HK$5,434,000 (2018: HK$5,379,000) are pledged to secure short-term loan and short-term undrawn facilities, respectively, and are therefore classified as current assets.

The pledged bank deposits will be released upon the repayment of relevant bank borrowings or expiration of the facilities.

Bank balances (general accounts) and cash

The amounts comprise cash held by the Group and short-term bank deposits at market interest rates in a range of 1.60% to 2.45% (2018: 0.25% to 2.50%) per annum with an original maturity of three months or less.

26. ACCOUNTS PAYABLE

	2019 **HK$'000**	2018 HK$'000
Trade creditors arising from retailing business	**219,771**	238,335

Trade creditors arising from retailing business principally comprise amount outstanding for trade purpose and ongoing cost. The credit period taken for trade purchases ranges from 30 to 90 days.

The following is an ageing analysis (from invoice date) of trade creditors arising from retailing business at the end of the reporting period:

	2019 **HK$'000**	2018 HK$'000
0–30 days	**82,106**	75,132
31–60 days	**74,094**	77,456
61–90 days	**50,880**	57,385
Over 90 days	**12,691**	28,362
	219,771	238,335

27. FINANCIAL LIABILITIES ARISING FROM CONSOLIDATED INVESTMENT FUNDS

Other than Unconsolidated Investment Funds as disclosed in note 24, certain investment funds ("Investment Funds") were set up by the Group with primary objectives for capital appreciation, investment income and selling in the near future for profit. These Investment Funds are managed by an indirect wholly-owned subsidiary acting as general partner who has the power and authority to manage and make decisions for the Investment Funds.

The Group consolidated these Investment Funds in accordance with the criteria set out in note 24.

In the opinion of the directors of the Company, the variable returns for these Investment Funds that the Group is exposed to are significant and/or the Group is primarily acting as a principal and not subject to substantive removal rights held by other parties who may remove the Group as an investment manager. Therefore, the Group consolidated these Investment Funds.

As at 31 December 2019, the total assets and total liabilities (excluding the third-party interests as stated below) of the consolidated Investment Funds, were disclosed as follows:

	HK$'000
Receivables from securities brokers	28,432
Bank balances and cash	1
Other payables	(249)
	28,184

Third-party interests in consolidated Investment Funds consist of third-party unit holders' interests in consolidated Investment Funds which are reflected as a liability since they can be put back to the Group for cash.

As at 31 December 2019, the interests held by third-party unit holders amounted to HK$8,203,000 is recognised as "financial liabilities arising from consolidated investment funds" in the consolidated statement of financial position.

For the year ended 31 December 2019, the value of the consolidated Investment Funds increased and the related interests held by third-party unit holders were re-measured. A net loss of HK$433,000 are recognised in the consolidated statement of profit or loss and included in "other gains or losses" line item.

28. ACCRUED LIABILITIES AND OTHER PAYABLES

	2019 **HK$'000**	2018 HK$'000
Accrued liabilities		
— Salaries and commission payables	**21,049**	12,978
— Other accrued liabilities	**16,221**	22,828
Other payables	**29,543**	27,983
	66,813	63,789

Accrued lease liabilities of HK$8,299,000 as at 31 December 2018 included in other accrued liabilities were adjusted upon the initial application of HKFRS 16. Details of the adjustments are set out in note 3.

29. CONTRACT LIABILITIES

	2019 **HK$'000**	2018 HK$'000
Advances received in relation to tailor-made furniture	**12,421**	14,107
Advances received in relation to other furniture	**1,526**	2,685
Reward points under customer loyalty programme	**2,442**	6,348
	16,389	23,140

As at 1 January 2018, the contract liabilities were amounted to HK$18,065,000.

Tailor-made furniture and other furniture

Contract liabilities in relation to tailor-made and other furniture represent the advance payments received from the customers upon ordering of tailor-made furniture commences, or before delivery of other furniture, until the revenue recognised on the relevant contract exceeds the amount of the deposit.

Customer loyalty programme

The Group offers customer loyalty programme in the Group's retailing operation. Basically, the customers can earn one point for each dollar spent in the shops of the Group. The customers can enjoy discount by utilising the award points earned under the customer loyalty programme. All award points can be accumulated up to 31 December each year and will be expired in January of the following year.

Contract liabilities in relation to award rewards points under customer loyalty programme represent the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied as of the end of the reporting period. The Group expects the transaction price allocated to the unsatisfied performance obligations will be recognised as revenue when the award points are redeemed or expired.

For the contract liabilities as at 1 January 2018 and 2019, the entire balances were recognised as revenue in profit or loss during the years ended 31 December 2018 and 2019, respectively.

30. LEASE LIABILITIES/OBLIGATIONS UNDER FINANCE LEASES

Lease liabilities

	2019 HK$'000
Lease liabilities payable:	
Within one year	**132,695**
More than one year but not more than two years	**113,849**
More than two years but not more than five years	**109,105**
After five years	**4,576**
	360,225
Less: Amount due for settlement with 12 months shown under current liabilities	**(132,695)**
Amount due for settlement after 12 months shown under non-current liabilities	**227,530**

Obligation under finance lease

	Minimum lease payments 2018 HK$'000	Present value of minimum lease payments 2018 HK$'000
Amount payable under finance leases		
Within one year	491	444
More than one year but not more than two years	491	458
More than two years but not more than five years	940	917
	1,922	1,819
Less: Future finance charges	(103)	—
Present value of lease obligations	1,819	1,819
Less: Amount due for settlement within 12 months shown under current liabilities		(444)
Amount due for settlement after 12 months shown under non-current liabilities		1,375

31. BORROWINGS

	2019 HK$'000	2018 HK$'000
Secured bank borrowings	**81,788**	63,891
Unsecured bank borrowings	**9,629**	11,875
Secured trust receipt loans	**37,911**	77,191
Unsecured trust receipt loans	**81,331**	80,242
Unsecured other borrowings	**44,266**	—
	254,925	233,199
Carrying amount repayable based on scheduled repayment terms:		
Within one year	**119,242**	177,265
More than one year but not exceeding two years	**44,266**	20,663
More than two years but not exceeding five years	**—**	3,851
	163,508	201,779
Carrying amount of borrowings (shown under current liabilities) containing a repayment on demand clause:		
Within one year	**42,940**	30,245
More than one year but not exceeding two years	**24,501**	1,175
More than two years but not exceeding five years	**23,976**	—
	91,417	31,420
Total	**254,925**	233,199
Less: Amount due within one year shown under current liabilities	**(210,659)**	(208,685)
Amount shown under non-current liabilities	**44,266**	24,514

As at 31 December 2019, the Group's secured bank borrowings of HK$119,699,000 (2018: HK$141,082,000) were secured and guaranteed by:

(a) corporate guarantees from the Company;

(b) corporate guarantees from certain subsidiaries of the Company; and

(c) pledged bank deposits of HK$69,000,000 (2018: HK$39,000,000) for short-term bank borrowings as disclosed in note 25.

As at 31 December 2019, bank borrowings amounting to approximately HK$91,417,000 (2018: HK$75,766,000) are variable-rate borrowings which carry interest at either Hong Kong Interbank Offered Rate ("HIBOR") or Hong Kong Prime Rate plus a spread. Trust receipts loans amounting to HK$119,242,000 (2018: HK$157,433,000) carry interest at either HIBOR or Hong Kong Prime Rate plus a spread.

31. BORROWINGS (continued)

The unsecured bank borrowings amounting to approximately HK$9,629,000 (2018: HK$11,875,000) and unsecured trust receipt loans amounting to approximately HK$81,331,000 (2018: HK$80,242,000) are guaranteed by the Company. The Group has unused short-term banking facilities of approximately HK$190.8 million as at 31 December 2019.

As at 31 December 2019, the other borrowings amounting to HK$44,266,000 is unsecured, carry interest rate at Hong Kong Prime Rate plus a spread and repayable after one year. Included in the other borrowings, HK$24,130,000 are drawn from a related company controlled by a substantial shareholder and the remaining borrowings are drawn from an independent third party.

The effective interest rates on the Group's borrowings ranged from 3.50% to 5.50% (2018: 2.25% to 5.50%) per annum.

32. SHARE CAPITAL

	Par value of each ordinary share	**Number of shares**	**Amount**
	HK$	'000	HK$'000
Ordinary shares			
Authorised:			
At 1 January 2018 and 31 December 2018	0.1	3,000,000	300,000
Capital reduction (Note)	0.01	—	(270,000)
At 31 December 2019		3,000,000	30,000
Issued and fully paid:			
At 1 January 2018 and 31 December 2018	0.1	831,222	83,122
Capital reduction (Note)	0.01	—	(74,810)
At 31 December 2019		831,222	8,312

Note: On 15 March 2019, a special resolution in relation to capital reduction was approved by the shareholders at a special general meeting held on the same date. Pursuant to the capital reduction, the par value of each of the Company's shares was reduced from HK$0.10 to HK$0.01 with effective from 18 March 2019. Accordingly, the authorised share capital of the Company decreased to HK$30,000,000, representing 3,000,000,000 new shares of par value of HK$0.01 each, of which 831,221,677 new shares were issued and were fully paid or credited as fully paid and the remainder were unissued.

As a result, the Company's issued and paid up share capital was reduced to approximately HK$8,312,000 and the reduction amount of approximately HK$74,810,000 was transferred to the contributed surplus account of the Company. Details of the transaction were disclosed in the announcements of the Company dated 29 November 2018 and 1 February 2019, and the circular and the supplemental circular of the Company dated 4 January 2019 and 15 February 2019 respectively.

The respective reduction amount of HK$74,810,000 was then transferred from the contributed surplus account to set-off the accumulated losses.

All the shares in issue rank pari passu in all respects.

33. NON-CONTROLLING INTERESTS

	Share of net assets of subsidiaries
	HK$'000
At 1 January 2018	(24,562)
Share of loss and total comprehensive expense for the year	(2,524)
At 31 December 2018	(27,086)
Adjustments (note 3)	(684)
At 1 January 2019 (restated)	(27,770)
Share of loss and total comprehensive expense for the year	(960)
At 31 December 2019	(28,730)

34. CHANGE IN SHAREHOLDING OF SUBSIDIARIES WITHOUT LOSING CONTROL

During the year ended 31 December 2019, the Group acquired 0.013% (2018: 0.007%) equity interest of CASH Retail Management (HK) Limited ("CRM (HK)"), a non-wholly owned subsidiary, from the non-controlling shareholders at a consideration of HK$5,000 (2018: HK$3,000). The difference between the proportionate share of net assets attributable to non-controlling interests of CRM (HK) and the consideration paid by the Group was HK$5,000 (2018: HK$3,000) and was debited to other reserve and accumulated in equity.

35. OPERATING LEASE

As at 31 December 2018, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	HK$'000
Within one year	173,547
In the second to fifth year inclusive	289,634
Over five years	15,432
	478,613

36. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debts, which include the lease liabilities and borrowings disclosed in notes 30 and 31, respectively, and equity attributable to owners of the Company, comprising share capital disclosed in note 32, reserves and accumulated losses as disclosed in consolidated statement of changes in equity. The management of the Group reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the issue of new shares as well as the issue of new debt or the redemption of existing debt. The Group's overall strategy remains unchanged throughout the year.

A subsidiary of the Group is regulated by the Hong Kong Securities and Futures Commission ("SFC") and is required to comply with the financial resources requirements according to the Hong Kong Securities and Futures (Financial Resources) Rules ("SF(FR)R"). The Group's regulated entity is subject to minimum paid-up share capital requirements and liquid capital requirements under the SF(FR)R. Management of the Group closely monitors, on a daily basis, the liquid capital level of this entity to ensure compliance with the minimum liquid capital requirements under the SF(FR)R. The Group's regulated entity has complied with the capital requirements imposed by the SF(FR)R throughout both years.

37. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2019 **HK$'000**	2018 HK$'000
Financial assets		
Financial assets at FVTPL	**22,142**	2,018
Amortised cost	**352,701**	325,461
Financial liabilities		
Amortised cost	**504,239**	499,517
Financial liabilities at FVTPL	**8,203**	—

Financial risk management objectives and policies

The Group's major financial instruments include accounts receivable and payable, other receivables and deposits, amount due from an associate, financial assets at FVTPL, bank balances and cash, pledged bank deposits, loans receivable, financial liabilities arising from consolidated investment funds, other payables, lease liabilities and borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

37. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risk

Price risk

The Group is exposed to price risk arising from equity investments, Unconsolidated Investment Funds and financial liabilities arising from consolidated investment funds. The Group's equity investments are listed on the Stock Exchange, while the unlisted investment fund are traded in the over-the-counter markets. In both years, the directors of the Company manage the exposure by closely monitoring the portfolio of investments and imposing trading limits on individual trades.

Equity price sensitivity

The sensitivity analyses below have been determined based on the exposure to equity price risk at the end of the reporting period. The analysis is prepared assuming the listed equity investments outstanding at the end of reporting period were outstanding for the whole year.

As at 31 December 2019, if the quoted prices of the Group's listed equity investments had been 15 percent (2018: 15 percent) higher/lower, the Group's loss after tax would decrease/increase by approximately HK$167,000 (2018: HK$253,000). This is attributable to the changes in fair values of the listed equity investments.

Unlisted investment funds price sensitivity

The fair value of unlisted investment funds depend on the valuation of the underlying investments. If the unit price increased/decreased by 5 percent (2018: nil), loss after tax for the year would have an estimated HK$869,000 decrease/increase (2018: nil). This is attributable to the changes in fair values of the Unconsolidated Investment Funds.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent equity price risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to fair value interest rate risk in relation to fixed-rate pledged bank deposits and lease liabilities. The Group is also exposed to cash flow interest rate risk in relation to variable-rate borrowings, loans receivable and bank balances. The Group currently does not have a cash flow interest rate hedging policy. However, management of the Group closely monitors its exposure arising from margin financing and other lending activities undertaken by allowing an appropriate margin on the interest received and paid by the Group.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Prime Rate and HIBOR arising from the Group's variable interest rate instruments.

37. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

Interest rate risk (continued)

A 50 basis points (2018: 50 basis points) change is used and represents management's assessment of the reasonably possible change in interest rates. The sensitivity analysis is prepared assuming the variable-rate financial instruments outstanding at the end of the reporting period were outstanding for the whole year. Bank balances are excluded from sensitivity analysis as these are subject to minimal interest rate fluctuation for both years. As at 31 December 2019, if the interest rate had been 50 basis points (2018: 50 basis points) higher/lower and all other variables were held constant, the Group's loss after tax would increase/decrease by approximately HK$1,046,000 (2018: HK$956,000). This is mainly attributable to the Group exposure to the interest rates on variable-rate bank borrowings and loans receivable.

In the opinion of the management of the Group, the sensitivity analysis is unrepresentative of the cash flow interest rate risk as the year end exposure does not reflect the exposure during the year.

Foreign currency risk

The group entities have financial assets and liabilities denominated in currencies other than their respective functional currencies. Consequently, the Group is exposed to risks that the exchange rate of functional currencies relative to other currencies may change in a manner that has an adverse effect on the value of the position of the Group's assets and liabilities denominated in foreign currencies.

The exposure primarily arises from the receivables from foreign brokers, foreign currency deposits with banks and equity securities listed outside Hong Kong denominated in United States dollars ("USD") and Renminbi ("RMB"). The management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exposure should the need arises. The directors of the Company do not expect significant foreign exchange risk arising from USD denominated monetary items in view of the Hong Kong dollar pegged system to the USD.

The carrying amounts of the major foreign currency denominated monetary assets of the Group at the end of the reporting period are as follows:

	2019 **HK$'000**	2018 HK$'000
USD	**50,655**	17,846
RMB	**3,108**	5,055

As at 31 December 2019, if RMB had strengthened/weakened by 5% (2018: 5%) against HK$ and all other variables were held constant, the Group's loss after tax would decrease/increase by approximately HK$130,000 (2018: HK$211,000). Under the pegged exchange rate system, the financial impact in exchange fluctuation between HK$ and USD is considered to be immaterial and therefore no sensitivity analysis has been prepared.

In the opinion of the management of the Group, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

37. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk and impairment assessment

The Group's credit risk is primarily attributable to accounts receivable arising from retailing business, loans receivable, receivables from securities brokers, other receivables and deposits, amount due from an associate, pledged bank deposit and bank balances. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with these financial assets.

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

Accounts receivable arising from retailing business

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Before accepting any new customer, the Group uses an internal credit rating system to assess the potential customer's credit quality and defines credit limits by customer. In addition, the Group performs impairment assessment under ECL model on balances individually. Based on assessment by the directors of the Company, the directors of the Company considers the ECL for these balances is insignificant.

Loans receivable

In order to minimise the credit risk, the directors of the Company have delegated a team responsible for determination of credit limits and interest rate offered to customers. 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 on balances individually.

The directors of the Company estimate the estimated loss rates of loans receivable based on historical observed default rates over the expected life of the debtors. Based on assessment by the directors of the Company, the directors of the Company considers the ECL is insignificant.

Amount due from an associate

The directors of the Company continuously monitor the credit quality and financial position of the counterparty and the level of exposure to ensure that the follow-up action is taken to recover the debts. In addition, the Group performs impairment assessment under ECL model on this balance. Based on assessment by the directors of the Company, the directors of the Company considers the ECL is insignificant.

Other receivables and deposits

For other receivables and deposits, the directors of the Company make periodic individual assessment on the recoverability of significant balances based on historical settlement records, past experience, and also available reasonable and supportive forward-looking information. The directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables and deposits. Based on assessment by the management of the Group, the ECL for these balances is insignificant.

37. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Receivables from securities brokers, pledged bank deposits and bank balances

The management of the Group considers that the credit risks on receivables from securities brokers, pledged bank deposits and bank balances are limited because the banks and securities brokers are financial institutions with high credit ratings assigned by international credit-rating agencies. The Group assessed 12-month ECL by reference to probability of default, loss given default by the relevant credit rating grades published by international credit rating agencies. Based on assessment by the management of the Group, the ECL for these balances is insignificant.

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

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

37. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The tables below detail the credit risk exposures of the Group's financial assets which are subject to ECL assessment:

Financial assets	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	2019 Gross carrying amounts		2018 Gross carrying amounts	
					HK$'000	HK$'000	HK$'000	HK$'000
Amortised cost								
Accounts receivable arising from retailing business	22	N/A	Low risk	Lifetime ECL	103		410	
			Watch list		764	867	1,362	1,772
Loans receivable	23	N/A	Low risk	12-month ECL	4,372	4,372	4,171	4,171
Amount due from an associate	21	N/A	Low risk	12-month ECL	198	198	1,904	1,904
Other receivables and deposits	22	N/A	Low risk	12-month ECL	71,552	71,552	71,190	71,190
Receivables from securities brokers	22	Aa3 – Aa1	N/A	12-month ECL	19,225		3,321	
		A3 – A1	N/A	12-month ECL	39,839		10,032	
		B1 – Baa1	N/A	12-month ECL	9,764	68,828	33,266	46,619
Pledged bank deposits	25	Aa3 – Aa1	N/A	12-month ECL	34,000		24,000	
		A3 – A1	N/A	12-month ECL	40,434	74,434	20,379	44,379
Bank balances and cash	25	Aa3 – Aa1	N/A	12-month ECL	40,367		56,240	
		A3 – A1	N/A	12-month ECL	71,698		144,953	
		B1 – Baa1	N/A	12-month ECL	20,385	132,450	11,257	212,450

During the years ended 31 December 2019 and 2018, the impairment allowance for the Group's financial assets are insignificant and there was no movement in lifetime ECL and 12-month ECL.

The Group has no significant concentration of credit risk as the exposure is spread over a number of counterparties and customers, except for the liquid funds which are deposited with several banks with high credit ratings and receivables from three securities brokers in a total amount of HK$68,828,000 (2018: HK$43,186,000) as disclosed in note 22. Concentration of credit risk for loan receivables is disclosed in note 23.

37. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk

The Group has net current liabilities of approximately HK$260,694,000 (2018: HK$133,799,000) as at 31 December 2019. The consolidated financial statements have been prepared on a going concern basis because the directors of the Company believe that the Group has sufficient funds to finance its current working capital requirements taking into account of the factors as disclosed in note 2.

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

Liquidity tables

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other financial liabilities are based on the agreed settlement dates.

37. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity tables (continued)

The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from prevailing market rate at the end of the reporting period.

	Weighted average effective interest rate	Within 1 year or repayable on demand	Between 1 to 2 years	Between 2 to 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount at the end of the reporting period
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2019							
Accounts payable	N/A	219,771	—	—	—	219,771	219,771
Other payables	N/A	29,543	—	—	—	29,543	29,543
Financial liabilities arising from consolidated investment funds	N/A	8,203	—	—	—	8,203	8,203
Borrowings	Note (1)	211,467	49,848	—	—	261,315	254,925
Leases liabilities	Note (2)	143,762	120,177	112,021	4,641	380,601	360,225
		612,746	170,025	112,021	4,641	899,433	872,667
At 31 December 2018							
Accounts payable	N/A	238,335	—	—	—	238,335	238,335
Other payables	N/A	27,983	—	—	—	27,983	27,983
Borrowings	Note (1)	209,990	22,463	3,871	—	236,324	233,199
Obligations under finance leases	2.89	491	491	940	—	1,922	1,819
		476,799	22,954	4,811	—	504,564	501,336

Notes:

(1) Variable-rate borrowings carry interest at either HIBOR or Hong Kong Prime Rate plus a spread. The prevailing market rate at the end of the reporting period is used in the maturity analysis.

(2) Lease liabilities carry interest ranged from 4% to 4.125%.

37. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity tables (continued)

Borrowings with a repayment on demand clause are included in the "within 1 year or repayment on demand" time band in the above maturity analysis. As at 31 December 2019, the aggregate carrying amounts of these bank loans amounted to approximately HK$91,417,000 (2018: HK$31,420,000). Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate payment. The directors of the Company believe that such borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. As at 31 December 2019, assuming the banks will not exercise their discretionary rights to demand immediate repayment, the aggregate principal and interest cash outflows for such bank loans amount to approximately HK$96,184,000 (2018: HK$31,817,000), as follows:

	2019 **HK$'000**	2018 HK$'000
Within one year	**45,800**	30,627
More than one year but not exceeding two years	**25,920**	1,190
More than two years but not exceeding five years	**24,464**	—
	96,184	31,817

The amounts included above for variable interest rate instruments are subject to change if changes in variable interest rates differ from the estimated interest rates determined at the end of the reporting period.

Fair value measurement of financial instruments

This note provides information about how the Group determines fair values of various financial assets.

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 the 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 input(s) used).

Financial assets	**Fair value as at** **31 December 2019** **HK$'000**	 31 December 2018 HK$'000	**Fair value hierarchy**	**Valuation technique(s) and key input(s)**
Equity securities listed in Hong Kong	**1,336**	2,018	Level 1	Note (a)
Unlisted investment fund classified as financial assets at FVTPL	**20,806**	—	Level 2	Note (b)

Notes:

(a) Quoted prices in an active market

(b) Dealing price of the investment funds derived from the net asset values of the investment funds with reference to observable quoted prices of underlying investment portfolio in active markets and fair value of the remaining assets, as provided by a broker.

There were no transfers between Levels 1 and 2 during both years.

The directors of the Company consider that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

38. SHARE OPTION SCHEME

The Company's share option scheme ("Share Option Scheme") was adopted pursuant to an ordinary resolution passed at an annual general meeting of the Company held on 21 May 2012 and took effect on the same date.

The major terms of the Share Option Scheme are summarised as follows:

(i) The purpose is to provide incentives to:

- award and retain the participants who have made contributions to the Company, its subsidiaries and associates, including CFSG and its subsidiaries ("CASH Group"); or

- attract potential candidates to serve the CASH Group for the benefit of the development of the CASH Group.

(ii) The participants include any employee, director, consultant, adviser or agent of any members of the CASH Group.

(iii) The maximum number of shares in respect of which options might be granted under the Share Option Scheme must not exceed 10% of the issued share capital of the Company as at the date of approval of the Share Option Scheme and such limit might be refreshed by shareholders in general meeting. The maximum number of shares was 83,122,167 shares, representing 10% of the issued share capital of the Company as at 31 December 2019. However, the total maximum number of shares which might be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme must not exceed 30% of the shares in issue from time to time.

(iv) The maximum number of shares in respect of which options might be granted to a participant, when aggregated with shares issued and issuable (including exercised and outstanding options and the options cancelled) under any option granted to the same participant under the Share Option Scheme or any other share option scheme within any 12-months period, must not exceed 1% of the shares in issue from time to time.

(v) There was no requirement for a grantee to hold the option for a certain period before exercising the option save as determined by the board of directors of the Company and provided in the offer of grant of option.

(vi) The exercise period should be any period fixed by the board of directors of the Company upon grant of the option but in any event the option period should not go beyond 10 years from the date of offer for grant.

(vii) The acceptance of an option, if accepted, must be made within 28 days from the date of grant with a non-refundable payment of HK$1.00 from the grantee to the Company.

(viii) The exercise price of an option must be the highest of:

- the closing price of the shares on the date of grant which day must be a trading day;

- the average closing price of the shares for the 5 trading days immediately preceding the date of grant; and

- the nominal value of the share.

(ix) The life of the Share Option Scheme is effective for 10 years from the date of adoption until 20 May 2022.

All share-based compensation will be settled in equity. The CASH Group has no legal or constructive obligation to repurchase or settle the options other than by issuing the Company's ordinary shares.

38. SHARE OPTION SCHEME (continued)

The following table discloses details of the Company's share options held by the directors, employees and consultants of the Group and movements in such holdings:

				Number of share options							
Name of scheme	**Date of grant**	**Exercise price per share**	**Exercise period**	**outstanding as at 1.1.2018**	**lapsed in 2018**	**expired in 2018**	**outstanding as at 31.12.2018**	**reallocated upon change of directorate**	**lapsed in 2019**	**expired in 2019**	**outstanding as at 31.12.2019**
		HK$									
Directors											
Share Option Scheme	2.9.2014	0.478	(Note (1))	18,144,000	—	(18,144,000)	—	—	—	—	—
	18.12.2015	0.460	(Note (2))	22,400,000	(4,800,000)	—	17,600,000	2,000,000	—	(19,600,000)	—
				40,544,000	(4,800,000)	(18,144,000)	17,600,000	2,000,000	—	(19,600,000)	—
Employees											
Share Option Scheme	2.9.2014	0.478	(Note (1))	15,810,000	(3,630,000)	(12,180,000)	—	—	—	—	—
	18.12.2015	0.460	(Note (2))	19,400,000	(2,800,000)	—	16,600,000	(2,000,000)	(2,000,000)	(12,600,000)	—
				35,210,000	(6,430,000)	(12,180,000)	16,600,000	(2,000,000)	(2,000,000)	(12,600,000)	—
Independent grantees											
Share Option Scheme	18.12.2015	0.460	(Note (2))	6,800,000	(6,800,000)	—	—	—	—	—	—
				82,554,000	(18,030,000)	(30,324,000)	34,200,000	—	(2,000,000)	(32,200,000)	—
Exercisable at 31 December							—				—

38. SHARE OPTION SCHEME (continued)

Notes:

(1) The options were granted to directors and employees of the Group on 2 September 2014 for the provision of services to the CASH Group. The options would vest upon achievement of performance condition (performance target based on non-market condition and service condition) for the financial year ended 31 December 2014. During the year ended 31 December 2018, 3,630,000 options with aggregate fair value of HK$713,000 lapsed due to cessation of employment of employees of the Group and had been transferred to accumulated losses.

For the options granted to directors, the options must be exercised within one month from the date of the board of directors of the Company approves the vesting of the options. For the options granted to employees, the options must be exercised subject to 4 tranches period as to (i) 25% exercisable from the date of the board of directors of the Company approves the vesting of the options; (ii) 25% exercisable from 1 September 2015; (iii) 25% exercisable from 1 September 2016; and (iv) 25% exercisable from 1 September 2017. No liabilities were recognised due to share-based payment transactions.

On 31 August 2018, the outstanding 30,324,000 options with aggregate fair value of HK$4,432,000 were expired and had been transferred to accumulated losses.

(2) The options were granted to the directors and employees of the Group on 18 December 2015 for the provision of services to the CASH Group. The options are subject to approval from the board of directors of the Company and will vest upon achievement of specific performance target, including profit arising on disposal of certain investments held by the Group, for the financial years ended/ending 31 December 2016 to 2019, service condition and at the discretion of the board of directors of the Company. At 31 December 2019 and 2018, performance target was not met and no share-based compensation expense was recognised in the financial years ended 31 December 2019 and 2018. During the year ended 31 December 2019, 2,000,000 (2018: 7,600,000) options lapsed due to cessation of employment of employees (2018: directorship of a director and employment of employees) of the Group and the remaining 32,200,000 (2018: nil) options were expired.

In addition, the Group entered into arrangement with other service providers in respect of options on 18 December 2015 for the provision of satisfactory services to the CASH Group for the financial years ended 31 December 2016 to 2019. The service providers will be entitled to the options upon the satisfactory delivery of services to the CASH Group and determined at the sole discretion of the board of directors of the Company. The options must be exercised within one month from the date the board of directors of Company approves the entitlement of the options. At 31 December 2019 and 2018, there were no satisfactory delivery of services to the CASH Group and thus no share-based compensation expense was recognised in the financial years ended 31 December 2019 and 2018. During the year ended 31 December 2018, 6,800,000 options lapsed due to termination of the contracts with these service providers.

No liabilities were recognised due to share-based payment transactions.

The Black-Scholes Pricing model had been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options were based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

39. RETIREMENT BENEFITS SCHEMES

The Group operates a MPF Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Both the Group and the employees contribute a fixed percentage of the relevant payroll to the MPF Scheme. The cap of contribution amount is HK$1,500 per employee per month.

Certain subsidiaries of the Company participate in various benefits schemes operated by the relevant municipal and provincial governments for its full-time employees in the PRC in accordance with the relevant PRC regulations and rules, including provision of housing provident fund, medical insurance, retirement insurance, unemployment insurance, labour injury insurance and pregnancy insurance. Pursuant to the existing schemes, the Group contributes 7%, 5%, 17%, 2%, 0.5% and 0.5% of the basic salary of its employees to the housing provident fund, medical insurance, retirement insurance, unemployment insurance, labour injury and pregnancy insurance respectively.

The employer's contributions to the MPF Schemes and various benefits schemes in the PRC are disclosed in note 9.

40. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these consolidated financial statements, the Group entered into the following transactions with related parties:

	2019	2018
	HK$'000	HK$'000
Management fee income received from CFSG	**2,760**	—
Consultation fee paid to CFSG	**666**	—
Interest expense to a related party	**223**	—

Compensation of key management personnel

The remuneration of directors of the Company and chief executive which is disclosed in note 11 is determined by the remuneration committee having regard to the performance of individuals and market trends.

41. DISPOSAL OF SUBSIDIARIES

On 15 May 2019, the Group disposed 100% of the issued share capital of CFSG FinTech Group Limited (formerly known as CASH Dynamic Opportunities Investment (HK) Limited) ("CFSG FinTech") to CFSG for a consideration of HK$7.8. The consideration received approximates the net asset value of CFSG FinTech upon the disposal.

On 31 October 2019, the Group disposed for 100% of the issued share capital of Shanghai Yirui Equity Investment Fund Management Company Limited ("Shanghai Yirui") to Golden Riverside Industrial Limited, a wholly-owned subsidiary of CFSG, for a consideration of HK$1,776,000. The assets of Shanghai Yirui at the date of disposal were as follow:

	HK$'000
Consideration received:	
Cash	1,776
Analysis of assets over which control was lost:	
Other receivable	255
Bank balance and cash	1,521
Total assets disposed of	1,776
Net cash inflow arising on disposal:	
Cash consideration	1,776
Less: cash and cash equivalent balances derecognised	(1,521)
Total	255

42. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings	**Lease liabilities/ obligations under finance leases**	**Total**
	HK$'000	HK$'000	HK$'000
	(note 31)	(note 30)	
At 1 January 2018	195,175	39	195,214
Financing cash flows (Note)	28,421	(570)	27,851
Commencement of leases (note 43)	—	2,287	2,287
Interest expense	9,603	63	9,666
At 31 December 2018	233,199	1,819	235,018
Adjustments (note 3)	—	397,588	397,588
At 1 January 2019 (restated)	233,199	399,407	632,606
Financing cash flows (Note)	10,131	(176,805)	(166,674)
New lease entered/lease modification (note 43)	—	122,564	122,564
Interest expense	11,595	15,085	26,680
Exchange adjustments	—	(26)	(26)
At 31 December 2019	254,925	360,225	615,150

Note: The financing cash flows include the drawdown of borrowings, repayments of borrowings, repayment of lease liabilities/obligations under finance leases and related interest paid.

43. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2019, part of the consideration for the purchase of property and equipment amounting to approximately HK$2,523,000 (2018: HK$722,000) were not settled and included in the consolidated statement of financial position as other payables.

In addition, the Group entered into new lease contracts and modified certain lease contracts for the use of retail stores for 1 to 6 years. On the lease commencement/modification date, the Group recognised in aggregate of HK$126,067,000 of right-of-use assets, HK$122,564,000 of lease liabilities and HK$2,545,000 of restoration provision.

During the year ended 31 December 2018, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of HK$2,287,000.

44. EVENTS AFTER THE REPORTING PERIOD

Outbreak of Novel Coronavirus disease ("COVID-19")

Since early 2020, the outbreak of COVID-19 in mainland China has spread across the PRC and other countries. A series of precautionary and control measures have been implemented globally. The supply chain of furniture products for retail management business has been affected by the temporarily delayed resumption of factory production after the Chinese New Year holiday, which caused a temporary shortage of furniture available to customers. Combining with the effect of drop of customer flow rate in retail stores, the Group recorded a drop in revenue of furniture products.

As the situation remains fluid as at the date these consolidated financial statements are authorised for issue, the directors of the Company considered that the financial effects of the COVID-19 on the Group's consolidated financial statements cannot be reasonably estimated. Nevertheless, the management will continue to monitor the development of COVID-19 and react actively to its impact on the financial position and operating results of the Group. The actual financial effects, if any, will be reflected in the Group's future financial statements.

New Tenancy

In February 2020, the Group entered into a new formal tenancy agreement, which was the tenancy offer dated 1 November 2019 regarding the premises at "A Portion of Ground Floor in the warehouse accommodation of China Resources International Logistics Centre, Kwai Chung" subsequently approved by shareholders at a special general meeting of the Company held on 10 January 2020 in regard of leasing a warehouse in Hong Kong, for a term of four years commencing from 1 May 2020 and subject to a renewal option of three years commencing the date after the expiration of the fixed lease term. The aggregate future undiscounted cash flows over the non-cancellable period, excluding period under renewal option, amounted to approximately HK$55,233,000.

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Name	Place of incorporation	Paid up issued share capital/ registered capital	Proportion of issued share capital held by the Company 2019 %	2018 %	Principal activities
CRM (HK)	BVI	Ordinary HK$3,877,860	**91.09**	91.07	Investment holding
Celestial Investment Group Limited ("CIGL")	BVI	Ordinary US$10,000	**100**	100	Investment holding
Libra Capital Management (HK) Limited	BVI	Ordinary US$1	**100**	100	Trading of securities
Moli Mobile Digital Entertainment Holdings Limited ("MMDE")	BVI	Ordinary US$10,000	**89.7**	89.7	Investment holding
Pricerite Home Limited	Hong Kong	Ordinary HK$201,170,000	**91.09**	91.07	Retailing of furniture and household goods

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Name	Place of incorporation	Paid up issued share capital/ registered capital	Proportion of issued share capital held by the Company 2019 %	2018 %	Principal activities
Pricerite Electrical Appliances Limited	Hong Kong	Ordinary HK$1	**91.09**	91.07	Retailing of electrical appliances
TMF Company Limited	Hong Kong	Ordinary HK$1	**91.09**	91.07	Retailing of tailor-made furniture
CASH E-Trade Limited	Hong Kong	Ordinary HK$4,000,000	**100**	100	Provision of management services for group companies
Celestial Investments (HK) Limited	Hong Kong	Ordinary HK$10,000,000	**100**	100	Money lending
CASH Dynamic Opportunities Investment Limited	BVI	Ordinary HK$5,000,000	**100**	100	Investment holding
CDOI Securities Limited	Hong Kong	Ordinary HK$5,000,000	**100**	100	Investment trading
CASH Algo Finance Group Limited	Hong Kong	Ordinary HK$2,000,000	**100**	100	Investment trading
CASH Talent Investment Limited	Hong Kong	Ordinary HK$1	**100**	100	Investment trading
CASH Frontier Investment Limited	Hong Kong	Ordinary HK$1	**100**	100	Investment trading
CASH Quant-Finance Lab Limited	Hong Kong	Ordinary HK$1	**100**	100	Investment trading
上海群博資產管理有限公司	PRC	Registered capital RMB20,000,000	**100**	100	Provision of asset management services
群博量化指數增強私募證券投資基金	PRC	Paid up capital 8,076,685 units	**32.6** (Note)	—	Fund investment
群博多策略對沖私募證券投資基金	PRC	Paid up capital 14,090,625 units	**93.2** (Note)	—	Fund investment

Note: For these investment funds, the directors of the Company concluded that the variable returns the Group exposed to are significant, the Group is primarily acting as a principal and not subject to substantive removal rights held by other parties who may remove the Group as an investment manager. Therefore, the Group consolidated these investment funds throughout the reporting period. Details of the determination of consolidation of investment funds are disclosed in note 5.

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

All the subsidiaries shown above are indirectly held by the Company. In the opinion of the directors of the Company, a complete list of the particulars of subsidiaries will be of excessive length and therefore the above list contains only the particulars of those subsidiaries which principally affect the results or net assets of the Group.

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. Majority of these subsidiaries operate in Hong Kong and are investment holding or inactive companies.

The table below shows details of non-wholly-owned subsidiaries of the Group that have non-controlling interests:

Name of subsidiaries	Principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		2019	2018	**2019**	2018	**2019**	2018
				HK$'000	HK$'000	**HK$'000**	HK$'000
CRM (HK)	BVI/Hong Kong	**8.91%**	8.93%	**(793)**	(2,524)	**10,947**	12,424
MMDE	BVI/Hong Kong	**10.3%**	10.3%	**—**	—	**(40,045)**	(40,045)
Individual immaterial subsidiaries with non-controlling interests				**—**	—	**535**	535
				(793)	(2,524)	**(28,563)**	(27,086)

Summarised consolidated financial information in respect of each Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

CRM (HK)

	2019 **HK$'000**	2018 HK$'000
Non-current assets	**441,543**	137,082
Current assets	**511,510**	547,180
Non-current liabilities	**(217,842)**	(31,463)
Current liabilities	**(620,847)**	(519,917)
	114,364	132,882
Equity attributable to owners of the Company	**103,584**	120,458
Non-controlling interests of CRM (HK)	**10,780**	12,424
	114,364	132,882
Revenue	**1,385,147**	1,420,264
Expenses	**(1,395,879)**	(1,448,526)
Loss for the year	**(10,732)**	(28,262)
Loss for the year attributable to		
— the owners of the Company	**(9,772)**	(25,738)
— non-controlling interests of CRM (HK)	**(960)**	(2,524)
Loss for the year	**(10,732)**	(28,262)
Other comprehensive expense for the year attributable to		
— the owners of the Company	**(125)**	(88)
— non-controlling interests of CRM (HK)	**—**	—
Other comprehensive expense for the year	**(125)**	(88)
Total comprehensive expense for the year attributable to		
— owners of the Company	**(9,897)**	(25,826)
— non-controlling interests of CRM (HK)	**(960)**	(2,524)
Total comprehensive expense for the year	**(10,857)**	(28,350)
Net cash inflow from operating activities	**137,418**	24,662
Net cash outflow from investing activities	**(18,352)**	(58,166)
Net cash (outflow) inflow from financing activities	**(199,673)**	28,660
Net cash outflow	**(80,607)**	(4,844)

There are no significant restrictions on the ability of CRM (HK) to transfer funds to the Group in the form of cash dividends, or to repay loans or advances made by the Group.

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

MMDE

	2019 HK$'000	2018 HK$'000
Non-current assets	6,167	6,168
Current assets	1,076	1,158
Current liabilities	(405,928)	(405,835)
	(398,685)	(398,509)
Equity attributable to owners of the Company	(358,640)	(358,464)
Non-controlling interests of MMDE	(40,045)	(40,045)
	(398,685)	(398,509)
Expenses	(125)	(418)
Loss for the year	(125)	(418)
Loss for the year attributable to		
— the owners of the Company	(125)	(418)
— non-controlling interests of MMDE	—	—
Loss for the year	(125)	(418)
Other comprehensive expense for the year attributable to		
— the owners of the Company	(51)	(102)
— non-controlling interests of MMDE	—	—
Other comprehensive expense for the year	(51)	(102)
Total comprehensive expense for the year attributable to		
— the owners of the Company	(176)	(520)
— non-controlling interests of MMDE	—	—
Total comprehensive expense for the year	(176)	(520)
Net cash outflow from operating activities	(135)	(1,097)
Net cash inflow from financing activities	177	962
Net cash inflow (outflow)	42	(135)

There are no significant restrictions on the ability of MMDE to transfer funds to the Group in the form of cash dividends, or to repay loans or advances made by the Group.

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	2019 HK$'000	2018 HK$'000
Non-current asset		
Amounts due from subsidiaries	**333,610**	339,282
Current assets		
Other receivables	**227**	227
Bank balance and cash	**1,652**	1,037
	1,879	1,264
Current liabilities		
Other payables and accruals	**530**	363
Amounts due to subsidiaries	**41,137**	41,137
	41,667	41,500
Net current liabilities	**(39,788)**	(40,236)
Net assets	**293,822**	299,046
Capital and reserves		
Share capital	**8,312**	83,122
Reserves	**285,510**	215,924
Total equity	**293,822**	299,046

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Reserves of the Company:

	Share premium HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2018	591,437	149,719	5,145	(448,981)	297,320
Adjustment arising from initial application of HKFRS 9 (Note)	—	—	—	(48,274)	(48,274)
At 1 January 2018 (restated)	591,437	149,719	5,145	(497,255)	249,046
Loss and total comprehensive expense for the year	—	—	—	(33,122)	(33,122)
Effect of lapsed share options	—	—	(5,145)	5,145	—
At 31 December 2018	591,437	149,719	—	(525,232)	215,924
Loss and total comprehensive expense for the year	—	—	—	(5,224)	(5,224)
Capital reduction	—	74,810	—	—	74,810
Amount transferred to write off accumulated losses	—	(74,810)	—	74,810	—
At 31 December 2019	591,437	149,719	—	(455,646)	285,510

Note: As at 1 January 2018, additional credit loss allowance of HK$48,274,000 has been recognised against accumulated losses. The additional loss allowance is charged against the amounts due from subsidiaries. No deferred tax asset has been recognised in respect of these loss allowance as it is not probable that taxable profits will be available against which the deductible temporary differences can be utilised.

Five-Year Financial Summary

The summary of the consolidated results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements as appropriate, is set out below:

	Year ended 31 December				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Revenue					
Continuing operations	**1,387,769**	1,420,264	1,333,041	1,443,055	1,390,716
Discontinued operation	**—**	—	61,246	149,916	243,897
	1,387,769	1,420,264	1,394,287	1,592,971	1,634,613
(Loss) profit before taxation					
Continuing operations	**(92,720)**	(200,614)	(196,042)	15,542	12,647
Discontinued operation	**—**	—	223,645	(70,314)	13,410
	(92,720)	(200,614)	27,603	(54,772)	26,057
Income tax expense	**(7,632)**	(4,325)	(3,715)	(4,395)	(7,852)
(Loss) profit for the year	**(100,352)**	(204,939)	23,888	(59,167)	18,205
Attributable to:					
Equity holders of the Company	**(99,392)**	(202,415)	45,482	(31,139)	15,229
Non-controlling interests	**(960)**	(2,524)	(21,594)	(28,028)	2,976
	(100,352)	(204,939)	23,888	(59,167)	18,205

Five-Year Financial Summary (continued)

	As at 31 December				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Property and equipment	**46,020**	56,293	42,352	63,911	83,751
Right-of-use assets	**341,378**	—	—	—	—
Investment property	**—**	—	—	16,508	188,583
Goodwill	**39,443**	39,443	39,443	60,049	60,049
Interests in associates	**197,266**	259,494	363,585	—	—
Intangible assets	**43,460**	43,460	43,460	53,212	53,212
Other non-current assets	**45,386**	48,258	38,210	65,670	52,617
Current assets	**408,096**	414,057	477,718	2,260,816	2,614,213
Total assets	**1,121,049**	861,005	1,004,768	2,520,166	3,052,425
Current liabilities	**668,790**	547,856	514,558	1,747,407	2,149,024
Long term borrowings	**44,266**	24,514	—	10,645	78,412
Long term lease liabilities	**227,530**	—	—	—	—
Other non-current liabilities	**9,955**	8,324	6,649	6,924	13,077
Total liabilities	**950,541**	580,694	521,207	1,764,976	2,240,513
Net assets	**170,508**	280,311	483,561	755,190	811,912
Equity attributable to equity holders of the Company	**199,238**	307,397	508,123	461,920	489,899
Non-controlling interests	**(28,730)**	(27,086)	(24,562)	293,270	322,013
	170,508	280,311	483,561	755,190	811,912

No restatement is made in respect of the adoption of HKFRS 9, HKFRS 15 and HKFRS 16 to the consolidated results and assets and liabilities of the Group for the financial years before 1 January 2018 and 1 January 2019, respectively.

Definitions

In this annual report, the following expressions have the following meanings unless the context requires otherwise:

"AGM(s)"	the annual general meeting(s) of the Company
"Audit Committee"	the audit committee of the Company established pursuant to the CG Code of the Listing Rules
"Board"	the board of Directors
"Cash Guardian"	Cash Guardian Limited, a company incorporated in the British Virgin Islands with limited liability, is the substantial Shareholder of the Company and an associate of Dr Kwan Pak Hoo Bankee
"CEO"	the chief executive officer of the Company
"CFO"	the chief financial officer of the Company
"CFSG"	CASH Financial Services Group Limited (stock code: 510), a company incorporated in Bermuda with limited liability and its shares are listed on the Main Board. CFSG is an associated company of the Company
"CFSG Board"	the board of directors of CFSG
"CFSG Group"	CFSG and its subsidiaries
"CFSG New Option Scheme"	the existing share option scheme of CFSG adopted by CFSG pursuant to an ordinary resolution passed at an annual general meeting of CFSG held on 8 June 2018. The CFSG New Option Scheme, which replaced the CFSG Old Option Scheme, took effect on 8 June 2018
"CFSG Old Option Scheme"	the previous share option scheme of CFSG adopted by CFSG pursuant to an ordinary resolution passed at the special general meeting of CFSG held on 22 February 2008, which took effect on 3 March 2008, which has been expired and terminated on 21 February 2018
"CG Code"	the Corporate Governance Code as contained in Appendix 14 of the Listing Rules
"CIGL"	Celestial Investment Group Limited, a company incorporated in the British Virgin Islands with limited liability, is a wholly-owned subsidiary of the Company
"Company" or "CASH"	Celestial Asia Securities Holdings Limited (stock code: 1049), a company incorporated in Bermuda with limited liability and the Shares are listed on the Main Board
"Company Secretary"	the company secretary of the Company
"Directors"	the directors of the Company
"ED(s)"	the executive Director(s) of the Company
"ESG Guide"	the Environmental, Social and Governance Reporting Guide as contained in Appendix 27 of the Listing Rules
"Group"	the Company and its subsidiaries
"INED(s)"	the independent non-executive Director(s) of the Company
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Main Board"	the main board of the Stock Exchange
"Management"	the management team of the Company

Definitions (continued)

"Model Code"	the required standards of dealings regarding securities transactions by Directors or the Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Listing Rules
"Net2Gather (China)"	Net2Gather (China) Holdings Limited, a company incorporated in the British Virgin Islands with limited liability. It is a wholly-owned subsidiary of the Company and the holding company of mobile internet services business
"Pricerite" or "Pricerite Group"	Pricerite Group Limited, a company incorporated in the British Virgin Islands with limited liability, and its subsidiaries (including Pricerite Home Limited, TMF Company Limited and SECO Living Company Limited), which mainly conduct the retail management business in Hong Kong under multi-brand names including "Pricerite", "TMF" and "SECO"
"Remuneration Committee"	the remuneration committee of the Company established pursuant to the CG Code of the Listing Rules
"SFC"	the Hong Kong Securities and Futures Commission
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM(s)"	the special general meeting(s) of the Company
"Share(s)"	ordinary shares in the share capital of the Company
"Share Option Scheme"	the existing share option scheme of the Company adopted by the Shareholders at an AGM of the Company held on 21 May 2012
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"US$" or "USD"	United States dollar(s), the lawful currency of the United States
"Hong Kong" or "HKSAR"	the Hong Kong Special Administrative Region of the PRC
"PRC"	the People's Republic of China
"UK"	United Kingdom
"US"	United States