G-RESOURCES

ANNUAL
REPORT
2019

CORPORATE PHILOSOPHY

OUR VALUES

We strive to be a GREAT company in all of our operations and dealings with people. The GREAT values are the foundation of our Company, and provide a core commitment to achieve the best we can for all of G-Resources' stakeholders.

GREAT VALUES

GROWTH in value for all our stakeholders
RESPECT for our people, our communities and for all stakeholders
EXCELLENCE in everything we do
ACTION to deliver on our commitments
TRANSPARENCY openness, honesty and good governance

G-Resources is a company listed on the Hong Kong Stock Exchange focusing on principal investment business, financial services business, money lending business and real property business (HKEx: 1051).

CONTENTS

CORPORATE INFORMATION

BUSINESS REVIEW

CORPORATE GOVERNANCE

FINANCIAL STATEMENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Non-Executive Director
Ms Li Zhongye, Cindy, *Chairperson*

Executive Directors
Mr Leung Oi Kin
Mr Leung Wai Yiu, Malcoln

Independent Non-Executive Directors
Mr Lo Wa Kei, Roy
Mr Chen Gong
Mr Martin Que Meideng

EXECUTIVE COMMITTEE

Mr Leung Oi Kin
Mr Leung Wai Yiu, Malcoln

AUDIT COMMITTEE

Mr Lo Wa Kei, Roy, *Chairman*
Mr Chen Gong
Mr Martin Que Meideng

REMUNERATION COMMITTEE

Mr Lo Wa Kei, Roy, *Chairman*
Mr Chen Gong
Mr Martin Que Meideng

NOMINATION COMMITTEE

Ms Li Zhongye, Cindy, *Chairperson*
Mr Chen Gong
Mr Martin Que Meideng

COMPANY SECRETARY

Mr Leung Oi Kin

AUDITOR

Moore Stephens CPA Limited

LEGAL ADVISORS

Hong Kong: Fangda Partners
Bermuda: Appleby

PRINCIPAL BANKERS

Industrial and Commercial Bank of China (Asia) Limited
Bank of Communications Co., Ltd.
Shanghai Pudong Development Bank Co., Ltd.
Hang Seng Bank Limited

SHARE REGISTRARS

Hong Kong
Union Registrars Limited
Suites 3301–04, 33/F.
Two Chinachem Exchange Square
338 King's Road
North Point, Hong Kong

Bermuda
MUFG Fund Services (Bermuda) Limited
4th floor North
Cedar House, 41 Cedar Avenue
Hamilton HM 12
Bermuda

REGISTERED OFFICE

Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 1801, 18/F
Capital Centre
No. 151 Gloucester Road
Wanchai, Hong Kong

WEBSITE

www.g-resources.com

CHAIRPERSON'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Director(s)") of G-Resources Group Limited (the "Company" or "G-Resources") and its subsidiaries (collectively the "Group"), I hereby present to our shareholders the annual results of the Group for the year ended 31 December 2019 (the "Year").

There were challenging times in 2019 but I am pleased to report that G-Resources has experienced a profitable year. The Group achieved a net profit after tax of USD43.5 million for the Year which decreased by USD4.8 million as compared to the year of 2018. The Group continued to focus on our three main businesses, namely principal investment business, financial services business and real property business.

During the Year, the Hong Kong stock market underperformed among the major markets. Declining investor confidence and fluctuated market mainly due to (i) uncertainties about trade talks between the Mainland and the United States and the trade tensions between the two countries had not been adequately resolved; and (ii) lower earnings growth and a slowing economy, political uncertainties and disruptions in Hong Kong. These would affect the business outlook, particularly for the financial, property, tourism, and retail sectors. The Hong Kong economy went into recession. In the fourth quarter of 2019, the GDP decreased by 2.9% in real terms from a year earlier, compared with the decrease of 2.8% in the third quarter. For 2019 as a whole, GDP decreased by 1.2% in real terms from 2018.

For our principal investment business, the Group continued its engagement in this crucial business segment in 2019. The Group differentiated itself by focusing on "how" to invest rather than "what" to invest only. We managed a diversified portfolio of investments, the Group has been maintaining prudent investment strategies on its existing investment portfolio during the Year and achieved risk dispersion in projects with strong growth outlooks, recognised catalysts for development and attractive valuations.

For our financial services business, the Group had made use of our experienced management team, well established securities trading infrastructure and broad client base of Funderstone Securities Holdings Limited (formerly known as Lippo Securities Holdings Limited) ("FSHL") and its subsidiaries which was acquired by us in late 2018 to further expand our capabilities on provision of securities and futures brokerage, margin financing, money lending, asset management, and other related financial services in Hong Kong and other countries. The Group has also maintained progressive development of the business of its subsidiary, Enhanced Financial Services Group Limited ("Enhanced Financial"). The Group currently holds type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance), and type 9 (asset management) licences under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), to seek integration to expand into a comprehensive financial services platform. Under the unfavourable global environment and the Hong Kong economy, the Group has decided to adopt a transformation plan of our margin financing and money lending businesses in 2019. Undergoing the shift in behaviour of market participants and restructure of our loan clients' composition during the Year, we believe the Group will be benefited from the transformation plan in long run.

For our real property business, the Group's property investments in Hong Kong not only brought us stable rental income during the Year, but also provided potential for capital appreciation. The Group will carry on seeking investment opportunities for quality and upscale commercial properties and other types of properties in Hong Kong and other countries and regions, including the Greater Bay Area, North America and Europe.

The adverse impact on confidence, financial markets, the travel sector and disruption to supply chains due to the coronavirus disease outbreak contributes to the downward revisions in global economy in 2020. Although the outbreak has already brought considerable human suffering and major economic disruption, G-Resources is still confident in our business operations and prepared for any good opportunities when they arise.

Finally, on behalf of the Board, I would like to express thanks to our management team and the entire staff for their devoted service during the Year, as well as our sincere gratitude to our shareholders for their continuing support for G-Resources. I look forward to continuing to work with them to achieve further development and greater success for the Company.

Li Zhongye, Cindy
Chairperson
Hong Kong, 27 March 2020

COMPANY OVERVIEW

The principal business segments of the Group are described below:

1. PRINCIPAL INVESTMENT BUSINESS

The goal of our principal investment business is to identify investment opportunities and to invest in different industries, to provide better risk weighted return and capital value to the Group.

The executive committee of the Company ("Executive Committee") is responsible for identifying, reviewing, considering and approving different investment opportunities taking into account the Group's liquidity requirements, risk to capital and reasonable returns on investment with the risk taken.

We are also diversifying our investment portfolio under our principal investment business. During the Year, the Group invested in listed and unlisted financial assets, which were mainly unlisted security investments.

2. FINANCIAL SERVICES BUSINESS

The Company is continuing to extend the scope of its principal activities to include the provision of a wide range of financial services, including securities brokerage services, placing and underwriting services, corporate finance advisory services, provision of margin financing, money lending business and investment advisory and asset management services.

(A) SECURITIES DEALING, MARGIN FINANCING AND ASSET MANAGEMENT

The Group currently holds type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance), and type 9 (asset management) licences under the SFO.

(B) MONEY LENDING

The Company engaged in money lending business in Hong Kong through its subsidiaries, namely Global Access Development Limited, Funderstone Finance Limited (formerly known as L.S. Finance Limited) and Enhanced Finance Limited ("EFL"). All the companies are incorporated in Hong Kong and hold a money lender's license under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). The Group will continue to use a prudent approach to manage risk and maintain the profitability of the business.

3. REAL PROPERTY BUSINESS

In the past few years, a low interest rate environment coupled with continuous economic growth in Hong Kong has seen robust demand for properties in Hong Kong. The Group intends to continue to expand its property portfolio on commercial properties with a focus in Hong Kong and other countries and regions, but also in other types of properties as and when appropriate investment opportunities arise.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTOR

Li Zhongye, Cindy, aged 51

was appointed as a chairperson of the Company and non-executive Director on 12 October 2018. Ms Li has twenty years of experience in finance and information technology industry and possesses extensive corporate management experience. She has been working as a director of WeAreHAH since January 2019 and a board advisor of Chengdu Yushuo Technology Company Ltd. since January 2017. Ms Li also served as an independent non-executive director of Wan Kei Group Holdings Limited (whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange")), a director of Sunny Education Inc., and the China chairperson and managing director of Covalis Capital LLP, a London based hedge fund. Ms Li obtained a medical degree in Capital Medical University, in the People's Republic of China in 1992.

EXECUTIVE DIRECTORS

Leung Oi Kin, aged 45

was appointed as an executive Director and company secretary of the Company on 8 November 2016 and 16 December 2016, respectively. Mr Leung is a director of various subsidiaries of the Company. He has more than twenty years of experience in accounting and financial management. He is a professional accountant and a fellow member of the CPA Australia. He is currently an independent non-executive director of Austar Lifesciences Limited (whose shares are listed on the Main Board of the Stock Exchange). Prior to joining the Group, he was the company secretary and chief financial officer of Wisdom Sports Group (formerly known as Wisdom Holdings Group) (whose shares are listed on the Main Board of the Stock Exchange); and the chief financial officer of Linekong Interactive Group Co., Ltd. (formerly known as Linekong Interactive Co., Ltd.) (whose shares are listed on GEM of the Stock Exchange). Mr Leung also worked in PricewaterhouseCoopers as an auditor. Mr Leung graduated from University of Adelaide, Australia in 1997 with a bachelor's degree in commerce.

Leung Wai Yiu, Malcoln, aged 38

was appointed as an executive Director on 16 April 2018. Mr Malcoln Leung currently serves as executive director, chief investment officer of the Company and is primarily responsible for the Group's investment, asset management and strategic planning, as well as formulating the Group's overall business and asset portfolio strategy. He is also responsible for the day-to-day operations and overall management of the Company's investment management team. He is a director of various subsidiaries of the Company. Mr Malcoln Leung has over sixteen years of extensive experience in asset management, investment banking and technology industry, based in the United States, Singapore and Hong Kong. Prior to joining the Group in 2017, Mr Malcoln Leung held key positions in various multinational financial institutions and investment banks including Bank of America Merrill Lynch, Standard Chartered and HSBC, and he was responsible for leading global private equity investments and cross-border merger and acquisition transactions, covering different industries such as technology, real estate, financials, insurance and healthcare. Mr Malcoln Leung obtained a master's degree in business administration from the Massachusetts Institute of Technology in 2008 in the United States.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Lo Wa Kei, Roy, aged 48

was appointed as an independent non-executive Director on 17 July 2017. Mr Lo is a practicing accountant in Hong Kong and is a certified public accountant in Hong Kong, a fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of CPA Australia and a fellow of the Institute of Chartered Accountants in England and Wales. He serves as the managing partner of SHINEWING (HK) CPA Limited, which is a full service accounting and consulting firm engaged in the provision of, among other things, audit and business advisory services. He is also a member of the Shanghai Pudong New Area Committee of the Chinese People's Political Consultative Conference, the founding executive vice-president and council member of the Hong Kong Independent Non-Executive Director Association and the Divisional President 2019 — Greater China of CPA Australia. Mr Lo has over twenty-five years of experience in auditing, accounting, risk management and finance and has been serving as an independent non-executive director of a number of companies listed on the Stock Exchange, including China Tonghai International Financial Limited (formerly known as China Oceanwide International Financial Limited), Wan Kei Group Holdings Limited, Sun Hing Vision Group Holdings Limited, China Zhongwang Holdings Limited, Sheen Tai Holdings Group Company Limited, China Oceanwide Holdings Limited (formerly known as Hutchison Harbour Ring Limited) and Xinming China Holdings Limited. Mr Lo received a bachelor's degree of business administration from The University of Hong Kong in 1993 and a master's degree of professional accounting from The Hong Kong Polytechnic University in 2000.

Chen Gong, aged 49

was appointed as an independent non-executive Director on 3 February 2017. Mr Chen has more than twenty years of extensive experience in finance management, mergers & acquisitions, financing, negotiation and restructuring in a cross-culture environment. Mr Chen has participated in cross-border merger & acquisition and financing transactions. He has been involved in the management of various public companies listed on the Toronto Stock Exchange, in the capacity of director and/or chief executive officer/chief financial officer. He is currently also an independent director of Newmac Resources Inc. (whose shares are listed on TSX Venture Exchange); a president, chief executive officer and director of Ord Mountain Resources Corp. (whose shares are listed on TSX Venture Exchange NEX); and an independent director of Evermount Ventures Inc. (whose shares are listed on TSX Venture Exchange NEX). Mr Chen is also the founder and managing director of DoubleOcean Financial Group, a financial advisory company that facilitates the cross-border investments between North America and China. Mr Chen was a director and chief executive officer of First Growth Holdings Ltd. (whose shares are listed on TSX Venture Exchange) and an independent director of Credent Capital Corp. (whose shares are listed on TSX Venture Exchange NEX). Mr Chen also worked in various financial management positions at two Fortune 100 companies in the United States for about eight years. Mr Chen received a bachelor's degree in International Economics from Peking (Beijing) University in 1992 and a master of business administration (MBA) from the University of Arizona in 1997. He is a United States Certified Public Accountant (CPA).

Martin Que Meideng, aged 58

was appointed as an independent non-executive Director on 3 February 2017. Mr Que has over twenty years of extensive experience of North American financial investment and management, Certified Financial Planner in North American and tax planning and investment risk management. Mr Que is a president and owner of Allvista Financial and Planning Services Inc., British Columbia, Canada; a vice-president of Marketing of Citistar Financial, British Columbia, Canada; a chief financial officer of Blue-O Technology Inc., British Columbia, Canada, a fuel cell technology company. He was a chief financial officer and a director of McVicar Energy Inc., Ontario, Canada, a natural resources and investment company; He is also a member of the Million Dollar Round Table (MDRT) of The Premier Association of Financial Professionals®, a Certified Financial Planner of the Financial Planning Standards Council and a Chartered Life Underwriter of The American College of Financial Services. Mr Que received a bachelor of engineering from Wuhan College of Geology in 1983 and a master of science from China University of Geosciences of China in 1986.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

John Lawrence Sigerson, aged 48
is a director and chief operating officer of Funderstone Securities Limited ("FSL") (formerly known as Lippo Securities Limited) and Funderstone Futures Limited ("FFL") (formerly known as Lippo Futures Limited). Mr Sigerson has twenty-five years of continuous experience in the Hong Kong financial industry covering equities, derivatives and asset management. Since 2014, he has been licensed under the SFO as a responsible officer for type 1, type 4 and type 9 with FSL, type 2, type 5 and type 9 regulated activities with FFL and type 9 regulated activities (effective from January 2019) with Funderstone Asset Management (HK) Limited (formerly known as Lippo Asset Management (HK) Limited). Mr Sigerson graduated from Newcastle University, United Kingdom in 1992 with a bachelor's degree in Theoretical Physics.

Chan Chun Fung, aged 36
is a director and general manager of FSL and FFL. Mr Chan has over ten years of experience in the financial services industry. Since 2012, he has been licensed under the SFO as a responsible officer for type 1, type 2, type 4 and type 5 regulated activities in industry, and licensed responsible officer for FSL and FFL in 2019. With extensive financial industry experience in Chinese capital companies such as Dongxing Securities (Hong Kong) Financial Holdings Limited, iFAST Financial (HK) Limited, Ping An of China Securities (Hong Kong) Company Limited, Huatai Financial Holdings (Hong Kong) Limited, United Simsen Securities Limited (currently known as Huarong International Securities Limited) and Bright Smart Securities & Commodities Group Limited (whose shares are listed on the Main Board of the Stock Exchange), Mr Chan has built his strongest expertise in middle to back office operations, information technology, client services and business development. Mr Chan obtained his bachelor's degree in Commerce from Curtin University of Technology, Australia in 2007.

Lau Yue Wah, Brian, aged 46
is a director of various subsidiaries of the Company. He is a co-founder of Enhanced Securities Limited ("ESL") and EFL. Mr Lau has over twenty years of experience in the financial services industry. He had held different positions in ESL and EFL. He is a responsible officer for type 1, type 2, type 4 and type 9 regulated activities under the SFO and is also the manager-in-charge of overall management oversight of ESL. Mr Lau graduated from The University of New South Wales in Sydney, Australia.

Nguyen Gia Vinh, Patrick, aged 44
is a co-founder of Enhanced Investment Management Limited ("EIML") and currently holds the roles of director and responsible officer at EIML. Mr Nguyen has over fifteen years of investment advisory and discretionary portfolio management experience. He is in charge of overseeing the strategic development and daily operations of EIML. Before founding EIML, Mr Nguyen was a director at the International Private Banking division of CTBC Bank (formerly known as Chinatrust Commercial Bank). From 2007 to 2011, he worked as the Head of Investment at Crosby Wealth Management. Prior to that, he was a senior investment advisor of AIG Private Bank, responsible for formulating portfolio allocation strategies and providing investment recommendations/solutions to relationship managers and clients. Mr Nguyen graduated from Boston College, USA and is a CFA charterholder since 2003.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND RESULTS

Below is a summary of the financial information:

	2019 USD'000	2018 USD'000
Revenue	**27,110**	34,273
Other income	**15,257**	10,443
Administrative expenses	**(12,038)**	(13,924)
Fair value changes of financial assets at fair value through profit or loss	**26,427**	8,609
(Decrease)/increase in fair value of investment properties	**(5,131)**	10,896
Other (loss)/gain	**(3,879)**	4,181
Provision of impairment on non-financial assets	**(4,327)**	(7,138)
EBITDA	**44,408**	51,250
Profit before taxation (Note)	**43,492**	48,375
Profit for the year	**43,498**	48,329
Analysis of revenue by operating segment:		
(i) Principal Investment Business	**22,120**	26,305
(ii) Financial Services Business	**2,746**	5,782
(iii) Real Property Business	**2,244**	2,186
Analysis of profit/(loss) before taxation by operating segment:		
(i) Principal Investment Business	**59,791**	47,315
(ii) Financial Services Business	**(2,541)**	1,466
(iii) Real Property Business	**2,279**	2,186

Note: The profit before taxation included segment result, unallocated corporate expenses, impairment loss on non-financial assets and fair value changes of investment properties.

For the Year, the Group achieved a net profit after tax of USD43.5 million (2018: USD48.3 million). The main reason for the decrease in net profit after tax by USD4.8 million as compared to the year of 2018 was due to the combined effect of the following: (i) the decrease in fair value of investment properties in 2019 by USD5.1 million and the increase in fair value of investment properties in 2018 of USD10.9 million, (ii) the unfavourable combine effect in the exchange difference between 2018 and 2019 by USD8.1 million included in other loss/gain, and (iii) decrease in revenue by USD7.2 million which was partially offset by (i) the increase in fair value changes for financial assets at fair value through profit or loss ("financial assets at FVTPL") by USD17.8 million; (ii) increase in other income by USD4.8 million; and (iii) decrease in administrative expenses by USD1.9 million.

Revenue was USD27.1 million (2018: USD34.3 million), mainly generated by the dividend and distribution income as well as interest income from financial products; rental income; and interest income from financial institutions, margin financing and money lending business. The decrease in revenue was mainly due to (i) decrease in dividend and distribution income and interest income from financial products under principal investment business by USD6.2 million as a result of a decrease in realised gain from our unlisted security investments; and (ii) no dividend and distribution income from financial products under financial services business (2018: USD2.5 million) as the investment was disposed during the Year and no dividend and distribution income was declared or paid before such disposal.

Fair value of the investment properties has dropped by USD5.1 million due to the prices of Hong Kong housing and commercial properties declined in 2019. The recognition of exchange loss of USD3.9 million was due to the change in exchange rate for the year end balance for the Year. The increase in fair value changes for financial assets at FVTPL was mainly due to the net increase in fair value of the listed shares, listed bonds and unlisted security investments which were acquired in previous years. Other income increased by USD4.8 million was due to an increase of interest income under the Group's fixed income investment.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative expenses was USD12.0 million for the Year, a decrease of USD1.9 million as compared with USD13.9 million for the corresponding year. Such decrease was mainly due to (i) the disposal of non-current asset classified as held for sale which led to a decrease in depreciation and ancillary expense; and (ii) effective expense control of the Group for the Year.

General description on the Group's investment strategies
The Group has been continuously reviewing its business and investment strategies, especially for its principal investment business pursuant to the Group's financial needs and change of financial circumstances. The Group generates profit from interest income, dividend income and distribution income from financial assets held by the Group in its principal investment business. The Group takes a prudent approach in allocating its financial assets. Apart from equity investments which are usually accompanied by higher market risks, the Group has been exploring for different fixed income investment portfolios as part of its assets allocation plan, including the selection of fixed income assets and the vehicles the Group uses to access them.

Since 2018, in consideration of the trend of interest rate, risk tolerance, capital preservation, liquidity and yield, the Group constructed its fixed income investment portfolios by pairing its bond investment with cash investment. The Group believes that a strong fixed income component serves as a safety net for the Group's overall investment portfolios.

The Group has allocated approximately 40% of its financial assets to fixed income investment, divided equally between bond investment and cash investment (including term deposits with financial institutions), as part of its on-going investment strategies to eliminate the impact from market fluctuations that are seen typical in equity investment.

(i) Principal Investment Business
During the Year, the Group invested approximately USD57.5 million in listed and unlisted financial assets, which were mainly additional holding of Edge Special Opportunity Limited, one of our unlisted security investments of USD33.9 million and payment for a commitment of the unlisted security investments of USD18.9 million under the funds subscribed by the Group since 2017, namely Genesis Capital I LP, Genesis Capital II LP and Terra Magnum Fund I LP. Other than the abovementioned reasons, the net increase of USD26.9 million in non-cash financial assets was primarily due to the return on capital investment generated from the unlisted security investments and the realised and unrealised fair value gain on the listed shares and unlisted security investments acquired in previous years.

The profit before taxation was USD59.8 million which mainly included interest income and dividend and distribution income from the financial assets of USD37.0 million, fair value changes for financial assets at FVTPL of USD26.4 million, and offset by exchange loss of USD3.3 million.

As at 31 December 2019, the Group held approximately USD426.5 million non-cash financial assets, as follows:

	2019 **USD'000**	2018 USD'000
Listed shares	**36,842**	57,189
Listed bonds	**166,482**	181,797
Unlisted managed investment funds	**–**	889
Unlisted security investments	**223,135**	159,723
Total	**426,459**	399,598

MANAGEMENT DISCUSSION AND ANALYSIS

Significant Investments

Genesis Capital I LP ("Genesis Fund")

The Group held limited partner interest of Genesis Fund as an unlisted security investment since April 2017. The diversified investment portfolio of the Genesis Fund operates in the form of a limited partnership, yielding returns from investing in a wide range of equity and equity-related securities of growth and late-stage technology entities. The Group's capital commitment to Genesis Fund accounts for 17.8% of total partners' capital commitment as at 31 December 2019. The fair value of the investment as at 31 December 2019 was USD130.4 million, which accounted for 8.4% of the total assets of the Group as at 31 December 2019. The investment costs of Genesis Fund is USD82.8 million.

Genesis Fund has achieved income generation and seen capital appreciation during the nearly three years' time since our investment in April 2017. For the Year, the unrealised gains of the investment was USD1.2 million. Moving forward, the Group is optimistic about the potential of this investment. It is expected that the information technology for both consumer and enterprise sectors in China will continue to grow in fast pace under a new wave of innovations which will create new Internet platforms with great potential for developments, and thus present rewarding investment opportunities. Although the growth rate may slightly slow down due to the recent outbreak of coronavirus pandemic, the Group can still benefit from this investment in long run under the massive digitisation support by the information technology development in China. Being a limited partner of Genesis Fund, based on the proven track record, the Group believes that by leveraging the strategic and extensive resources available and extensive experience in investment and fund operation in the technology, media and telecommunications industry possessed by Genesis Fund's management team, the investment will continue to bring about valuable investment opportunities and increasing financial returns.

Edge Special Opportunity Limited ("Edge Special")

The Group held ordinary shares and preferred shares interest of Edge Special as unlisted security investments. Edge Special is an investment holding company which owns 19.6% interests of SSC Holdco Limited ("SSC"), which is a company incorporated in the Cayman Islands holding interests in medical device business. The total issued share capital of Edge Special consists of 50,000 special shares, 30,000 ordinary shares and 34,000 preferred shares. The Company is the ultimate sole owner of the entire issued ordinary shares and preferred shares as at 31 December 2019. The fair value of the ordinary shares and preferred shares as at 31 December 2019 were USD47.4 million and USD34.6 million, respectively, which accounted for 5.3% of the total assets of the Group as at 31 December 2019 in aggregate. The investment costs of the ordinary shares and preferred shares were USD30.0 million and USD33.9 million, respectively.

Edge Special has seen capital appreciation since our initial investment in February 2017 and follow-on investment in November 2019. For the Year, the unrealised gains of the investment in the ordinary shares and preferred shares of Edge Special were USD17.4 million and USD0.7 million, respectively. Moving forward, the Group is optimistic about the potential of this investment and believes it will continue to create financial returns. SCC holds the entire equity interest in Angiotech Pharmaceuticals, Inc ("API"), a pharmaceutical company incorporated under the laws of British Columbia. API is a diversified medical device manufacturer of branded, private label and OEM products, which has manufacturing facilities in England, Puerto Rico, Mexico and Germany, and covers markets across the United States, European Union and China. With the rising geriatric population and the growing prevalence of chronic conditions, along with growth in surgical procedures and complex surgeries, the Group has a positive outlook of the healthcare industry, especially the booming of the medical devices market.

Except for the investment disclosed above, there was no other single investment (for example, financial assets at FVTPL and investments in debt instruments measured at amortised cost) in the Group's diversified investment portfolio that was considered a significant investment, given that none of the investments has a carrying amount accounting for more than 5% of the Group's audited total assets as at 31 December 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

(ii) Financial Services Business

The Group focuses on the four key financial services business areas mainly in the Hong Kong market, which are (i) securities trading and brokerage, (ii) margin financing, (iii) money lending, and (iv) asset management. The Group's financial service business mainly focuses on the Hong Kong market. Since the acquisition of FSHL and its subsidiaries ("FSHL Group") by the Group in December 2018, the Group's existing businesses in the financial services industry operated by Enhanced Financial, which has become our wholly-owned subsidiary of the Company since May 2019, were complemented. Both Enhanced Financial and FSHL are involved in the provision of licensed financial services, which principally include underwriting, securities and futures brokerage, corporate finance, investment advisory, and other related financial services in Hong Kong and other countries.

Under the unfavourable global environment and the Hong Kong economy, the Group has decided to adopt a transformation plan for our margin financing and money lending business in 2019. After assessing the capital optimisation, risk-framework development, regulatory management, possibility of non-performing loans, credit controlling and stress testing, the Group has further diversified product offerings (including the provision of secured and mortgage loans and initial public offerings ("IPO") margin financing) and leveraged the client base generated from the acquisition of FSHL Group as well as identified high-quality new client base. On the other hand, the Group has set a more stringent risk control and management system, including the tightened measures imposed by the Securities and Futures Commission ("SFC") regarding the securities margin financing activities, optimised loan approval and monitoring procedures, as well as adjusted interest rate and loan-to-value ratio, which allow us to be better structured to serve our existing and new clients and minimise the Group's risk exposure.

Revenue generated from the financial services business mainly consists of (i) commission income and handling charges from financial services; (ii) interest income from money lending business and margin financing; and (iii) asset management fee income.

The loss before taxation was USD2.5 million (2018: profit before taxation: USD1.5 million), which was mainly due to the decrease in dividend and distribution income from financial assets as the investment was sold during the Year and the increase in operating cost after the acquisition of FSHL Group.

Commission income and handling charges

During the Year, the commission income and handling charges from financial services was USD1.9 million (2018: USD0.9 million). The increase is mainly due to an increase in the number of clients and trading volume due to the acquisition of FSHL Group in 2018.

Interest income from money lending and margin financing business

The interest income from money lending business and margin financing was USD0.5 million (2018: USD2.4 million). The deteriorating property markets and unfavorable business environment led to erosion of willingness of our target clients to obtain money lending services from the Group during the Year. Our margin financing business has been affected in 2019 by the tightening regulations and change in our clients' approach on their investment strategies caused by the downward momentum on the financial market. Further, the transformation plan also had certain impact on the composition of our target client base.

The interest income from money lending business dropped by USD1.1 million compared to 2018. As at 31 December 2018, all the loans receivable of the Group was unsecured. Pursuant to the transformation plan adopted in early 2019, the Group ceased to provide unsecured loan which it considered is of higher credit risk, and thus, the Group's money lending vehicle was adjusted to mainly involve provision of secured and mortgage loan since second quarter of 2019. Although a lower interest rate will be offered for secured loans as they are backed by collateral, the credit risk is comparatively lower than that of unsecured loans. The Group will persist with a prudent approach in developing our money lending business to achieve a risk-gain balance. The Group has not lent out any loan to money lending customers during the Year and there was no outstanding loan balance as at 31 December 2019. The Group received USD1.2 million repayments with no bad debts during the Year.

The interest income from margin financing dropped by USD0.7 million compared to 2018. The accounts receivables from clients under the business of dealing in securities and futures contracts was USD3.0 million (2018: USD11.2 million). The general downward pressure on the markets, as well as unforeseen and violent social unrests, many investors have adopted a "wait and see" approach. The Group has experienced a significant drop in the interest income from margin financing in mid-2019 but it bounced back by end of 2019 under our implementation of transformation plan with an introduction of IPO margin financing in October 2019, including but not limited to, announcing competitive interest rate and margin ratio, introducing account executive incentive scheme.

Asset management fee income

During the Year, the asset management fee income was USD0.4 million (2018: nil). Such increase was mainly due to the acquisition of FSHL Group with its asset management business which the Group did not operate prior to its acquisition of FSHL Group.

Other dividend and distribution income

During the Year, the dividend and distribution income from financial assets was nil (2018: USD2.5 million) and the decrease was due to the disposal of such financial assets. Such dividend and distribution income was derived from securities held by reason of our type 1 regulated activities which was ancillary and incidental to our financial service business.

(iii) Real Property Business

The Group had three floors of commercial office (including 17th, 18th and 19th floor) and ten car parks located in Capital Centre, No. 151 Gloucester Road, Wanchai, Hong Kong. The commercial offices are used as our head office and leased to third parties for office use under a lease of not more than three years. The rental income earned and the profit before taxation were USD2.2 million and USD2.3 million (2018: USD2.2 million and USD2.2 million) for the Year, respectively.

The Group has been seeking for investment opportunities for quality and upscale commercial properties and other types of properties. Apart from properties in Hong Kong, the Group was seeking investment opportunities in other regions, including North America and European countries, and also exploring opportunities to gain exposure to Grade A office spaces and business parks in Greater Bay Area (i.e. Shenzhen and Guangzhou). Hong Kong's commercial property market has entered a downward cycle and a post-peak phase due to the US-China trade war and the local political uncertainties in 2019 and the performance of the commercial property market in Greater Bay Area was uncertain. Taking into account (i) the office prices and rents; (ii) the demand of commercial properties was subdued as a number of tenants have withdrawn expansion plans; and (iii) the new lettings in the overall market have dropped in 2019 as compared to 2018, the Group did not identify properties which are suitable for our value-add or opportunistic investment strategies.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF GROUP FINANCIAL POSITION

	2019 USD'000	2018 USD'000
Current Assets		
Bank balances and cash	**940,486**	887,070
Financial assets at FVTPL	**36,842**	57,189
Investments in debt instruments measured at amortised cost	**11,447**	4,147
Others	**55,988**	67,196
Non-current Assets		
Financial assets at FVTPL	**223,135**	160,612
Financial assets at fair value through other comprehensive income	**–**	15,852
Investments in debt instruments measured at amortised cost	**96,564**	121,172
Investments in perpetual notes at fair value through profit or loss	**58,471**	56,478
Investment properties	**89,507**	94,095
Others	**38,977**	39,747
Total Assets	**1,551,417**	1,503,558
Other Liabilities	**(57,745)**	(58,372)
Net Assets	**1,493,672**	1,445,186

Non-current assets were USD506.7 million (2018: USD488.0 million), representing an increase by USD18.7 million. It was mainly due to the net increase in investment in financial assets of USD24.1 million, which was partially offset by the drop in investment properties. Current assets were USD1,044.8 million (2018: USD1,015.6 million), representing an increase by USD29.2 million which was mainly due to an increase in bank balances and cash of USD53.4 million which was partially offset by the decrease in financial assets at FVTPL of USD20.3 million.

NET ASSET VALUE

As at 31 December 2019, the Group's net assets amounted to approximately USD1,493.7 million, representing an increase of USD48.5 million as compared to approximately USD1,445.2 million as at 31 December 2018. The increase in net assets was mainly due to the profit for the Year of USD43.5 million and the exchange difference arising from the translation of USD6.3 million.

MANAGEMENT DISCUSSION AND ANALYSIS

CASH FLOW, LIQUIDITY AND FINANCIAL RESOURCES

Cash Flow Summary

	2019 USD'000	2018 USD'000
Net cash from Operating Activities	**39,540**	36,740
Net cash from Investing Activities	**27,657**	62,216
Net cash (used in)/from Financing Activities	**(19,218)**	12,365
Net increase in cash and cash equivalents	**47,979**	111,321
Cash and cash equivalents at beginning of the year	**887,070**	780,142
Effect of foreign exchange rate changes	**5,437**	(4,393)
Cash and cash equivalents at end of the year	**940,486**	887,070

The Group's cash balance as at 31 December 2019 was USD940.5 million (2018: USD887.1 million). The Group generated net cash inflows from operating activities for 2019 of USD39.5 million, which was mainly contributed to the working capital of operations. Net cash from investing activities was USD27.7 million mainly included USD26.8 million from interest received, which was partially offset by net outflows of investments of USD5.2 million and net proceeds from disposal of non-current asset classified as held for sale of USD5.1 million. Net cash used in financing activities was USD19.2 million mainly included repayments of other borrowings of USD13.4 million and acquisition of non-controlling interest of a subsidiary of USD5.4 million.

The Group's gearing ratio, expressed as the percentage of the Group's total borrowings over shareholders' equity, was nil as at 31 December 2019, as the Group did not have any outstanding borrowings as at 31 December 2019. The Group's gearing ratio as the percentage of the Group's total borrowings (USD13.4 million, equivalent to HKD104.8 million as the currencies of such borrowings made) over shareholders' equity, was 0.9% as at 31 December 2018.

CAPITAL STRUCTURE OF THE GROUP

The capital structure of the Group has not changed materially since 30 June 2019, being the end of the reporting period of the Group's interim report.

MATERIAL ACQUISITIONS AND DISPOSALS AND CONNECTED TRANSACTIONS

On 10 May 2019, G-Financial Services Group Holding Ltd. ("G-Financial" as purchaser), an indirect wholly-owned subsidiary of the Company, Enhanced Group Holdings Limited ("Enhanced Group" as vendor) and Ms Ip Yeuk Ping Gloria (as vendor's guarantor) entered into a sale and purchase agreement, pursuant to which G-Financial has agreed to acquire and Enhanced Group has agreed to sell 45,000,000 ordinary shares of Enhanced Financial, which represent 25% of the equity interests in Enhanced Financial at the consideration of HKD42 million (equivalent to approximately USD5.4 million). After completion, the shareholding of G-Financial in Enhanced Financial increased from 75% to 100% and Enhanced Financial became an indirect wholly-owned subsidiary of the Company (the "Acquisition"). At the time of the Acquisition, Enhanced Group was a substantial shareholder of Enhanced Financial and Enhanced Financial was a non-wholly owned subsidiary of the Company, Enhanced Group was therefore a connected person of the Company and the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company has complied with the disclosure requirement applicable to the Acquisition under Chapter 14A of the Listing Rules, details of which are set out in the Company's announcement dated 10 May 2019.

Save as disclosed above, the Group had not entered into any connected transaction during the Year, which is required to be disclosed under Chapter 14A of the Listing Rules.

MANAGEMENT DISCUSSION AND ANALYSIS

On 12 November 2019, Top Concept Global Limited ("Top Concept" as purchaser), an indirect wholly-owned subsidiary of the Company, Edge Special, ZQ Capital Services Limited (as special shareholder) and Edge Venture Partners L.P. ("Edge Venture" as vendor) entered into a share purchase agreement, pursuant to which Top Concept has conditionally agreed to purchase and Edge Venture has conditionally agreed to sell all the issued preferred shares of Edge Special with par value of USD0.10 each as at 12 November 2019, at the consideration of USD33,920,639. Details of this transaction are set out in the Company's announcement dated 12 November 2019.

Save as disclosed above, there was no material acquisition or disposal of subsidiaries, associates and joint ventures during the Year and as at the date of this annual report.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGE

The Group conducted most of its business in United States dollars ("USD") and Hong Kong dollars ("HKD"). The foreign currency exposure of HKD to USD is minimal as HKD is pegged to USD.

The management will continue to monitor the Group's foreign currency exposure and consider other hedging policies should the need arise.

PLEDGE OF ASSETS

As at 31 December 2019, no assets of the Group had been pledged.

BUSINESS OUTLOOK

Besides the general downward pressure on the markets, as well as unforeseen and violent social unrest in Hong Kong, the outbreak of coronavirus pandemic has weighed on global financial markets, and it is expected to profoundly impact business and corporate operations of countries around the world. The Dow Jones Industrial Average fell significantly, and the markets in Europe and Asia also tumbled over growing fears about the coronavirus outbreak and oil prices. Business operations across Asia, Europe, and the United States are being disrupted by factory closures, quarantined workers and shortages of components. Risk aversion has increased in financial markets, with the interest rate falling to a record low and equity prices declining sharply, commodity prices have dropped, and business and consumer confidence have turned down. It is still uncertain when the normalisation of the work resumption rate will occur, and the infection will continue to undermine consumer confidence and economic activities. Banking on our existing solid capital base, we actively optimised resources allocation and maintained our conservative and diligent investment philosophy. We believe that this strategy enables us to minimise the impact on the Group's business and financial performance in 2020 under the current economic environment.

Principal investment business. In 2020, the Group will continue its prudent approach to maintaining its existing investment portfolio with a combination of diversified investment in funds, bonds and securities (including listed or unlisted securities) well established by the experienced investment team we built in the past years. We will still seek for quality investment projects in different industries, especially on the technology, media and telecommunications and healthcare, to elevate the Group's overall profitability and returns. We are in the progress of formulating innovative securities and fund products such as private equity funds, securities, direct investments of companies, and bonds, to offer more investment options for high-net-worth clients within our financial services business. Under the current economic condition, investors are likely to continue to seek yield and income given exceptionally low risk-free rates. The Group believes our accumulated experience in investment management and continuous efforts in packaging and selling our financial instruments to our broaden high-net-worth client base, have set a solid foundation for our asset management business development. This medium also enables us to better leverage our subsidiaries licensed by the SFC, which are eligible to carry out asset management business, which would further synergise our principal investment business with our financial services business segment.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial services business. The Group is experiencing a discomforting sense of uncertainty about the global environment and the Hong Kong economy. The Group will continue to expand our existing securities, brokerage and margin financing businesses and seek business opportunities in other financial sectors such as fund management, as mentioned in our principal investment business segment above. The Group will continue to focus on the four key financial services business areas, which are (i) securities trading and brokerage, (ii) margin financing, (iii) money lending, and (iv) asset management. The reasonable commission rate, quality and prompt service, strong financial resources, and the reliable trading system shall enable our financial services business to establish a strong client loyalty and stable client base over the years. Since the Group acquired the entire equity interests in FSHL Group, our client base has been enlarged significantly, especially in securities and commodities brokerage and asset management businesses. This acquisition also resulted in the broadening of investment options such as US equities and options, global futures, Euro bonds, Hong Kong equities, Asian and European equities, and China B Shares, and facilitated the generation of brokerage fees from trading of a more extensive selection of products as well as through the receipt of interest income from the provision of margin financing. The Group will continue to place great effort on strengthening our relationship with several major institutional clients by offering their required financial services, including IPO subscription, China connect securities trading, and US securities trading. The Group expands our team by hiring new professional and licensed account executives and reinforce existing incentive schemes to motivate our account executives on business promotion to broaden our business network and reach out to more potential clients. Following adoption of the transformation plan for our margin financing and money lending business in 2019, the Group has further diversified product offerings (including the provision of secured and mortgage loans and IPO margin financing) and set up a more stringent risk control and management system. However, the tightening regulations imposed by the regulators, and change in our clients' approach to their investment strategies caused by the downward momentum on the financial market, may expose our financial service business to short-term vulnerabilities in 2020. Under such a challenging business environment, the Group seeks to collaborate with different agencies to enhance our loan portfolio and increase the availability of our funds to expand our margin financing and money lending portfolio and generate more revenue from an increased number of higher value transactions. The Group captures opportunities from the increasing demand for diversification and cross-border wealth management services from high-net-worth and high-grade investors (including Mainland clients), and benefited from the relaxation on marketing to the Greater Bay Area on securities brokerages.

Real property business. The Group will carry on seeking investment opportunities for quality and upscale commercial properties and other types of properties in Hong Kong, the Greater Bay Area, North America and European countries, which are suitable for our value-add or opportunistic investment strategies.

Looking-forward. Although it is far too early to predict and assess the ultimate impact of the coronavirus pandemic on the global economy and corporate earnings, G-Resources will maintain a balanced approach to asset allocation given the uncertain nature of the coronavirus outbreak and its global impact from rising infections, the general downward pressure on the global markets, as well as unforeseen and violent social unrest in Hong Kong.

HUMAN RESOURCES

As at 31 December 2019, the Group had 68 employees in Hong Kong. Employees are remunerated at a competitive level and are rewarded according to their performance. The Group's remuneration packages include a medical scheme, group insurance, mandatory provident fund, performance bonus and options for our employees.

DIRECTORS' REPORT

The Board is pleased to present their report and the audited financial statements for the Year.

PRINCIPAL ACTIVITIES

In the course of the Year, the principal activities of the Company are principal investment business, financial services business, money lending business and real property business. The principal activities of the Company's subsidiaries as at 31 December 2019 are set out in note 41 to the financial statements contained in this annual report.

BUSINESS REVIEW

A business review of the Group is set out on pages 8 to 16 of this annual report.

FUTURE DEVELOPMENTS OF THE GROUP'S BUSINESS PROSPECTS

Details of the business's future prospects are set out in the section headed "Management Discussion and Analysis – Business Outlook" on pages 15 to 16 of this annual report.

DIVIDENDS

The Board has resolved not to declare any final dividend for the Year.

FINANCIAL SUMMARY

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

RESERVES

Details of the movements during the Year in the reserves of the Group are set out in the consolidated statement of changes in equity on page 48 of this annual report.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the Year are set out in notes 29 and 30 to the financial statements contained in this annual report, respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the Year are set out in note 13 to the financial statements contained in this annual report.

DIRECTORS

The Directors during the Year and up to the date of this annual report are:

Non-Executive Director

Li Zhongye, Cindy *(Chairperson)*

Executive Directors

Leung Oi Kin
Leung Wai Yiu, Malcoln

Independent Non-Executive Directors

Lo Wa Kei, Roy
Chen Gong
Martin Que Meideng

DIRECTORS' REPORT

In accordance with clause 99 of the Company's Bye-laws, at each annual general meeting of the Company ("AGM"), one third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest but not less than one-third, shall retire from office by rotation. Accordingly, Mr Leung Oi Kin and Mr Lo Wa Kei, Roy will retire by rotation at the forthcoming AGM, and both of them, being eligible, have offered themselves for re-election.

DIRECTORS' SERVICE CONTRACTS OF THE RETIRING DIRECTORS

Mr Leung Oi Kin has entered into a service agreement with the Company. This service agreement shall be valid unless terminated by either party by giving a three months' written notice.

The term of office of Mr Lo Wa Kei, Roy is three years and will be subject to retirement by rotation and re-election at the AGM in accordance with the Company's Bye-laws.

Save as disclosed above, none of the Directors being proposed for re-election at the forthcoming AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

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

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

DIRECTORS AND EXECUTIVE OFFICERS' INTERESTS IN SECURITIES

As at 31 December 2019, none of the Directors and executive officers of the Company ("Executive Officers") or their respective associates had any interests and short positions in the shares, underlying shares, convertible notes or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO) or pursuant to the Model Code for Securities Transactions by directors and chief executives of the Company (the "Model Code") required to be disclosed in accordance with the Listing Rules.

DIRECTORS' REPORT

SHARE OPTION

Particulars of the share option scheme of the Company are set out in note 30 to the financial statements contained in this annual report.

Share Option Scheme

In order to continue to provide incentives and rewards to the eligible employees and participants, the Company adopted a share option scheme pursuant to a resolution passed by the shareholders of the Company on 18 June 2014, of which the general scheme limit has been revised pursuant to a resolution passed by the shareholders of the Company on 15 June 2018 (the "2014 Share Option Scheme") which will remain in force for ten years from the date becoming effective.

An offer of the grant of an option may be accepted by an eligible participant within 28 days from the date upon which it is made. A consideration of HKD1 is payable on acceptance of the offer of grant of an option. The period within which the options must be exercised will commence from the date of acceptance of the offer for the grant of options but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions of early termination thereof. The subscription price shall be determined by the Board, but shall not be lower than the highest of (i) the closing price of shares at the date of grant which must be a business day; (ii) the average closing price of shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share. Unless the Board otherwise determined and stated in the offer of the grant of options to an eligible participant, there is neither any performance targets that needs to be achieved by the grantee before any options can be exercised nor any minimum period for which the option must be held before it can be exercised.

As at 31 December 2019, the total number of shares of the Company issuable pursuant to the 2014 Share Option Scheme on the date of its adoption was 1,352,442,239 shares of the Company, representing 5.0% of the issued share capital of the Company as at the date of this annual report and there was no share option granted, exercised, cancelled or lapsed under the 2014 Share Option Scheme as at the date of this annual report.

RETIREMENT BENEFIT SCHEME

Details of the Group's retirement benefit scheme for the Year are set out in note 38 to the financial statements contained in this annual report.

DIRECTORS' AND EXECUTIVE OFFICERS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Year was the Company or its subsidiaries or jointly controlled entity a party to any arrangement that enabled any Director or Executive Officer to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

None of the Directors or Executive Officers or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company or had exercised any such right during the Year.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director or any of its subsidiaries had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the Year and up to the date of this annual report, except otherwise disclosed, none of the Directors, or any of their respective associates (as defined in the Listing Rules) had any material interest in a business that competes or may compete with the business of the Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its independent non-executive Directors ("INED(s)") written confirmation of their independence pursuant to Rule 3.13 of the Listing Rules.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF PERSONS OTHER THAN DIRECTORS AND EXECUTIVE OFFICERS

As at 31 December 2019, so far as known to the Directors or Executive Officers, the following persons/entities are the shareholders (other than the Directors or Executive Officers) who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances of general meetings of the Company or who were recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO or had otherwise notified the Company.

Long positions in shares and underlying shares of the Company

Name of shareholders	Capacity	Number of shares/ underlying shares (Note 1)	Approximate % of the issued share capital of the Company	Notes
Xie Pengfei	Interest of a controlled corporation	7,676,346,022 (L)	28.38%	2
PX Global Advisors, LLC	Interest of a controlled corporation	7,676,346,022 (L)	28.38%	2
PX Capital Management Ltd.	Interest of a controlled corporation	7,676,346,022 (L)	28.38%	2
PX Capital Partners L.P.	Beneficial owner	7,676,346,022 (L)	28.38%	2

Notes:

1. "L" denotes long position.
2. PX Global Advisors, LLC is wholly-owned by Mr Xie Pengfei. PX Global Advisors, LLC owns 40% equity interests of PX Capital Management Ltd.. PX Capital Partners L.P. is wholly-owned by PX Capital Management Ltd.. Under Part XV of the SFO, Mr Xie Pengfei, PX Global Advisors, LLC and PX Capital Management Ltd. are deemed to have interest in the shares of the Company held by PX Capital Partners L.P..

Save as disclosed above, the Company has not been notified by any person (other than the Directors or Executive Officers) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances of general meetings of the Company or who were recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO or had otherwise notified the Company as at 31 December 2019.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate revenue attributable to the five largest customers accounted for approximately 9% of the Group's total revenue for the Year, and the revenue attributable to the largest customer included therein amounted to approximately 7% of the Group's total revenue for the Year. The Group is a provider of financial services. In the opinion of the Board, it is therefore of no value to disclose details of the Group's suppliers.

At no time during the Year, none of the Directors, their associates or the shareholders of the Company, which to the knowledge of the Directors owned more than 5% of the Company's issued share capital, had any interests in the above customers.

DIRECTORS' REPORT

PRE-EMPTIVE RIGHTS

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

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision under the Company's Bye-laws and for the benefit of the Directors is currently in force and was in force throughout the Year. The Company has also purchased and maintained Directors' liability insurance throughout the Year, which provides appropriate coverage for the Directors.

RISK FACTORS

Market Risk

Market risk refers to the risk that a change in the level of one or more market prices, rates, indices, implied volatilities (the price volatility of the underlying instrument imputed from option prices), correlations or other market factors, such as market liquidity, will result in losses for a position or portfolio owned by us.

Our results of operations may be materially affected by market fluctuations and by global and economic conditions and other factors.

The Group's results of operations may be materially affected by market fluctuations due to global and economic conditions and other factors. Our results of operations in the past have been, and in the future may be, materially affected by many factors, including the effect of economic and political conditions and geopolitical events; the effect of market conditions, particularly in the global equity, fixed income, currency, credit and commodities markets, including corporate and mortgage (commercial and residential) lending and commercial real estate; the impact of current, pending and future legislation, regulation (including capital, leverage and liquidity requirements), policies (including fiscal and monetary), and legal and regulatory actions in Hong Kong and worldwide; the level and volatility of equity, fixed income and commodity prices, interest rates, currency values and other market indices; the performance of our acquisitions, divestitures, joint ventures, strategic alliances or other strategic arrangements; our reputation and the general perception of the financial services industry; inflation, natural disasters, pandemics and acts of war or terrorism; the actions and initiatives of current and potential competitors, as well as governments, regulators and self-regulatory organisations; the effectiveness of our risk management policies; and technological changes and risks and cybersecurity risks (including cyber-attacks and business continuity risks); or a combination of these or other factors. In addition, legislative, legal and regulatory developments related to our businesses are likely to increase costs, thereby affecting results of operations. These factors also may have an adverse impact on our ability to achieve our strategic objectives.

We may experience declines in the value of our financial instruments and other losses related to volatile and illiquid market conditions.

Market volatility, illiquid market conditions and disruptions in the credit markets make it extremely difficult to value certain of our financial instruments, particularly during periods of market displacement. Subsequent valuations, in light of factors then prevailing, may result in significant changes in the values of these instruments in future periods. In addition, at the time of any sales and settlements of these financial instruments, the price we ultimately realise will depend on the demand and liquidity in the market at that time and may be materially lower than their current fair value. Any of these factors could cause a decline in the value of our financial instruments, which may have an adverse effect on our results of operations in future periods.

In addition, financial markets are susceptible to severe events evidenced by rapid depreciation in asset values accompanied by a reduction in asset liquidity. Under these extreme conditions, hedging and other risk management strategies may not be as effective at mitigating trading losses as they would be under more normal market conditions. Moreover, under these conditions market participants are particularly exposed to trading strategies employed by many market participants simultaneously and on a large scale. Our risk management and monitoring processes seek to quantify and mitigate risk to more extreme market moves. However, severe market events have historically been difficult to predict, as seen in the last several years, and we could realise significant losses if extreme market events were to occur.

The Group is required to reassess the fair value of its investment properties at every balance sheet date to which financial statements are made up. Based on the valuation conducted by independent property valuer, the Group recognises investment properties at fair value in the consolidated statement of financial position, while the variation in changes in fair value of investment properties are recognised in the consolidated statement of profit or loss. Notwithstanding any variations in profit, fair value gains and losses are not cash items and will not increase or decrease cash and cash equivalent. The amount of revaluation adjustment has been and will continually be subject to changes in market conditions. As such, there can be no assurance that changes in market conditions will continue to generate gains from fair value changes in investment properties at similar level or at all, or there will be no decline in the fair value of the Group's investment properties.

The Group faces market risk due to market movement which may cause a fall in the value of principal investments. In view of the increased volatility in the stock and other financial markets, this may impact the fair value of the investments and add unpredictability to the Group's profits and investment revaluation reserve.

Currency fluctuations may affect our results of businesses adversely.

The results of the Group are presented in United States Dollars, but the Company and its various subsidiaries may receive revenue, incur expenses and make investments in other currencies. Any currency fluctuations on translation of the accounts of the Company and these subsidiaries and also on the repatriation of earnings and equity investments may therefore impact on the Group's businesses. Exchange rate of United States Dollars against other foreign currencies is affected by, among other things, changes in the political and economic environment of the issuing jurisdictions of the currencies. The appreciation or depreciation in United States Dollars against other foreign currencies may materially affect the Group's businesses, financial condition, results of operations and growth prospects.

Holding large and concentrated positions may expose us to losses.

Concentration of risk may reduce revenues or result in losses in our market-making, investing, block trading, underwriting and lending businesses in the event of unfavourable market movements. We commit substantial amounts of capital to these businesses, which often results in our taking large positions in the securities of, or making large loans to, a particular issuer or issuers in a particular industry, country or region.

Technological changes and risks and cybersecurity risks may affect our businesses to a certain extent.

Notwithstanding the appropriate measures adopted to protect the Group's computer system and information, the Group cannot assure that there will be no occurrence of unlawful break-ins or misuse with rapid technological advancement, which may affect our businesses to a certain extent.

Credit Risk

Credit risk refers to the risk of loss arising when a borrower, counterparty or issuer does not meet its financial obligations to us.

We are exposed to the risk that third parties that are indebted to us will not perform their obligations.

This risk may arise from a variety of business activities, including but not limited to entering into swap or other derivative contracts under which counterparties have obligations to make payments to us; extending credit to clients through various lending commitments; providing short or long-term funding that is secured by physical or financial collateral whose value may at times be insufficient to fully cover the loan repayment amount; posting margin and/or collateral and other commitments to clearing houses, clearing agencies, exchanges, banks, securities firms and other financial counterparties; and investing and trading in securities and loan pools whereby the value of these assets may fluctuate based on realised or expected defaults on the underlying obligations or loans.

Although we regularly review our credit exposures, default risk may arise from events or circumstances that are difficult to detect or foresee. We use an internal credit assessment process to assess the potential borrower's credit quality and define credit limits granted to borrowers. We may suffer loss on loans receivable if the repayment of principal and/or interest is not paid on due date and the market value of collaterals, such as shares in companies listed on the Stock Exchange or certain properties in Hong Kong, fluctuate below the principal of the loans receivable and/or interest.

DIRECTORS' REPORT

Legal, Regulatory and Compliance Risk

Legal, regulatory and compliance risk includes the risk of legal or regulatory sanctions, material financial loss including fines, penalties, judgments, damages and/or settlements, or loss to reputation we may suffer as a result of our failure to comply with laws, regulations, rules, related self-regulatory organisation standards and codes of conduct applicable to our business activities. This risk also includes contractual and commercial risk such as the risk that a counterparty's performance obligations will be unenforceable. In today's environment of rapid and possibly transformational regulatory change, we also view regulatory change as a component of legal, regulatory and compliance risk.

The financial services industry is subject to extensive regulation, which is undergoing major changes that will impact our business.

The Group oversees potential compliance risks, such as inside dealing, money laundering, on a regular basis. With the support of external professional advisers where appropriate, the Group monitors whether and the extent to which additional regulatory requirements apply as a result of the growth or expansion of our business and operations in financial services business.

Like other major financial services firms, we are subject to extensive regulations, which significantly affect the way we do business and can restrict the scope of our existing businesses and limit our ability to expand our product offerings and pursue certain investments. The Group is and will continue to be subject to a more complex regulatory framework, and will incur costs to comply with new requirements as well as to monitor for compliance in the future.

The above risk factors should be read in conjunction with financial risk management objectives and policies as set out in note 34b to the consolidated financial statements.

ENVIRONMENTAL POLICIES

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

In accordance with Rule 13.91 of the Listing Rules, the Company will publish an Environmental, Social and Governance ("ESG") Report within three months after the publication of this annual report in compliance with the provisions set out in the ESG Reporting Guide in Appendix 27 to the Listing Rules.

COMPLIANCE WITH REGULATIONS

The Group is not aware of any instances of material breach of or non-compliance with the applicable laws and regulations such as the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong), the Listing Rules, and other applicable local laws and regulations in various jurisdictions during the Year and up to the date of this annual report.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The sustainability of the Group's business relies on the growth of the Group's employees. Remuneration packages of the employees are generally structured with reference to prevailing market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors.

Apart from salary payments, there are other staff benefits including mandatory provident fund, medical insurance and performance related bonus. Share options may also be granted to eligible employees by the Group.

Relationship is the fundamentals of business. The Group fully understands this principle and thus maintains good relationship with its stakeholders, including but not limited to our customers, borrowers and tenants.

DIRECTORS' REPORT

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Board on the basis of their merit, qualifications and competence. The emoluments of the Directors are decided by the Board duly authorised by the shareholders of the Company in the AGM, having regard to the Group's operating results, individual performance and comparable market statistics. The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of which are set out in note 30 to the financial statements contained in this annual report.

PUBLIC FLOAT

From information publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules at all times during the Year under review and as at the date of this annual report.

CORPORATE GOVERNANCE

The information set out on pages 25 to 39 of this annual report and information incorporated by reference, if any, constitutes the corporate governance report of the Company ("Corporate Governance Report").

AUDIT COMMITTEE

The Company has established an audit committee ("Audit Committee") with written terms of reference based upon the recommendations set out in *A Guide for Effective Audit Committees* published by the Hong Kong Institute of Certified Public Accountants and the code provisions set out in the Corporate Governance Code (as defined below). The duties of the Audit Committee include reviewing the Company's annual reports and interim reports and providing advice and comments thereon to the Directors. The Audit Committee is also responsible for reviewing and supervising the financial reporting, risk management and internal control procedures of the Group.

As at the date of this annual report, the Audit Committee comprised three INEDs, namely, Mr Lo Wa Kei, Roy, Mr Chen Gong, and Mr Martin Que Meideng, with Mr Lo Wa Kei, Roy being the chairman of the Audit Committee. The audited consolidated financial statements of the Group for the Year have been reviewed by the Audit Committee.

AUDITORS

Deloitte Touche Tohmatsu, who acted as the auditor of the Company since 2009, resigned on 3 January 2020 and Moore Stephens CPA Limited was appointed as the auditor of the Company on 3 January 2020.

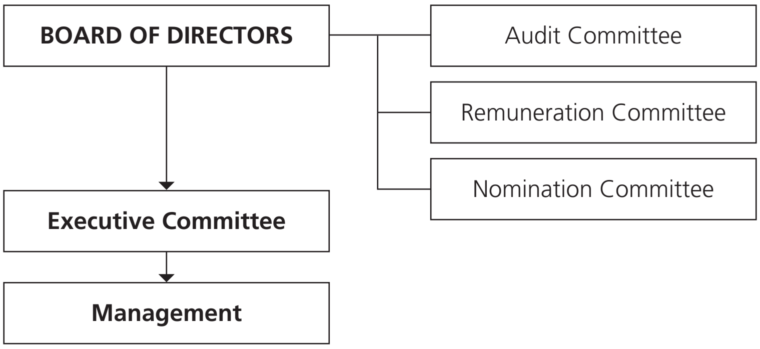
The consolidated financial statements of the Group for the Year have been audited by Moore Stephens CPA Limited who shall retire and, being eligible, offer themselves for re-appointment in the forthcoming AGM. A resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming AGM.

On behalf of the Board

Li Zhongye, Cindy
Chairperson
Hong Kong, 27 March 2020

CORPORATE GOVERNANCE REPORT

ORGANISATION CHART OF THE GROUP AND VARIOUS BOARD COMMITTEES



The Group is committed to maintaining a high standard of corporate governance and enhancing its transparency so as to protect shareholders' interests in general. The Group will continue to raise the standard by formalising the best practices of corporate governance as far as possible.

The Company has adopted the principles and complied with all the applicable code provisions of the Corporate Governance Code and Corporate Governance Report ("Corporate Governance Code") as set out in Appendix 14 to the Listing Rules for the Year.

BOARD OF DIRECTORS

As at the date of this annual report, the Board comprised one non-executive Director, two executive Directors and three INEDs.

Save as disclosed under the section headed "Biographical Details of Directors and Senior Management" of this annual report, there is no financial, business, family or other material/relevant relationship between the Directors and the Board, which comprised the following:

Non-Executive Director

Li Zhongye, Cindy *(Chairperson)*

Executive Directors

Leung Oi Kin
Leung Wai Yiu, Malcoln

Independent Non-Executive Directors

Lo Wa Kei, Roy
Chen Gong
Martin Que Meideng

The principal functions of the Board are to supervise the management of the business and Company's affairs; to approve the Company's strategic plans, investment and funding decisions; to review the Group's financial performance and operative initiatives.

The role of the INEDs is to bring an independent and objective view to the Board's deliberations and decisions. The INEDs must have appropriate professional qualifications, or accounting or related financial management expertise, so that they are of sufficient calibre and number for their views to carry weight. The INEDs may also take independent professional advice at the Company's expense in carrying out their functions.

The Board considers the current board size as adequate for its present operations. The day-to-day running of the Company is delegated to the senior management team, with divisional heads responsible for different aspects of the business. The Board is characterised by significant diversity, whether considered in term of gender, nationality, professional background and skills. The Board has adopted the board diversity policy (the "Board Diversity Policy"). The nomination committee of the Company ("Nomination Committee") is responsible for reviewing and assessing Board composition and its effectiveness on an annual basis.

CORPORATE GOVERNANCE REPORT

The Company has received from each of the INEDs an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the INEDs to be independent.

The Board is responsible for overseeing the development of good corporate governance practice of the Group.

Role and Function on Corporate Governance

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

Summary of work during the Year

- reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements
- reviewed the terms of reference of the Audit Committee, remuneration committee of the Company ("Remuneration Committee") and Nomination Committee
- reviewed the Company's compliance with the Corporate Governance Code and disclosure in this Corporate Governance Report
- reviewed the dividend policy (the "Dividend Policy")
- arranged suitable training for Directors, placing an appropriate emphasis on the roles, functions and duties of a listed company director
- reviewed and approved the financial results of the Company and announcements thereof
- reviewed and updated the Board Diversity Policy

BOARD COMMITTEES

Executive Committee

The Board has delegated the management of the daily operation and investment matters of the Group to the Executive Committee. As at 31 December 2019 and up to the date of this annual report, the Executive Committee comprised two members, both are executive Directors, namely:

Executive Committee Members
Leung Oi Kin
Leung Wai Yiu, Malcoln

Audit Committee

As at 31 December 2019, the Audit Committee comprised three members, all of whom are INEDs, namely:

Audit Committee Members
Lo Wa Kei, Roy *(Chairman)*
Chen Gong
Martin Que Meideng

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control procedures of the Group.

CORPORATE GOVERNANCE REPORT

The terms of reference of the Audit Committee have been reviewed with reference to the Corporate Governance Code. The terms of reference of the Audit Committee are posted on the websites of the Company and the Stock Exchange and are also available from the Company Secretary on request.

In accordance with the terms of reference of the Audit Committee, the Audit Committee meets at least twice a year to review the interim results and the final results of the Company. The terms of reference of the Audit Committee are aligned with the recommendations set out in *A Guide For Effective Audit Committees* issued by the Hong Kong Institute of Certified Public Accountants and the code provisions set out in the Corporate Governance Code.

Role and Function

- to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of external auditor, any questions of its resignation or dismissal
- to develop and implement policy on engaging an external auditor to supply non-audit services
- to review the Group's financial and accounting policies and practices
- to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings
- to review the Group's financial controls, and unless expressly addressed by a separate board risk committee, or by the board itself, to review the Group's risk management and internal control systems
- to discuss the risk management and internal control system with management to ensure that management has performed its duty to have an effective systems
- where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Group, and to review and monitor its effectiveness
- to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them
- to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences
- to consider other topics, as defined by the Board
- to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter
- to report to the Board on the matters contained in code provision of the Corporate Governance Code
- to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response
- to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters
- to establish a whistleblowing policy and system for employees and those who deal with the Group (e.g. customers and suppliers) to raise concerns, in confidence, with the Audit Committee about possible improprieties in any matter related to the Group
- to act as the key representative body for overseeing the Company's relations with the external auditor

CORPORATE GOVERNANCE REPORT

Summary of work during the Year

- reviewed and made recommendation for the Board's approval for the draft 2019 interim report, annual report and accounts
- reviewed management letter, tax issues, compliance and salient features of 2019 annual accounts presented by Moore Stephens CPA Limited, the external auditor
- reviewed the enhancements to the 2019 audit planning process
- approved the audit services provided by Moore Stephens CPA Limited
- reviewed the fees proposal of Moore Stephens CPA Limited for the 2019 audit work for the Group
- recommended to the Board on the appointment of Moore Stephens CPA Limited as the Company's new external auditor
- discussed, examined and reviewed 2019 annual accounting and financial reporting issues
- reviewed and monitored the external auditor's independence and objectivity and the effectiveness of the audit process
- reviewed the terms of reference of the Audit Committee
- reviewed the whistleblowing policy ("Whistleblowing Policy")
- discussed, assessed and reviewed the reports, on internal control and risk management system and its effectiveness for the Year

Remuneration Committee

As at 31 December 2019, the Remuneration Committee comprised three members, all of whom are INEDs, namely:

Remuneration Committee Members
Lo Wa Kei, Roy *(Chairman)*
Chen Gong
Martin Que Meideng

The primary function of the Remuneration Committee is to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management. The remuneration packages include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment.

The terms of reference of the Remuneration Committee have been reviewed with reference to the Corporate Governance Code. The terms of reference of the Remuneration Committee are posted on the websites of the Company and the Stock Exchange and are also available from the Company Secretary on request.

The details of the remuneration payable to the Directors and members of senior management are set out in note 10 to the financial statements contained in this annual report.

CORPORATE GOVERNANCE REPORT

Role and Function

- to make recommendations to the Board on the Company's policy and structure for all Directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy
- to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives
- to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management which include benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment)
- to make recommendations to the Board on the remuneration of non-executive Directors
- to review the proposals for the award of share options to executive Directors and senior management based on their performance and contribution to the Company from time to time
- to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate
- to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group
- to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive
- to ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration
- to recommend to the Board the structure of long-term incentive plans for executive Directors and certain senior management

Summary of work during the Year

- reviewed and recommended the remuneration and bonus of executive Directors and senior management
- conducted an annual review of the remuneration packages for executive Directors, non-executive Directors and senior management based on their performance
- reviewed the terms of reference of the Remuneration Committee

Nomination Committee

As at 31 December 2019, the Nomination Committee comprised three members, including the Chairperson of the Company and two INEDs, namely:

Nomination Committee Members
Li Zhongye, Cindy *(Chairperson)*
Chen Gong
Martin Que Meideng

The primary duties of the Nomination Committee are to develop and maintain a formal and transparent process for the appointment and re-appointment of members of the Board. The Nomination Committee also reviews and assesses Board composition and its effectiveness on an annual basis.

The terms of reference of the Nomination Committee have been reviewed with reference to the Corporate Governance Code. The terms of reference of the Nomination Committee are posted on the websites of the Company and the Stock Exchange and are also available from the Company Secretary on request.

CORPORATE GOVERNANCE REPORT

Role and Function

- to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy
- to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships
- to establish a policy concerning diversity of Board members
- to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive
- to assess the independence of INEDs

Summary of work during the Year

- reviewed and updated the Board Diversity Policy
- reviewed and assessed the structure, size and composition (including the skills, knowledge and experience) of the Board and its effectiveness
- assessed the independence of INEDs and confirmed that all INEDs are considered independent
- reviewed the terms of reference of the Nomination Committee
- proposed the Directors for re-election at AGM
- reviewed the nomination policy ("Nomination Policy")

NOMINATION POLICY

1. Purpose

The Nomination Policy sets out the process and criteria of identifying potential candidates of the Company. The Nomination Committee should ensure the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business.

2. Selection Criteria

The Nomination Committee shall consider the following selection criteria in evaluating and selecting candidates for directorships:

- character and integrity;
- qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- willingness to devote adequate time to discharge duties as a Board member and other directorships and significant commitments;
- requirement for the Board to have INEDs in accordance with the Listing Rules and whether the candidates would be considered independent with reference to the independence guidelines set out in the Listing Rules;
- succession planning or strategies for the ongoing effective performance of the Board as a whole;
- Board Diversity Policy and any measurable objectives adopted by the Nomination Committee for achieving diversity on the Board; and
- such other perspectives appropriate to the Company's business.

These factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person, as it considers appropriate.

CORPORATE GOVERNANCE REPORT

3. Nomination Process

3.1 Appointment of New Director

3.1.1 The Nomination Committee shall, upon receipt of the proposal on appointment of new director and the biographical information (or relevant details) of the candidate, evaluate and assess such candidate based on the selection criteria as set out in section 2 to determine whether such candidate is qualified for directorship.

3.1.2 If there is one or more desirable candidates, the Nomination Committee shall rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).

3.1.3 The Nomination Committee shall then recommend to appoint the appropriate candidate for directorship.

3.1.4 For any person that is nominated by a shareholder for election as a director at the general meeting of the Company, the Nomination Committee shall evaluate such candidate based on the criteria as set out in section 2 to determine whether such candidate is qualified for directorship and where appropriate, the Nomination Committee and/or the Board shall make recommendation to shareholders in respect of the proposed election of director at the general meeting.

4. Re-Election of Director at General Meeting

4.1 The Nomination Committee shall review the overall contribution and service to the Company of the retiring director including his/her attendance of Board meetings and, where applicable, general meetings, and the level of participation and performance on the Board.

4.2 The Nomination Committee shall also review and determine whether the retiring director continues to meet the criteria as set out in section 2.

4.3 The Board, with the recommendation from Nomination Committee, shall then make recommendation to shareholders in respect of the proposed re-election of director at the general meeting.

5. Ultimate Responsibility for Selection and Appointment

The nomination of directors is also subject to any restrictions under the Bermuda law and the Company's Bye-laws. The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

6. Monitoring and Reporting

The Nomination Committee will disclose the Nomination Policy and the progress made towards achieving the objectives set out in the Nomination Policy in the Corporate Governance Report in the annual report.

CORPORATE GOVERNANCE REPORT

BOARD DIVERSITY POLICY

1. Vision

The Company sees diversity at Board level as an important element in maintaining a high standard of corporate governance. The Company is committed to a diverse Board, so Directors from diverse backgrounds could present the Company effectively to various constituencies, and to bring different and inspiring perspective into the boardroom.

2. Policy Statement

2.1 The Company aspires to maintain an appropriate range and balance of skills, experience and background on the Board. In determining the optimum composition of the Board, differences in the skills, regional and industry experience, background, ethnicity, gender and other qualities of Directors shall be considered. All Board appointments are made on merits, in the context of the skills and experience the Board as a whole requires to be effective, with due regard for the benefits of diversity on the Board.

2.2 The Nomination Committee will review and assess Board composition and its effectiveness on an annual basis. When there is vacancy on Board, the Nomination Committee will recommend suitable candidates for appointment to the Board on merits, based on the terms of reference of the Nomination Committee, with due regard to the Company's own circumstances.

3. Measurable Objectives

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

4. Monitoring and Reporting

4.1 The Nomination Committee will report annually in the Corporate Governance Report in the annual report, on the composition of the Board (including gender, age, length of service, education background, working experience), and monitor the implementation of the Board Diversity Policy.

4.2 The Nomination Committee will monitor the implementation of the Board Diversity Policy by conducting review of the Board's composition at least once annually taking into account the benefits of all relevant diversity aspects, and adhering to the Board Diversity Policy when making recommendation on any Board appointments.

The Nomination Committee reviewed the Board's composition and considered the Board Diversity Policy during the Year. The Board currently comprises experts from diversified professions such as accounting, finance and management, and was diversified in terms of gender, age, duration of service which effectively improved the ability of the Board in decision making and strategic management.

DIVIDEND POLICY

1. The Dividend Policy sets out the structure of dividend payout to the shareholders of the Company.

2. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

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

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

3. The Company may distribute dividends by way of (1) Cash; (2) Shares.

4. The Board may from time to time pay to the shareholders of the Company such interim dividends as appear to the Board to be justified by the position of the Company.

5. According to the Company's Bye-laws, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Board.

CORPORATE GOVERNANCE REPORT

6. The Company's ability to pay dividends is also subject to the requirements of the Listing Rules and all relevant applicable laws, rules and regulations in Bermuda, Hong Kong and the Bye-laws of the Company.

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

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

   (b) retained earnings of the Company and each of the members of the Group;

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

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

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

   (f) general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and

   (g) any other factors that the Board deem appropriate.

8. Any final dividend for a financial year will be subject to shareholders' approval.

COMPANY SECRETARY

The Company Secretary, Mr Leung Oi Kin, plays the role in supporting the Board by ensuring good information flow within the Board, as well as communications with our Shareholders and management. The Company Secretary's biography is set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report. For the Year, the Company Secretary undertook 15 hours of professional training to update his skills and knowledge as required under Rule 3.29 of the Listing Rules.

ATTENDANCES OF MEETINGS

The Board will also conduct meetings on a regular basis and on an ad hoc basis, as required by business needs. The Company's Bye-laws allow Board meetings to be conducted by way of telephone or videoconference. The Board held a total of four full Board meetings during the Year.

Details of Directors' attendance at the AGM, Board and Board committees' meetings held during the Year are set out in the following table:

	Meeting Attended/Held				
Name of Directors	**Board of Directors**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**2019 AGM[1]**
NON-EXECUTIVE DIRECTOR					
Li Zhongye, Cindy	4/4	N/A	N/A	1/1	1/1
EXECUTIVE DIRECTORS					
Leung Oi Kin	4/4	N/A	N/A	N/A	1/1
Leung Wai Yiu, Malcoln	4/4	N/A	N/A	N/A	1/1
INDEPENDENT NON-EXECUTIVE DIRECTORS					
Lo Wa Kei, Roy	4/4	2/2	1/1	N/A	1/1
Chen Gong	4/4	2/2	1/1	1/1	1/1
Martin Que Meideng	3/4	2/2	1/1	1/1	1/1

Note:
1. The AGM for the year 2018 was held on 18 June 2019.

CORPORATE GOVERNANCE REPORT

SUPPLY AND ACCESS TO INFORMATION

All Directors have timely access to relevant information prior to each Board meeting. Directors are provided with monthly reports, covering financial and operating highlights and are entitled to have access to board papers and related materials to allow them to make informed decisions on matters arising from Board meetings. Minutes of Board meetings and other committees' meetings are kept by the Company Secretary and are open for inspection by the Directors.

CHAIRPERSON AND CHIEF EXECUTIVE OFFICER

Under code provision A.2.1 of the Corporate Governance Code, the roles of chairman and CEO should be separated and should not be performed by the same individual. The Company currently has no CEO. Meanwhile, Ms Li Zhongye, Cindy, the non-executive Director and the chairperson of the Company is responsible for the management of the Board and the Executive Committee (comprising two executive Directors) is responsible for the day-to-day management of business. There is a clear division of these responsibilities which ensures a balance of power and authority, and the power is not concentrated in any one individual.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code contained in Appendix 10 to the Listing Rules, as the code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout the Year under review.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and in presenting the interim and annual financial statements and announcements to shareholders, the Directors aim to present a balanced and understandable assessment of the Group's position and prospects.

AUDITOR'S REMUNERATION

For the Year, the Group engaged Moore Stephens CPA Limited, auditors of the Company, to perform audit service. Their reporting responsibilities on the financial statements of the Group are set out in the Independent Auditor's Report on pages 40 to 44 of this annual report.

The services provided by Moore Stephens CPA Limited and the fees thereof were as follows:

Nature of services	For the year ended 31 December 2019 USD'000
Audit services	177
	177

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROL AND RISK MANAGEMENT

The Board has overall responsibility for maintaining a sound and effective internal control system for the Group. The Group's system of internal control, which includes a defined management structure with limits of authority, is designed to help the achievement of business objectives, safeguard assets against their unauthorised use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant legislations and regulations. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives.

The Board is responsible for the Group's internal control system and for reviewing its effectiveness. The Board adopts a "top-down" and "bottom-up" approach on the Group's risk management. The Audit Committee supports the Board in monitoring the Group's risk exposures, the design and implementation effectiveness of the current risk management and internal controls systems. Management assesses and presents regular reports at the meetings of the Audit Committee on its own assessments of key risks, the strengths and weaknesses of the overall internal controls systems, with action plans to address the weaknesses. The Group does not specifically have an internal audit department but engaged an independent internal auditor which is responsible for providing regularly reports on reviews of the business processes and activities, including action plans to address any identified control weaknesses to the Audit Committee. External auditors also report on any control issues identified in the course of their work.

The abovementioned system enables the Group to (i) systematically and thoroughly identify and assess all major risks which threaten the achievement of business objectives, (ii) optimise business opportunities and secure continuation of business, (iii) recognise and identify uncertainties and subsequently develop the prediction of risks and measures needed to manage risks, (iv) ensure the compliance with relevant rules and regulations, and (v) be cost-effective in risk management to avoid adopting unnecessary control and management procedures.

The Company has implemented proper procedures and internal controls for the handling and dissemination of inside information to ensure that all current and prospective investors of the Company and public are provided with appropriate information relating to the Group in a timely and simultaneous manner. The Group has a set of control process for management of communications with shareholders and investors and prohibition of the unauthorised use of confidential or non-public information. In general, the authorised spokespersons only make clarification and explanation on data that are available on the market, and avoid providing or divulging any unpublished inside information either by an individual or by a team. Before conducting any external interview, if the authorised spokespersons have any doubt about the data to be disclosed, they would seek verification from the relevant person or the person-in-charge of the relevant department, so as to determine if such data is accurate. In addition, discussions on the Company's key financial data or other financial indicators are prohibited during the blackout periods under the Listing Rules.

Taking these into consideration, the Audit Committee reviews the effectiveness of the Group's system of internal controls and reports to the Board on such reviews. The Board, through the Audit Committee, has effectively assessed internal controls and risk management system in place for the Group and the Board is satisfied that the Group has fully complied with the code provisions of the Corporate Governance Code on internal control during the Year.

During the Year, the Group engaged an independent internal auditor to review and assess its internal control system. The review covered parts of the system including risks, operational, financial and compliance controls. The Board is of the view that the Group's current internal control review system is adequate and effective but will perform periodical reviews so as to improve and safeguard our internal control system.

The Audit Committee has established and adopted a Whistleblowing Policy and system for employees and those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence, with the Audit Committee about possible improprieties in any matter related to the Company. The Whistleblowing Policy is posted on the websites of the Company and is also available from the Company Secretary on request.

CORPORATE GOVERNANCE REPORT

DIRECTORS' COMMITMENTS

The Company has received confirmation from each Director that he/she has given sufficient time and attention to affairs of the Company for the Year. Directors have disclosed to the Company the number and nature of offices held in Hong Kong or overseas listed public companies or organisations and other significant commitments, with the identity of the public companies or organisations and an indication of the time involved. Directors are also reminded to notify the Company Secretary in a timely manner and bi-annually confirm to the Company Secretary any change of such information. In respect of those Directors who stand for re-election at the AGM in 2020, all their directorships held in listed public companies in the past three years (if any) will be set out in the notice of AGM in 2020.

PARTICIPATION IN CONTINUOUS PROFESSIONAL DEVELOPMENT PROGRAMME IN 2019

During the Year, Directors received regular updates and presentations on changes and developments to the Group's business and to the legislative and regulatory environments in which the Group operates. All Directors are also encouraged to attend relevant training courses at the Company's expense. With effect from 1 January 2012, all Directors are required to provide the Company with his or her training record.

During the Year, the Company arranged a seminar on 21 November 2019 on compliance with legal and regulatory requirements to the Directors. The seminar covered the topic of Hong Kong Exchanges and Clearing Limited and SFC regulations. All of the Directors have attended the seminar.

	Reading Regulatory Updates	Attending expert briefings/seminars/ conferences relevant to the business or Directors' duties
NON-EXECUTIVE DIRECTOR		
Li Zhongye, Cindy	✓	✓
EXECUTIVE DIRECTORS		
Leung Oi Kin	✓	✓
Leung Wai Yiu, Malcoln	✓	✓
INDEPENDENT NON-EXECUTIVE DIRECTORS		
Lo Wa Kei, Roy	✓	✓
Chen Gong	✓	✓
Martin Que Meideng	✓	✓

INSURANCE ARRANGEMENT

Pursuant to the code provision A.1.8 under the Corporate Governance Code, the Company should arrange appropriate insurance to cover potential legal actions against its Directors. The Company has renewed its corporate liability insurance purchased for its Directors and senior management.

TERM OF APPOINTMENT OF NON-EXECUTIVE DIRECTORS

The Corporate Governance Code stipulates that non-executive directors should be appointed for a specific term and subject to re-election. All non-executive Director and INEDs have signed the letters of appointment with the Company for a term of three years but they continue to be subject to retirement by rotation and re-election at AGM under the Bye-laws of the Company.

CORPORATE GOVERNANCE REPORT

MEMORANDUM OF ASSOCIATION AND BYE-LAWS

During the Year, there were no changes to the Memorandum of Association and Bye-Laws of the Company. The latest consolidated version of the Memorandum of Association and Bye-Laws of the Company is available on the websites of the Company and the Stock Exchange.

SHAREHOLDERS' RIGHT AND COMMUNICATION

We have been reporting our financial and non-financial results in a transparent fashion. Besides the annual report and the interim report, we published and released, from time to time, announcements and press releases.

The Company's corporate website – www.g-resources.com, provides an excellent channel for our shareholders and other interested parties to access information about the Company. Shareholders can find from the website all key corporate information and information of the Company including but not limited to:

- Financial Reports
- Announcements and Press Releases
- Information on Change of Share Capital
- Circulars
- Press Releases
- Terms of Reference of the various Board Committees
- Shareholders Communication Policy
- Whistleblowing Policy
- Board Diversity Policy
- Shareholders' Rights

Shareholders are encouraged to attend all general meetings of the Company and have the right to convene special general meetings, if shareholders find necessary.

The Company arranges for the notice to its shareholders to be sent at least 20 clear business days before each of the AGMs of the Company in accordance with code provision E.1.3 of the Corporate Governance Code. Separate resolutions are proposed at the AGMs on each substantially separate issue, including the election or re-election of each individual Director.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS ON CONVENING A SPECIAL GENERAL MEETING

Bye-laws of the Company

Bye-law 62 of the Company's Bye-laws sets out the position where a requisition is made by shareholders of the Company. Bye-law 62 provides that a special general meeting (the "SGM") shall be convened on requisition, as provided by the Companies Act 1981 of Bermuda (the "Bermuda Companies Act"), and, in default, may be convened by the requisitionists.

Bermuda Companies Act

1. Pursuant to Section 74 of the Bermuda Companies Act, the Directors, notwithstanding anything in its Bye-laws shall, on the requisition of members of the Company holding at the date of the deposit of the requisition not less than one-tenth of such of the paid-up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company, forthwith proceed duly to convene a SGM of the Company.

2. The requisition must state the purposes of the meeting, and must be signed by the requisitionists and deposited at the registered office of the Company at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda, and may consist of several documents in like form each signed by one or more requisitionists.

3. If the Directors do not within twenty-one days from the date of the deposit of the requisition proceed duly to convene a meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date.

4. A meeting convened under this section 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.

PUTTING FORWARD PROPOSALS AT SHAREHOLDERS' MEETING BY A SHAREHOLDER

1. Sections 79 and 80 of the Bermuda Companies Act allow certain shareholder(s) to make requisition to the Company to move a resolution at an AGM or circulate a statement at any general meeting of the Company.

2. Under section 79 of the Bermuda Companies Act, it shall be the duty of the Company on the requisition in writing of such number of members, at the expense of the requisitionists unless the Company otherwise resolves:

   (a) to give to members of the Company 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;

   (b) to circulate to members entitled to have notice of any general meeting sent to them any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

3. The number of members necessary for a requisition under paragraph 2 above shall be:

   (a) either any number of members representing not less than one-twentieth of the total voting rights of all the members having at the date of the requisition a right to vote at the meeting to which the requisition relates; or

   (b) not less than one hundred members.

4. Notice of any such intended resolution shall be given, and any such statement shall be circulated, to members of the Company entitled to have notice of the meeting sent to them by serving a copy of the resolution or statement on each such member in any manner permitted for service of notice of the meeting, and notice of any such resolution shall be given to any other member of the Company by giving notice of the general effect of the resolution in any manner permitted for giving him notice of meetings of the Company, provided that the copy shall be served, or notice of the effect of the resolution shall be given, as the case may be, in the same manner and, so far as practicable, at the same time as notice of the meeting and, where it is not practicable for it to be served or given at that time, it shall be served or given as soon as practicable thereafter.

CORPORATE GOVERNANCE REPORT

5. Section 80 of the Bermuda Companies Act sets out the conditions to be met before the Company is bound to give notice of any resolution or to circulate any statement. Pursuant to section 80 of the Bermuda Companies Act, the Company shall not be bound to give notice of any resolution or to circulate any statement as mentioned in paragraph 2 above unless:

   (a) a copy of the requisition signed by the requisitionists, or two or more copies which between them contain the signatures of all the requisitionists, is deposited at the registered office of the Company at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda:

      i) in the case of a requisition requiring notice of a resolution, not less than six weeks before the meeting; and

      ii) in the case of any other requisition, not less than one week before the meeting; and

   (b) there is deposited or tendered with the requisition a sum reasonably sufficient to meet the Company's expense in giving effect to the procedures in paragraph 2 above.

Provided that if, after a copy of the requisition requiring notice of a resolution has been deposited at the registered office of the Company at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda, an AGM is called for a date six weeks or less after the copy has been deposited, the copy though not deposited within the abovementioned time shall be deemed to have been properly deposited for the purposes thereof.

SUBMISSION OF ENQUIRIES TO THE BOARD

The Board established a shareholders' communication policy and has posted it on the website of the Company. The Board reviews it on a regular basis to ensure its effectiveness.

Enquiries, comments and suggestions to the Board or the Company are welcome and can be addressed to the Investor Relations Department by mail to Room 1801, 18/F, Capital Centre, No. 151 Gloucester Road, Wanchai, Hong Kong or by email at investor.relations@g-resources.com.

Questions about the Company's activities may be directed to information@g-resources.com.

INDEPENDENT AUDITOR'S REPORT

For the year ended 31 December 2019

MOORE

Moore Stephens CPA Limited

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Kowloon, Hong Kong

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大華馬施雲
會計師事務所有限公司

TO THE SHAREHOLDERS OF G-RESOURCES GROUP LIMITED

國際資源集團有限公司

(incorporated in Bermuda with limited liability)

Opinion

We have audited the consolidated financial statements of G-Resources Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 45 to 115, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, 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 ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional 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.

INDEPENDENT AUDITOR'S REPORT

For the year ended 31 December 2019

Key audit matter	How our audit addressed the key audit matter
Fair value measurement of investments in unlisted investment funds, an unlisted debt investment and an unlisted equity investment classified as financial assets at fair value through profit or loss and within Level 3 under the fair value hierarchy	
We identified the measurement of fair value of investments in unlisted investment funds, an unlisted debt investment and an unlisted equity investment classified as financial assets at fair value through profit or loss and within Level 3 under the fair value hierarchy ("FV Level 3") as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, and judgments and estimates made by management. As at 31 December 2019, unlisted security investments classified as financial assets at fair value through profit or loss and within FV Level 3 amounted to USD223,135,000 as set out in notes 16 and 34c to the consolidated financial statements, which included unlisted investment funds, an unlisted debt investment and an unlisted equity investment with carrying value at 31 December 2019 of USD141,097,000, USD34,646,000 and USD47,392,000, respectively. The details of the valuation technique and unobservable inputs of material FV Level 3 unlisted security investments are set out in notes 16 and 34c to the consolidated financial statements.	Our procedures in relation to fair value measurement of the investments in unlisted investment funds, an unlisted debt investment and an unlisted equity investment classified as financial assets at fair value through profit or loss and within FV Level 3 included: • Obtaining an understanding of the entity's process regarding the determination of fair value of the unlisted security investments classified as financial assets at fair values through profit or loss and within FV Level 3; • For the unlisted investment funds, evaluating the net asset values against the information provided by the general partners; • Agreeing the investments held by the Group to the confirmations received independently from the third parties; • For the unlisted debt investment and unlisted equity investment, performing the following procedures, with the assistance of our internal valuation specialist, as appropriate: — Evaluating the competence, capabilities and objectivity of an independent qualified valuer; and — Evaluating the appropriateness of the methodologies, judgments and estimates used in determining the fair value of the investments; and • Reviewing the financial statement disclosures made in the consolidated financial statements.

Key audit matter (Continued)	**How our audit addressed the key audit matter** (Continued)
Valuation of investment properties We identified the valuation of investment properties as a key audit matter due to the key source of estimation uncertainty and the significant assumptions and judgments involved in the valuation. As disclosed in note 15 to the consolidated financial statements, the Group's investment properties amounted to USD89,507,000 as at 31 December 2019. Loss of fair value change of investment properties of USD5,131,000 was recognised in the consolidated statement of profit or loss for the year then ended. The fair value of the Group's investment properties was determined by adopting the valuation techniques with significant unobservable inputs, assumptions of market conditions and judgments on appropriate valuation techniques and inputs adopted. The Group also worked closely with the independent qualified valuer to establish and determine the appropriate valuation techniques.	Our procedures in relation to management's fair value assessment included: • Reviewing the valuation report from the independent qualified valuer and holding discussion with management and the independent qualified valuer to understand the valuation basis, methodology used and underlying assumptions applied; • Evaluating management's process in respect of reviewing the valuation performed by the independent qualified valuer; • Evaluating the competence, capabilities and objectivity of the independent qualified valuer; • Obtaining the underlying data including comparables of market transactions being used by the independent qualified valuer and assessing whether they are appropriate; and • Performing market research and analysis to assess whether the changes in fair value of investment properties resulted from the valuation was reasonable and consistent with market trends to our knowledge.

Other Matter

The financial statements of the Company for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those statements on 28 March 2019.

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.

INDEPENDENT AUDITOR'S REPORT

For the year ended 31 December 2019

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the 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.

- 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.

Moore Stephens CPA Limited
Certified Public Accountants

Lai Hung Wai
Practising Certificate Number: P06995
Hong Kong, 27 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	NOTES	2019 USD'000	2018 USD'000
Revenue			
Interest income	6	**15,648**	20,326
Dividend and distribution income	6	**6,930**	10,865
Fee and commission income	6	**2,288**	896
Rental income	6	**2,244**	2,186
		27,110	34,273
Other income		**15,257**	10,443
Administrative expenses		**(12,038)**	(13,924)
(Loss)/gain on disposal of investments in debt instruments measured at amortised cost		**(334)**	1,549
Fair value changes of financial assets at fair value through profit or loss		**26,427**	8,609
Reversal of expected credit losses on financial assets, net of provision		**248**	268
Gain on disposal of a subsidiary	32	**–**	93
(Decrease)/increase in fair value of investment properties		**(5,131)**	10,896
Provision of impairment on non-financial assets	9	**(4,327)**	(7,138)
Other (loss)/gain		**(3,879)**	4,181
Finance cost	7	**(134)**	(644)
Gain on disposal of associates	18	**313**	–
Share of results of associates	18	**(20)**	(231)
Profit before taxation		**43,492**	48,375
Taxation	8	**6**	(46)
Profit for the year	9	**43,498**	48,329
Profit/(loss) for the year attributable to:			
Owners of the Company		**43,566**	48,208
Non-controlling interests		**(68)**	121
		43,498	48,329
Earnings per share			
– Basic and diluted (US cent)	12	**0.16**	0.18

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	NOTE	2019 USD'000	2018 USD'000
Profit for the year		**43,498**	48,329
Other comprehensive income/(expenses):			
Items that will not be reclassified subsequently to profit or loss:			
Exchange differences on translation from functional currency to presentation currency		**8,173**	(5,606)
Fair value gain/(loss) on financial assets at fair value through other comprehensive income		**4,042**	(5,243)
		12,215	(10,849)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(1,875)**	721
Release of exchange reserve upon disposal of a subsidiary	32	**–**	(93)
		(1,875)	628
Other comprehensive income/(expenses) for the year		**10,340**	(10,221)
Total comprehensive income for the year		**53,838**	38,108
Total comprehensive income/(expenses) for the year attributable to:			
Owners of the Company		**52,604**	39,312
Non-controlling interests		**1,234**	(1,204)
		53,838	38,108

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	NOTES	2019 USD'000	2018 USD'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**18,218**	18,576
Right-of-use assets	14	**248**	–
Investment properties	15	**89,507**	94,095
Financial assets at fair value through profit or loss	16	**223,135**	160,612
Financial assets at fair value through other comprehensive income	16	**–**	15,852
Investments in debt instruments measured at amortised cost	16	**96,564**	121,172
Investments in perpetual notes at fair value through profit or loss	16	**58,471**	56,478
Other receivables and deposits	17	**793**	789
Interests in associates	18	**–**	664
Intangible assets	19	**1,746**	1,746
Goodwill	20	**17,972**	17,972
		506,654	487,956
CURRENT ASSETS			
Accounts and other receivables	17	**12,424**	27,669
Loans receivable	21	**–**	1,185
Investments in debt instruments measured at amortised cost	16	**11,447**	4,147
Financial assets at fair value through profit or loss	16	**36,842**	57,189
Tax recoverable		**97**	–
Bank trust accounts balances	22	**43,467**	28,342
Bank balances and cash	23	**940,486**	887,070
		1,044,763	1,005,602
Non-current asset classified as held for sale	24	**–**	10,000
		1,044,763	1,015,602
CURRENT LIABILITIES			
Other borrowings	25	**–**	13,381
Lease liabilities	26	**200**	–
Accounts and other payables	27	**57,181**	44,213
Tax payable		**22**	490
		57,403	58,084
NET CURRENT ASSETS		**987,360**	957,518
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,494,014**	1,445,474
NON-CURRENT LIABILITIES			
Deferred tax liabilities	28	**288**	288
Lease liabilities	26	**54**	–
		342	288
		1,493,672	1,445,186
CAPITAL AND RESERVES			
Share capital	29	**34,871**	34,871
Reserves		**1,458,801**	1,406,060
Equity attributable to owners of the Company		**1,493,672**	1,440,931
Non-controlling interests		**–**	4,255
TOTAL EQUITY		**1,493,672**	1,445,186

The consolidated financial statements on pages 45 to 115 were approved and authorised for issue by the Board of Directors on 27 March 2020 and are signed on its behalf by:

Leung Oi Kin	**Leung Wai Yiu, Malcoln**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to owners of the Company									
	Share capital USD'000	Share premium USD'000	Capital redemption reserve USD'000	Contributed surplus (Note) USD'000	Exchange reserve USD'000	Investment revaluation reserve USD'000	Retained earnings USD'000	Total USD'000	Non-controlling interests USD'000	Total USD'000
At 1 January 2018	34,871	1,023,183	212	11,658	(4,128)	–	335,823	1,401,619	5,906	1,407,525
Profit for the year	–	–	–	–	–	–	48,208	48,208	121	48,329
Fair value loss on financial assets at fair value through other comprehensive income	–	–	–	–	–	(3,932)	–	(3,932)	(1,311)	(5,243)
Exchange difference arising on translation	–	–	–	–	(4,871)	–	–	(4,871)	(14)	(4,885)
Release of exchange reserve upon disposal of a subsidiary (Note 32)	–	–	–	–	(93)	–	–	(93)	–	(93)
Total comprehensive (expenses)/income for the year	–	–	–	–	(4,964)	(3,932)	48,208	39,312	(1,204)	38,108
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	(447)	(447)
At 31 December 2018 and 1 January 2019	34,871	1,023,183	212	11,658	(9,092)	(3,932)	384,031	1,440,931	4,255	1,445,186
Profit/(loss) for the year	–	–	–	–	–	–	43,566	43,566	(68)	43,498
Fair value gain on financial assets at fair value through other comprehensive income	–	–	–	–	–	3,032	–	3,032	1,010	4,042
Exchange difference arising on translation	–	–	–	–	6,306	–	–	6,306	(8)	6,298
Release of investment revaluation reserve upon disposal of financial assets at fair value through other comprehensive income	–	–	–	–	–	900	(1,200)	(300)	300	–
Total comprehensive income for the year	–	–	–	–	6,306	3,932	42,366	52,604	1,234	53,838
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	137	137	(5,489)	(5,352)
At 31 December 2019	34,871	1,023,183	212	11,658	(2,786)	–	426,534	1,493,672	–	1,493,672

Note: The contributed surplus includes the surplus arising from capital reorganisation in June 2009.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	NOTES	2019 USD'000	2018 USD'000
OPERATING ACTIVITIES			
Profit before taxation		**43,492**	48,375
Adjustments for:			
Interest income		**(30,382)**	(28,290)
Depreciation of property, plant and equipment		**504**	2,231
Depreciation of right-of-use assets		**278**	–
Provision of impairment on non-financial assets		**4,327**	7,138
Fair value changes of financial assets at fair value through profit or loss		**(26,427)**	(8,609)
Loss/(gain) on disposal of investments in debt instruments measured at amortised cost		**334**	(1,549)
Reversal of expected credit losses on financial assets, net of provision		**(248)**	(268)
Gain on disposal of a subsidiary		**–**	(93)
Gain on disposal of associates		**(313)**	–
Finance cost		**134**	644
Decrease/(increase) in fair value of investment properties		**5,131**	(10,896)
Share of results of associates		**20**	231
Operating cash flows before movements in working capital		**(3,150)**	8,914
Decrease/(increase) in accounts and other receivables and deposits		**19,786**	(523)
Loans advanced to money lending customers		**–**	(42,057)
Repayments from money lending customers		**1,237**	56,042
Decrease in financial assets at fair value through profit or loss classified as current assets		**24,373**	13,819
(Increase)/decrease in bank trust accounts balances		**(15,124)**	691
Increase/(decrease) in accounts and other payables		**12,976**	(146)
Cash generated from operations		**40,098**	36,740
Income taxes paid		**(558)**	–
Net cash from Operating Activities		**39,540**	36,740

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	NOTES	2019 USD'000	2018 USD'000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(36)**	(32)
Purchase of financial assets at fair value through profit or loss classified as non-current assets		**(52,761)**	(40,820)
Purchase of financial assets at fair value through other comprehensive income		**–**	(21,087)
Purchase of investments in debt instruments measured at amortised cost		**(4,701)**	(38,898)
Proceeds from disposal of investments in debt instruments measured at amortised cost		**21,522**	42,691
Proceeds from disposal of financial assets at fair value through profit or loss		**2,000**	51,480
Proceeds from return of capital of financial assets at fair value through profit or loss		**8,861**	9,677
Proceeds from disposal of financial assets at fair value through other comprehensive income		**19,894**	–
Net proceeds from disposal of non-current asset classified as held for sale		**5,073**	–
Proceeds from disposal of property, plant and equipment through disposal of a subsidiary	32	**–**	12,148
Proceeds from disposal of associates		**957**	–
Net proceeds from disposal of subsidiaries	32	**–**	37,490
Acquisition of subsidiaries	31	**–**	(21,124)
Interest received		**26,848**	28,988
Receipt of deferred cash consideration in relation to disposal of mining business		**–**	1,703
Net cash from Investing Activities		**27,657**	62,216
FINANCING ACTIVITIES			
New other borrowings raised		**–**	28,070
Repayment of other borrowings		**(13,378)**	(14,696)
Repayments of leases liabilities		**(272)**	–
Interest expenses paid		**(216)**	(562)
Acquisition of additional interest in a subsidiary		**(5,352)**	–
Dividend paid to non-controlling shareholder		**–**	(447)
Net cash (used in)/from Financing Activities		**(19,218)**	12,365
Net increase in cash and cash equivalents		**47,979**	111,321
Cash and cash equivalents at beginning of the year		**887,070**	780,142
Effect of foreign exchange rate changes		**5,437**	(4,393)
Cash and cash equivalents at end of the year, represented by Bank Balances and Cash		**940,486**	887,070

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL

G-Resources Group Limited (the "Company") is an exempted company with limited liability incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"). The address of the registered office and principal place of business of the Company is disclosed in the Corporate Information of the annual report.

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 41.

The consolidated financial statements are presented in United States Dollars ("USD"), which is different from the Company's functional currency of Hong Kong Dollars ("HKD"). The management adopted USD as presentation currency as the management controls and monitors the performance and financial position of the Group based on USD. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

New and Amendments to Hong Kong Financial Reporting Standards that are mandatorily effective for the current year

In the current year, the Group has applied the following new Hong Kong Accounting Standards ("HKAS"s), Hong Kong Financial Reporting Standards ("HKFRS" s), amendments and an interpretation (hereinafter collectively referred to as "New and Revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time.

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

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

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

2.1 *Impacts and changes in accounting policies of application on HKFRS 16 Leases*

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

New and Amendments to Hong Kong Financial Reporting Standards that are mandatorily effective for the current year (continued)

2.1 *Impacts and changes in accounting policies of application on HKFRS 16 Leases* (continued)

As a lessee

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

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

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
iii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment; 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.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition.

The Group recognised lease liabilities of USD496,000 and right-of-use assets of USD496,000 at 1 January 2019.

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 weighted average incremental borrowing rate applied is 5.125%.

	At 1 January 2019 USD'000
Operating lease commitments disclosed as at 31 December 2018	**907**
Add: Early termination options reasonably certain not to be exercised	**170**
Less: Recognition exemption – short-term leases	**(558)**
	519
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at 1 January 2019	**496**
Analysed as	
Current	**271**
Non-current	**225**
	496

The carrying amount of right-to-use assets as at 1 January 2019 related to operating leases recognised upon application of HKFRS 16 was land and building of USD496,000.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

New and Amendments to Hong Kong Financial Reporting Standards that are mandatorily effective for the current year (continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (continued)

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 January 2019. The application has had no impact on the Group's consolidated statement of financial position at 1 January 2019. However, effective from 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

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 USD'000	Adjustments USD'000	Carrying amounts under HKFRS 16 at 1 January 2019 USD'000
NON-CURRENT ASSETS			
Right-of-use assets	–	496	496
CURRENT LIABILITIES			
Lease liabilities	–	271	271
NON-CURRENT LIABILITIES			
Lease liabilities	–	225	225

New and Revised Hong Kong Financial Reporting Standards in issue but not yet effective

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

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

New and Revised Hong Kong Financial Reporting Standards in issue but not yet effective (continued)

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

The directors of the Company anticipate that the application of New and Revised HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of *HKFRS 2 Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 (since 1 January 2019) or *HKAS 17 Leases* (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*.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

Profit or loss and each item of other comprehensive income ("OCI") are attributed to the owners of the Company and to the non-controlling interests.

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.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary 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.

Non-controlling interests in subsidiaries are presented separately from Group's equity therein, which represent present ownership interests and entitle their holdings to a proportionate share of the relevant subsidiary's net assets in the event of liquidation. The non-controlling interests are initially measured either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

Changes in the Group's interests in existing subsidiaries

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

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.

3. 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 and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

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

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

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

Revenue recognition

Revenue from financial services is recognised on the following basis:

- Commission and brokerage income from dealing in securities are recognised on a trade date basis;
- Underwriting commission income, sub-underwriting commission income, placing commission and sub-placing commission are recognised as income in accordance with the terms of the underwriting agreement or deal mandate when the relevant significant acts have been completed; and
- Advisory, clearing, handling and management fee income are recognised when the relevant transactions have been arranged or the relevant services have been rendered.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from interest income, dividend and distribution income

Interest income from a financial asset and from margin financing are recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend and distribution income from investments including financial assets at fair value through profit or loss ("FVTPL") are recognised when the shareholders' rights to receive payment have been established.

Business combinations

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

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with *HKAS 12 Income Taxes* and *HKAS 19 Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with *HKFRS 2 Share-based Payment* at the acquisition date as described in the accounting policy below;
- assets that are classified as held for sale in accordance with *HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

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

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

3. SIGNIFICANT ACCOUNTING 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, which is described in the accounting policy above, less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups 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 purpose 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 when 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 its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets of on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units). Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit or any of the cash-generating unit within 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.

The Group's policy for goodwill arising on the acquisition of an associate is described below.

Investments in associates

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates (continued)

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

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

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

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

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less any subsequent accumulated amortisation 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 cost).

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

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

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

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

Leases

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

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

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. 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 2)

Short-term leases and leases of low-value assets

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

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

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

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

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

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

Taxation

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.

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

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

Allocation of consideration to components of a contract

Effective on 1 January 2019, the Group applies *HKFRS 15 Revenue from Contracts with Customers* ("HKFRS 15") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

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

Sublease

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

The Group as lessor (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.

Rental income from operating lease is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Rental income which is derived from the Group's ordinary course of business is presented as revenue.

Leasehold land and building

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "right-of-use assets" (upon application of HKFRS 16) or "prepaid lease payments" (before application of HKFRS 16) in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as property, plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Effective 1 January 2019, investment properties also include leased properties which are being recognised as right-of-use assets upon application of HKFRS 16 and subleased by the Group under operating leases. Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the year in which they arise.

When an item of investment properties is transferred to owner-occupied property, the deemed cost of a property is its fair value at the date of change in use.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Effective 1 January 2019, a leased property which is recognised as a right-of-use asset upon application of HKFRS 16 is derecognised if the Group as intermediate lessor classifies the sublease as a finance lease. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Non-current asset held for sale

Non-current asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current asset classified as held for sale is measured at the lower of its previous carrying amount and fair value less costs to sell.

Foreign currencies

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. USD) at the rate of exchange prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in OCI and accumulated in equity (the exchange reserve), attributed to non-controlling interests as appropriate.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in OCI. Upon disposal of a foreign operation, the exchange reserve will be subsequently reclassified to profit or loss.

Borrowing costs

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

Retirement benefits scheme

The retirement benefits scheme contributions relating to the Mandatory Provident Fund Scheme for all employees in Hong Kong charged to profit and loss represent contributions payable to the schemes by the Group at rates specified in the rules of the schemes.

Short-term and other long-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.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before taxation' as reported in the consolidated statement of profit or loss 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 end of the reporting period.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax 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 investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

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

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value except for accounts receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15, if any. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets 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 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 and financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Interest income from a financial asset and from margin financing; and distribution and dividend income from financial products which are derived from the Group's ordinary course of business are presented as revenue.

Offsetting of financial instruments

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

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 hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset 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 collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset 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 OCI 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 future; 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 is required to be measured at amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

(i) Amortised cost and interest income

Interest income is recognised on an effective interest basis 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) Equity instruments designated as at FVTOCI

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

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

(iii) Financial assets at FVTPL

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

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

Impairment of financial assets under expected credit loss ("ECL") model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including accounts and other receivables, loans receivable, investments in debt instruments measured at amortised cost, bank trust accounts balances and bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The ECL on these assets are assessed individually for debtors with significant balances.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets under expected credit loss ("ECL") model (continued)

(i) *Significant increase in credit risk*

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

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

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

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

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

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

(ii) *Definition of default*

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets under expected credit loss ("ECL") model (continued)

(iii) *Credit-impaired financial assets*

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

- 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;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

(iv) *Write-off policy*

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) *Measurement and recognition of ECL*

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

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

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.

Financial liabilities and equity instruments

Classification on debt or equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Interest expense is recognised on an effective interest basis.

Financial liabilities

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

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 recorded at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition

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

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

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

Financial liabilities are derecognised only when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

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

Impairment on tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible 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 relevant asset is estimated in order to determine the extent of impairment loss (if any). The recoverable amount of tangible and intangible assets are estimated individually, when it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment on tangible and intangible assets other than goodwill (continued)

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

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

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to directors and employees of the Company

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

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting condition is expensed on a straight-line basis over the vesting period, based on the Group's estimate of share options that will eventually vest, with a corresponding increase in equity (share options reserve). For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on assessment of all relevant non-market vesting conditions. 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 estimate, with a corresponding adjustment to share options reserve.

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

Share options granted to suppliers/consultants

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

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an 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 judgments in applying accounting policies

The following is the critical judgment, 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.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in measuring the Group's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of investment properties as the Group is not subject to any income taxes on the fair value changes of the investment properties on disposal.

Key sources of estimation uncertainty

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

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating unit to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value, taking into account of other key assumptions including discount rate, future growth rate and expected gross margin. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows, a material impairment loss may arise.

As at 31 December 2019, the carrying amount of goodwill is USD17,972,000 (2018: USD17,972,000). Details of the recoverable amount calculation are disclosed in note 20.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Fair value measurements and valuation processes

Some of the Group's assets are measured at fair value for financial reporting purposes.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 and Level 2 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The fluctuation in the fair value of the assets and liabilities is reported and analysed periodically.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. The detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities are set out in note 34(c).

Impairment loss on loans receivable, accounts receivables from clients and investments in debt instruments measured at amortised cost

The management of the Group estimates the amount of loss allowance for loans receivable, accounts receivables from clients and investments in debt instruments measured at amortised cost based on the credit risk of respective financial assets. The loss allowance amount is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses.

The assessment of the credit risk of loans receivable, accounts receivables from clients and for investments in debt instruments measured at amortised cost involve high degree of estimation uncertainty as the management of the Group estimates the loss rates for debtors based on historical data adjusted by forward-looking information. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise accordingly. As at 31 December 2019, the net carrying amount of loans receivable, accounts receivables from clients and investments in debt instruments measured at amortised cost is nil, USD2,954,000 and USD108,011,000 (2018: USD1,185,000, USD11,227,000 and USD125,319,000), respectively.

Fair value of investment properties

Investment properties are carried in the consolidated statement of financial position at 31 December 2019 at their fair value of USD89,507,000 (2018: USD94,095,000). The fair value was based on valuation of these properties conducted by an independent firm of professional valuers using property valuation techniques which involve certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment properties and corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss.

5. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision makers, for the purpose of resource allocation and assessment of segment performance focuses on the nature of their operations and types of products and services provided. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments.

The Group has three (2018: three) operating business units which represent three (2018: three) operating segments, namely, principal investment business, financial services business and real property business.

(a) Segment revenue and results

An analysis of the Group's revenue and results by operating and reportable segment is as follows:

For the year ended 31 December 2019

	Principal investment business USD'000	**Financial services business USD'000**	**Real property business USD'000**	**Total USD'000**
Interest income	**15,190**	**458**	**–**	**15,648**
Dividend and distribution income	**6,930**	**–**	**–**	**6,930**
Fee and commission income	**–**	**2,288**	**–**	**2,288**
Rental income	**–**	**–**	**2,244**	**2,244**
Segment revenue	**22,120**	**2,746**	**2,244**	**27,110**
Segment results	**59,791**	**(2,541)**	**2,279**	**59,529**
Unallocated corporate expenses				**(6,579)**
Decrease in fair value of investment properties				**(5,131)**
Provision of impairment on non-financial assets				**(4,327)**
Profit before taxation				**43,492**

For the year ended 31 December 2018

	Principal investment business USD'000	Financial services business USD'000	Real property business USD'000	Total USD'000
Interest income	17,950	2,376	–	20,326
Dividend and distribution income	8,355	2,510	–	10,865
Fee and commission income	–	896	–	896
Rental income	–	–	2,186	2,186
Segment revenue	26,305	5,782	2,186	34,273
Segment results	47,315	1,466	2,186	50,967
Unallocated corporate income				3,311
Unallocated corporate expenses				(9,661)
Increase in fair value of investment properties				10,896
Provision of impairment on non-financial assets				(7,138)
Profit before taxation				48,375

5. SEGMENT INFORMATION (continued)

(a) Segment revenue and results (continued)

The accounting policies of the reporting segments are the same as the Group's accounting policies described in note 3. Segment results represent the profit or loss earned, generated or incurred by each segment without allocation of central administration costs, corporate income, decrease/increase in fair value of investment properties and provision of impairment on non-financial assets. This is the measure reported to the executive directors of the Company for the purposes of resources allocation and assessment of segment performance.

(b) Segment assets and liabilities

An analysis of the Group's assets and liabilities by operating and reportable segment is as follows:

At 31 December 2019

	Principal investment business USD'000	Financial services business USD'000	Real property business USD'000	Total USD'000
ASSETS				
Segment assets	1,258,298	184,163	89,700	1,532,161
Unallocated corporate assets				19,256
Total assets				1,551,417
LIABILITIES				
Segment liabilities	112	45,955	810	46,877
Liabilities relating to discontinued operation				9,839
Unallocated corporate liabilities				1,029
Total liabilities				57,745

At 31 December 2018

	Principal investment business USD'000	Financial services business USD'000	Real property business USD'000	Total USD'000
ASSETS				
Segment assets	1,279,917	100,502	94,310	1,474,729
Unallocated corporate assets				28,829
Total assets				1,503,558
LIABILITIES				
Segment liabilities	121	46,552	805	47,478
Liabilities relating to discontinued operation				9,839
Unallocated corporate liabilities				1,055
Total liabilities				58,372

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

- all assets are allocated to operating segment other than certain property, plant and equipment, other receivables and non-current asset classified as held for sale.
- all liabilities are allocated to operating segment other than certain other payables.

5. SEGMENT INFORMATION (continued)

(c) Other segment information

For the year ended 31 December 2019

	Principal investment business USD'000	Financial services business USD'000	Real property business USD'000	Unallocated USD'000	Total USD'000
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to non-current assets (Note)	–	57	–	8	65
Additions to financial assets at FVTPL	52,761	–	–	–	52,761
Additions to investments in debt instruments measured at amortised cost	4,701	–	–	–	4,701
Depreciation of property, plant and equipment	–	(26)	–	(478)	(504)
Depreciation of right-to-use assets	–	(278)	–	–	(278)
Finance cost	–	(134)	–	–	(134)
Share of results of associates	–	(20)	–	–	(20)
Fair value change of financial assets at FVTPL	26,427	–	–	–	26,427
Loss on disposal of investments in debt instruments measured at amortised cost	(334)	–	–	–	(334)
Interest income (including interest on bank deposits)	30,023	817	–	–	30,840

For the year ended 31 December 2018

	Principal investment business USD'000	Financial services business USD'000	Real property business USD'000	Unallocated USD'000	Total USD'000
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to non-current assets (Note)	–	19,745	–	5	19,750
Additions to financial assets at FVTPL	40,820	83	–	–	40,903
Additions to financial assets at FVTOCI	–	21,087	–	–	21,087
Additions to investments in debt instruments measured at amortised cost	38,898	–	–	–	38,898
Depreciation of property, plant and equipment	–	(15)	–	(2,216)	(2,231)
Finance cost	–	(644)	–	–	(644)
Share of results of associates	–	(231)	–	–	(231)
Fair value change of financial assets at FVTPL	8,605	4	–	–	8,609
Gain on disposal of investments in debt instruments measured at amortised cost	1,549	–	–	–	1,549
Interest income (including interest on bank deposits)	28,270	2,396	–	–	30,666

Note: Non-current assets excluded financial assets at FVTPL, financial assets at FVTOCI, investments in debt instruments measured at amortised cost, investments in perpetual notes at FVTPL, and other receivables and deposits.

5. SEGMENT INFORMATION (continued)

(d) Geographical information

The following table sets out (i) information about the geographical location of the Group's revenue from external customers, determined based on the location of financial products, the location of financial services business operated and location of properties in the case of rental income and (ii) information of the non-current assets by the geographical area in which the assets are located are detailed below:

	Segment revenue		Non-current assets excluding financial instruments	
	2019 USD'000	2018 USD'000	**2019 USD'000**	2018 USD'000
Singapore	**2,542**	3,760	**–**	–
Hong Kong	**16,970**	20,839	**127,691**	133,053
United States of America	**659**	643	**–**	–
Europe	**5,879**	5,423	**–**	–
Others	**1,060**	3,608	**–**	–
	27,110	34,273	**127,691**	133,053

Note: Non-current assets excluded financial assets at FVTPL, financial assets at FVTOCI, investments in debt instruments measured at amortised cost, investments in perpetual notes at FVTPL, and other receivables and deposits.

(e) Information about major customers

For the year ended 31 December 2019, no single customers contributed over 10% of the total revenue (2018: nil).

6. REVENUE

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

	2019 USD'000	2018 USD'000
Interest income from financial products	**5,335**	10,069
Interest income from money lending business	**7**	1,142
Interest income from margin financing	**451**	1,234
Interest income from financial institutions' term deposits	**9,855**	7,881
Interest income	**15,648**	20,326
Dividend and distribution income from financial products	**6,930**	10,865
Commission income and handling charges from financial services	**1,903**	896
Asset management fee income	**385**	–
Fee and commission income	**2,288**	896
Rental income	**2,244**	2,186
	27,110	34,273

The Group's performance obligations in contracts with customers in accordance with HKFRS 15 are set out below:

Fee and commission income

The Group provides financial services to customers which mainly include securities trading, underwriting, asset management and placing services. Such service income is recognised at a point in time when the performance obligation is satisfied.

7. FINANCE COST

	2019 USD'000	2018 USD'000
Interest expense on other borrowings	**116**	644
Interest expense on lease liabilities	**18**	–
Finance cost for the year	**134**	644

8. TAXATION

	2019 USD'000	2018 USD'000
Current tax – Hong Kong Profits Tax		
Charge for the year	**–**	96
(Over)/under-provision in prior year	**(6)**	14
Deferred tax	**–**	(64)
Taxation for the year	**(6)**	46

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

The taxation for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss as follows:

	2019 USD'000	2018 USD'000
Profit before taxation	**43,492**	48,375
Tax at Hong Kong Profits Tax rate of 16.5% (2018: 16.5%)	**7,176**	7,982
Tax effect of expenses not deductible for tax purpose	**2,060**	5,786
Tax effect of income not taxable for tax purpose	**(9,379)**	(15,407)
Tax effect of tax losses not recognised	**588**	1,676
Utilisation of tax losses previously not recognised	**(445)**	(5)
Tax effect of share of results of associates	**–**	–
(Over)/under-provision of tax in prior year	**(6)**	14
Taxation for the year	**(6)**	46

9. PROFIT FOR THE YEAR

	2019 USD'000	2018 USD'000
Profit for the year has been arrived at after charging/(crediting):		
Staff costs		
– Directors' emoluments	**922**	1,416
– Other staff costs	**5,119**	2,844
– Contributions to retirement benefits schemes, excluding directors	**264**	84
Total staff costs	**6,305**	4,344
Auditor's remuneration	**177**	199
Depreciation of property, plant and equipment	**504**	2,231
Depreciation of right-to-use assets	**278**	–
Operating lease payments in respect of office premises and warehouse	**–**	803
Provision of impairment on non-financial assets:		
– Assets held for sale	**4,327**	–
– Property, plant and equipment	**–**	5,159
– Goodwill	**–**	1,466
– Intangible assets	**–**	513
	4,327	7,138
Exchange loss/(gain), net, included in other loss/(gain)	**3,879**	(4,181)
Interest income, included in revenue and other income	**(30,840)**	(30,666)

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors' Emoluments

The emoluments paid or payable to each of the directors for the year were as follows:

For the year ended 31 December 2019

	Fees USD'000	Salaries and other emoluments USD'000	Discretionary bonus USD'000	Contributions to retirement benefits scheme USD'000	Allowances USD'000	Total USD'000
Executive directors: (Note b)						
Leung Oi Kin	–	237	172	2	–	411
Leung Wai Yiu, Malcoln (Note d)	–	237	172	2	–	411
Non-executive directors: (Note c)						
Li Zhongye, Cindy (Note g)	31	–	–	–	–	31
Independent non-executive directors: (Note c)						
Lo Wa Kei, Roy	31	–	–	–	–	31
Chen Gong	19	–	–	–	–	19
Martin Que Meideng	19	–	–	–	–	19
	100	474	344	4	–	922

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

(a) Directors' Emoluments (continued)

For the year ended 31 December 2018

	Fees USD'000	Salaries and other emoluments USD'000	Discretionary bonus USD'000	Contributions to retirement benefits scheme USD'000	Allowances USD'000	Total USD'000
Executive directors: (Note b)						
Chiu Tao (Note a)	–	–	–	–	–	–
Ma Xiao (Note f)	–	169	–	1	56	226
Wah Wang Kei, Jackie (Note e)	–	184	–	1	73	258
Leung Oi Kin	–	230	230	2	–	462
Leung Wai Yiu, Malcoln (Note d)	21	141	230	2	–	394
Non-executive directors: (Note c)						
Li Zhongye, Cindy (Note g)	7	–	–	–	–	7
Independent non-executive directors: (Note c)						
Lo Wa Kei, Roy	31	–	–	–	–	31
Chen Gong	19	–	–	–	–	19
Martin Que Meideng	19	–	–	–	–	19
	97	724	460	6	129	1,416

Notes:

(a) Mr Chiu Tao was the acting chief executive and retired on 15 June 2018. His emoluments disclosed above include those for services rendered by him as the chief executive.

(b) The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

(c) The independent non-executive directors' and non-executive directors' emoluments shown above were for their services as directors of the Company.

(d) Mr Leung Wai Yiu, Malcoln was appointed on 16 April 2018.

(e) Mr Wah Wang Kei, Jackie retired on 15 June 2018.

(f) Mr Ma Xiao resigned on 15 June 2018.

(g) Ms Li Zhongye, Cindy was appointed on 12 October 2018.

Bonuses which are discretionary are determined with reference to individual performance. Mr Chiu Tao suspended his salary with effect from October 2010. Mr Chiu Tao had not drawn any salary for the year ended 31 December 2018. No other director waived any emoluments in the year. The remuneration of directors is determined by the remuneration committee having regard to the performance of individuals and market trends.

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

(b) Employees' Emoluments

(i) Of the five individuals with the highest emoluments (excluding amounts paid or payable by way of commissions on sales generated by the employees concerned) in the Group, two (2018: four) were executive directors of the Company as at 31 December 2019. One of these executive directors in 2018 was an employee and subsequently appointed as director during the year ended 31 December 2018. The emoluments of the executive directors are included in the disclosures above. The other one (2018: nil) of the five individuals were the senior management. The emoluments of the individuals who were not directors of the Company (including that of the individual who was appointed as director during the year ended 31 December 2018) in respect of the period before he became a director, were as follows:

	2019 USD'000	2018 USD'000
Salaries and other benefits	**372**	565
Discretionary bonus	**107**	230
Retirement benefits scheme contributions	**4**	4
Compensation for the loss of office in connection with the management of the affairs of any member of the Group	**32**	–
	515	799

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
HKD1,000,001 (USD127,631) to HKD1,500,000 (USD191,446)	**3**	–
HKD2,500,001 (USD319,076) to HKD3,000,000 (USD382,891)	**–**	1
HKD3,500,001 (USD446,706) to HKD4,000,000 (USD510,552)	**–**	1
	3	2

(ii) The emoluments of senior management who are not directors of the Company were within the following bands:

	Number of Employees	
	2019	2018
HKD0 (USD0) to HKD500,000 (USD63,815)	**–**	2
HKD500,001 (USD63,815) to HKD1,000,000 (USD127,630)	**2**	2
HKD1,000,001 (USD127,631) to HKD1,500,000 (USD191,446)	**2**	–
HKD1,500,001 (USD191,446) to HKD2,000,000 (USD255,261)	**1**	–
	5	4

The senior management of the Group are solely determined by the directors. The senior management for 2019 are Clive Derek Conway Louis Rigby, John Lawrence Sigerson, Chan Chun Fung, Lau Yue Wah, Brian and Nguyen Gia Vinh, Patrick (2018: Clive Derek Conway Louis Rigby, John Lawrence Sigerson, Lau Yue Wah, Brian and Nguyen Gia Vinh, Patrick). For the year ended 31 December 2019, one (2018: none) of the senior management are included within the five individuals with the highest emoluments in the Group.

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

(c) Save as disclosed above, no emoluments have been paid by the Group to any directors or the five highest paid individuals as an inducement to join or upon joining the Group for the year ended 31 December 2019.

11. DIVIDEND

No dividend for the years ended 31 December 2018 and 2019 was declared, proposed, or paid for ordinary shareholders of the Company during the years of 2018 and 2019 and since the end of the reporting period.

12. EARNINGS PER SHARE

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

	2019 **USD'000**	2018 USD'000
Profit for the year attributable to owners of the Company, for the purposes of basic and diluted earnings per share	**43,566**	48,208

	Number of shares	
	2019	2018
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**27,048,844,786**	27,048,844,786

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings USD'000	Leasehold improvements USD'000	Furniture, fixtures and equipment USD'000	Aircraft USD'000	Vessel USD'000	Total USD'000
COST						
At 1 January 2018	18,732	832	428	26,288	18,212	64,492
Exchange realignments	(43)	(2)	(1)	(16)	(41)	(103)
Additions	–	–	32	–	–	32
Acquisition of subsidiaries (Note 31)	–	–	11	–	–	11
Disposal of subsidiaries (Note 32)	–	–	–	(26,272)	–	(26,272)
Transfer to non-current asset classified as held for sale (Note 24)	–	–	–	–	(18,171)	(18,171)
At 31 December 2018 and 1 January 2019	18,689	830	470	–	–	19,989
Exchange realignments	114	3	2	–	–	119
Additions	–	–	36	–	–	36
Disposal of a subsidiary	–	–	(23)	–	–	(23)
Written off	–	(262)	(338)	–	–	(600)
At 31 December 2019	18,803	571	147	–	–	19,521
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2018	249	309	344	14,059	1,367	16,328
Exchange realignments	–	(1)	(1)	(9)	1	(10)
Provided for the year	374	87	52	74	1,644	2,231
Disposal of subsidiaries (Note 32)	–	–	–	(14,124)	–	(14,124)
Impairment loss recognised in profit or loss	–	–	–	–	5,159	5,159
Transfer to non-current asset classified as held for sale (Note 24)	–	–	–	–	(8,171)	(8,171)
At 31 December 2018 and 1 January 2019	623	395	395	–	–	1,413
Exchange realignments	6	1	2	–	–	9
Provided for the year	374	85	45	–	–	504
Disposal of a subsidiary	–	–	(23)	–	–	(23)
Written off	–	(262)	(338)	–	–	(600)
At 31 December 2019	1,003	219	81	–	–	1,303
CARRYING VALUES						
At 31 December 2019	17,800	352	66	–	–	18,218
At 31 December 2018	18,066	435	75	–	–	18,576

13. PROPERTY, PLANT AND EQUIPMENT (continued)

The property, plant and equipment are depreciated on a straight-line basis after taking into account their estimated residual value, at the following rates per annum:

Buildings	2%
Leasehold improvements	10% to 20% or over the terms of the leases whichever is shorter
Furniture, fixtures and equipment	20% to 50%
Aircraft	7%
Vessel	9%

During the year ended 31 December 2018, the Group recognised an impairment loss in respect of vessel of USD5,159,000. The impairment loss represents the difference of carrying amount and the recoverable amount of the vessel. During the year ended 31 December 2018, the Group had a detailed plan to sell the vessel and expected the sale would be completed within 12 months after the end of the reporting period. Based on the information provided by agents and dealers, the Group determined that the recoverable amount was lower than the carrying value and an impairment loss of USD5,159,000 was recognised. The recoverable amount was determined based on the estimated net saleable amount of the vessel. Details are stated in note 24.

14. RIGHT-OF-USE ASSETS

	31 December 2019 USD'000	1 January 2019 USD'000
Leased properties		
Carrying amount	248	496

	2019 USD'000
Leased properties	
Depreciation charge	278
Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of HKFRS 16	700
Total cash outflow for leases	990
Additions to right-of-use assets	29

For both years, the Group leases various offices for its operations. Lease contracts are entered into for fixed term of one year to three years, but may have extension and termination options 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 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.

15. INVESTMENT PROPERTIES

The Group leases out various offices under operating leases with rentals payable monthly. The leases typically run for an initial period of two to three years, with unilateral rights to extend the lease beyond initial period held by lessees only. Majority of the lease contracts contain market review clauses in the event the lessee exercises the option to extend.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

At fair value	USD'000
At 1 January 2018	83,384
Fair value change during the year	10,896
Exchange realignments	(185)
At 31 December 2018 and 1 January 2019	94,095
Fair value change during the year	(5,131)
Exchange realignments	543
At 31 December 2019	89,507

The investment properties comprise commercial office units and car park spaces situated in a commercial building in Hong Kong. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The fair value of the Group's investment properties at 31 December 2019 has been arrived at on the basis of a valuation carried out by Valtech Valuation Advisory Limited, independent qualified professional valuers not connected to the Group.

Valtech Valuation Advisory Limited has appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair value was determined based on direct comparison method that reflects recent transaction prices for similar building, adjusted for differences in nature, timing and condition of the properties under review.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2018 and 2019 are as follows:

	Level 3 2019 USD'000	Level 3 2018 USD'000
Commercial office units in Hong Kong	**85,911**	90,559
Car parking spaces in Hong Kong	**3,596**	3,536
	89,507	94,095

For the investment properties categorised into Level 3 of the fair value hierarchy, the valuation method used is direct comparison method and the key inputs for valuation technique of the commercial office units in Hong Kong is price per square foot and the car parking spaces in Hong Kong is price per car parking space. The price per square foot is based on market direct comparable and adjustments are made taking into account of differences in other individual factors such as floor range and change in market environment for the timing differences of comparable transactions. The inputs applied range from HKD19,432 to HKD22,275 (2018: the range from HKD20,621 to HKD23,616) per square foot and HKD2,756,667 to HKD2,900,000 (2018: HKD2,727,500 to HKD2,866,667) per car park space. A slight increase in price per square foot and price per car parking space will increase significantly the fair value of commercial office units and car parking spaces respectively.

16. INVESTMENTS IN DEBT INSTRUMENTS MEASURED AT AMORTISED COST/FINANCIAL ASSETS AT FVTPL/FINANCIAL ASSETS AT FVTOCI/INVESTMENTS IN PERPETUAL NOTES AT FVTPL

	2019 USD'000	2018 USD'000
Investments in debt instruments measured at amortised cost		
Debt securities listed outside Hong Kong		
Fixed Rate Senior Notes (Notes a, b, c)	**76,067**	90,218
Floating Rate Senior Notes (Notes a, b, e)	**32,065**	35,434
Less: Expected credit losses (Note a)	**(121)**	(333)
	108,011	125,319
Less: Investments in debt instruments measured at amortised cost classified as current assets	**(11,447)**	(4,147)
Investments in debt instruments measured at amortised cost classified as non-current assets	**96,564**	121,172
Financial assets at FVTPL classified as non-current assets		
Unlisted securities		
Managed investment funds (Note f)	**–**	889
Unlisted security investments (Note g)	**223,135**	159,723
	223,135	160,612
Investments in perpetual notes at FVTPL		
Floating Rate Perpetual Notes, listed outside Hong Kong (Note d)	**58,471**	56,478
Financial assets at FVTOCI		
Hong Kong listed equity securities (Note h)	**–**	15,852
Financial assets at FVTPL classified as current assets		
Hong Kong listed equity securities (Note h)	**36,842**	57,189

Notes:

(a) The Group's investments in debt instruments measured at amortised cost mainly comprise instruments that have a low risk of default and the counterparties have a strong capacity to repay (e.g. financial instruments that are of investment grade or issuer with good credit history and capacity to repay etc). The details of the impairment assessment on investments in debt instruments measured at amortised cost with ECL model is disclosed in note 34(b).

(b) During the year ended 31 December 2019, three of the Fixed Rate Senior Notes matured, two of the Fixed Rate Senior Notes were sold and partially sold, one of the Fixed Rate Senior Notes and one of the Floating Rate Senior Notes were being called (2018: one of the Senior Notes was sold, two of the Senior Notes were redeemed and partially redeemed). The loss on disposal including redemption of investments in debt instruments measured at amortised cost was USD334,000 (2018: gain on disposal of USD1,236,000).

(c) Senior Notes held by the Group bear a fixed coupon interest rate of ranging from 2.375% to 7.5% (2018: from 2.375% to 8.5%) per annum and with maturity dates from 24 January 2020 to 13 November 2024 (2018: from 4 June 2019 to 13 November 2024).

16. INVESTMENTS IN DEBT INSTRUMENTS MEASURED AT AMORTISED COST/FINANCIAL ASSETS AT FVTPL/FINANCIAL ASSETS AT FVTOCI/INVESTMENTS IN PERPETUAL NOTES AT FVTPL (continued)

Notes: (continued)

(d) Perpetual Notes held by the Group bear a floating rate of interest ranging from 4.5% to 7.625% (2018: from 4.5% to 7.625%) per annum and are callable from 30 March 2021 to 16 May 2025 (2018: from 23 September 2019 to 16 May 2025). The interest rates are subject to change at reset day with reset rate ranging from 2.648% to 7.773% (2018: from 2.648% to 7.773%) plus mid-market swap rate or USD 5 years mid-swap rate or the prevailing yield for U.S. Treasury Securities at a constant maturity having a designated maturity of 5 years or 3 months USD LIBOR or semi-annual USD 5 years mid-swap rate. Given the market conditions in 2019, the Group has reconsidered the terms and conditions of the perpetual notes and reevaluated the measurement basis of these investments in perpetual notes, which were measured at amortised cost for the year ended 31 December 2018. The Group decided to change the measurement basis on these investments to the financial assets at FVTPL by considering the perpetual notes as equity securities in nature, which also present the performance of and reflect the investment strategy in these investments. Such a change did not have material impact on the consolidated financial statements. During the year ended 31 December 2019, one of the Perpetual Notes was being called (2018: one of the Perpetual Securities were sold).

(e) Senior Notes held by the Group bear a floating rate of ranging from 3.887% to 5% (2018: from 3.887% to 5%) per annum and with maturity dates from 10 August 2021 to 9 November 2047 (2018: from 10 August 2021 to 9 November 2047). The interest rate is subject to change at reset day with reset rate ranging from 1.400% to 3.472% (2018: from 1.400% to 3.472%) plus 3 months USD LIBOR or the prevailing yield for U.S. Treasury Securities at a constant maturity having a designated maturity of 5 years or USD 5 years mid-swap rate.

(f) As at 31 December 2018, the Group held one unlisted investment fund which is managed by a financial institution and invests in real estate properties. The fair value of the real estate properties is determined by the market transaction prices of similar properties of the relevant locations. During the year ended 31 December 2019, the unlisted investment fund was closed. The Group received a return of capital from the unlisted investments fund of USD889,000 (2018: nil) plus distribution of nil (2018: USD113,000). During the year ended 31 December 2018, three of the unlisted investment funds with carrying value amounting to USD45,209,000 were disposed of. During the year ended 31 December 2018, a decrease in fair value of USD2,009,000 (2019: nil) was recognised in the profit or loss.

(g) As at 31 December 2019, the unlisted security investments classified as financial assets at FVTPL include unlisted investment funds, an unlisted debt investment and an unlisted equity investment with carrying value of USD141,097,000, USD34,646,000 and USD47,392,000 (2018: USD129,723,000, nil and USD30,000,000), respectively. In accounting for the fair value measurement of the investment in unlisted investment funds, the management of the Group has determined that the reported net asset values of the unlisted investment funds provided by the general partners represented the fair values of the unlisted investment funds. The management of the Group valued the fair value of the investments held in the investment funds pursuant to the reported net asset values without adjustment. The general partners used methodology based on relevant comparable data whenever possible to quantify the adjustment from cost or latest financing price when adjustment is necessary, or to justify that cost or latest financing price is still a proper approximation of fair value of the underlying investments held by the investment funds in determining the net asset value. The factors to be considered in general partners' assessment may require the exercise of judgment. The underlying investments held by the investment funds were valued using transaction prices or latest finance price without adjustment.

In estimating the fair value of the unlisted debt investment and the unlisted equity investment, the Group engages an independent valuer to perform the valuation that is reviewed by the management of the Group. The independent valuer utilised the market approach and the valuation method used is the Enterprise Value Multiples Methodology, adjusted for consideration of discount for lack of marketability and applied equity allocation model (2018: valuation method used is the Enterprise Value Multiples Methodology, adjusted for consideration of discount for lack of marketability).

As at 31 December 2019, three (2018: one) out of these five (2018: four) unlisted security investments accounted for 95% (2018: 78%) of the aggregate carrying value, with the investment portfolio is focused in unlisted equity investments in technology, media and telecommunications industry and healthcare industry (2018: unlisted equity investments in technology, media and telecommunications industry).

16. INVESTMENTS IN DEBT INSTRUMENTS MEASURED AT AMORTISED COST/FINANCIAL ASSETS AT FVTPL/FINANCIAL ASSETS AT FVTOCI/INVESTMENTS IN PERPETUAL NOTES AT FVTPL (continued)

Notes: (continued)

(g) During the year ended 31 December 2019, an increase in fair value of USD18,622,000 (2018: USD18,186,000) was recognised in the profit or loss. During the year ended 31 December 2019, the Group received returns of capital of USD7,972,000 (2018: USD9,677,000) and plus distribution of USD929,000 (2018: USD5,798,000) from two (2018: three) of its unlisted securities investments. During the year ended 31 December 2018, six of the unlisted security investments of USD43,761,000 was disposed of.

(h) The fair value is determined based on the closing price per share quoted on the Hong Kong Stock Exchange and quoted market bid price as at the end of the respective reporting periods apart from the shares which were suspended from trading as described below.

The Hong Kong listed equity investments classified as FVTOCI amounting to USD15,852,000 as at 31 December 2018 represented ordinary shares of certain entities listed in Hong Kong. These investments were not held for trading, instead, they were held for long-term strategic purposes. The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

During the year ended 31 December 2019, the Hong Kong listed equity investments classified as FVTOCI were disposed of with, a consideration amounting to USD19,894,000 with which was also the fair value as at the date of disposal. The management of the Group was of the view that such investments (including their business development and management stability) were no longer in line with the Group's inceptive expectation and investment objective and decided to make such disposal. A cumulative loss on disposal of USD1,200,000 has been transferred to retained earnings.

As at 31 December 2019, the fair value of one of the financial assets at FVTPL, being shares suspended from trading, was estimated at nil (2018: USD7,138,000). As there was an absence of quoted prices for the shares which was suspended for trading, the fair value was determined by valuation conducted by an independent valuer. The fair value was estimated based on the latest publicly available financial information of the issuer including the unaudited net asset values of the investee group and applied asset-based approach determined by valuation conducted by an independent valuer. The independent valuer conducted researches and estimated the liquidation value of the investee group, taking into account the prolonged duration of the suspension from trading of shares. The fair value of the investee group is assessed as nil as at 31 December 2019. (2018: The fair value was estimated based on the last market bid price before suspension and adopted a discount for lack of marketability.)

17. ACCOUNTS AND OTHER RECEIVABLES AND DEPOSITS

	2019 USD'000	2018 USD'000
Accounts receivables from the business of dealing in securities:		
Clients (Note b)	**2,972**	11,229
Clearing house and brokers	**1,626**	3,232
Accounts receivables from the business of dealing in futures contracts:		
Clearing house and brokers	**512**	705
Accounts receivables (Note a)	**5,110**	15,166
Other receivables and deposits (Note d)	**8,125**	13,294
Less: Impairment allowance (Note c)	**(18)**	(2)
	13,217	28,458
Less: Other receivables and deposits classified as non-current assets	**(793)**	(789)
Accounts and other receivables classified as current assets	**12,424**	27,669

Notes:

(a) Accounts receivables from clearing house and certain clients from the business of dealing in securities is repayable on the settlement date, which is two business days after trade date, except for the remaining accounts receivables from the business of dealing in securities and futures contracts are repayable on demand. No ageing analysis is disclosed as, in the opinion of the directors of the Company, an ageing analysis does not give additional value in view of the nature of these businesses.

(b) Majority of the accounts receivables form clients are secured by clients' securities as collaterals with fair value of USD31,267,000 (2018: USD55,310,000). Significant portion of the collaterals are listed equity securities in Hong Kong. These receivables are mainly repayable on demand subsequent to settlement date and carry interest typically at 3% to 11.25% (2018: 1.875% to 12.25%) per annum as at 31 December 2019. The collateral held can be sold at the Group's discretion to settle any outstanding amount owed by customers. No ageing analysis is disclosed as, in the opinion of the directors of the Company, an ageing analysis does not give additional value in view of the nature of the business.

(c) Impairment assessment on accounts and other receivables with ECL model

As part of the Group's credit risk management, the Group applied internal credit rating for its customers and considers the fair value of its collateral. The Group assessed the ECL for accounts receivables form clients individually.

The Group held collateral of listed equity securities with a fair value of USD31,267,000 (2018: USD55,310,000) at the end of the reporting period in respect of accounts receivables from clients. No impairment allowance has been made for accounts receivables from clients with an aggregate outstanding balance of USD2,627,000 (2018: USD11,197,000) based on the Group's impairment assessment with ECL model. The details of the impairment assessment on accounts receivables with ECL model is disclosed in note 34(b).

(d) Included in other receivables and deposits are interest receivables and sundry deposits amounting to USD5,805,000 and USD1,210,000 (2018: USD1,347,000 and USD1,201,000), respectively. The details of the impairment assessment on other receivables with ECL model is disclosed in note 34(b).

18. INTERESTS IN ASSOCIATES

	2019 USD'000	2018 USD'000
Cost of investment in associates, unlisted	–	928
Share of post-acquisition results and other comprehensive expense	–	(264)
	–	664

The principal activities of the associates directly held by the Group are investment holding companies and their subsidiaries engaged in financial service business.

During the year ended 31 December 2019, the Group disposed of the entire interest in its associates to a third party for proceeds of USD957,000. This transaction has resulted in the recognition of a gain in profit or loss, calculated as follows:

	USD'000
Proceeds of disposal	957
Less: carrying amount investment on the date of disposal	(644)
Gain recognised	313

Aggregate information of associates that are not individually material

The summarised information below represents the aggregate amount of the Group's share of its interests in associates which are not individually material.

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

	2019 USD'000	2018 USD'000
The Group's share of loss and total comprehensive expense for the year	**(20)**	(231)
Aggregate carrying amount of the Group's interests in these associates	–	664

19. INTANGIBLE ASSETS

	Trading rights USD'000
COST	
At 1 January 2018	515
Arising on acquisition of subsidiaries (Note 31)	1,746
Exchange realignments	(2)
At 31 December 2018 and 1 January 2019	2,259
Exchange realignments	4
At 31 December 2019	2,263
ACCUMULATED AMORTISATION AND IMPAIRMENT	
At 1 January 2018	–
Impairment loss recognised in profit or loss	513
At 31 December 2018 and 1 January 2019	513
Exchange realignments	4
At 31 December 2019	517
CARRYING VALUES	
At 31 December 2019	1,746
At 31 December 2018	1,746

19. INTANGIBLE ASSETS (continued)

Trading rights confer a right to the Group to trade securities, options contracts and futures contracts on or through the Hong Kong Stock Exchange and the Hong Kong Futures Exchange Limited such that the Group can conduct the business of brokerage of securities and futures contracts, placing and underwriting services, margin financing, advisory, assets management and money lending.

Trading rights are considered by the directors of the Company as having indefinite useful life because there is no foreseeable limit on the period over which the trading right is expected to generate cash flows to the Group. Trading rights are not amortised until its useful life is determined to be finite. Instead, it is tested for impairment annually and whenever there is an indication that they may be impaired. For such purposes, trading right is allocated to two cash generating units ("CGU"s). The businesses of CGU 1 are brokerage of securities and futures contract, placing and underwriting services, margin financing. The businesses of CGU 2 are brokerage of securities and futures contract, placing and underwriting services, margin financing, asset management and money lending.

For the purposes of impairment testing, trading rights with indefinite useful lives have been allocated to the CGU 1 and CGU 2. The cost of trading rights as at 31 December 2018 and 2019 allocated to CGU 1 and CGU 2 are USD513,000 and USD1,746,000 respectively.

The recoverable amount of the CGUs has been determined based on a fair value less costs of disposal calculation. That calculation uses cash flow projections based on financial budgets approved by the management covering a five-year period, and discount rate of 12% (2018: 13.35% and 13.13% for CGU 1 and CGU 2, respectively) for CGU 2. The cash flows beyond the five-year period are extrapolated using a steady 3% (2018: 3%) growth rate for CGU 2 (2018: CGU 1 and CGU 2). This growth rate is based on past performance and the management's expectations for the market development. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted revenue and such estimation is based on the unit's past performance and the management's expectations for the market development.

Further details of the impairment testing on intangible assets with indefinite useful lives in CGU 2 are disclosed in note 20.

For CGU 1, during the year ended 31 December 2018, management of the Company is of the opinion that their previous expectation for market development including the fluctuation in the economic environment as at 31 December 2017 on the budgeted revenue need to be adjusted and the actual revenue has fallen below expectation, and therefore management has revised downward the cash flow forecast. During the year ended 31 December 2018, the Group recognised an impairment loss of USD513,000 in relation to intangible assets of CGU 1 as the carrying amount of CGU 1 exceeded its recoverable amount.

20. GOODWILL

	CGU 3 USD'000	CGU 2 USD'000	Total USD'000
COST			
At 1 January 2018	1,469	–	1,469
Arising on acquisition of subsidiaries (Note 31)	–	17,972	17,972
Exchange realignments	(3)	–	(3)
At 31 December 2018 and 1 January 2019	1,466	17,972	19,438
Exchange realignments	9	–	9
At 31 December 2019	1,475	17,972	19,447
ACCUMULATED IMPAIRMENT			
At 1 January 2018	–	–	–
Impairment loss recognised in profit or loss	1,466	–	1,466
At 31 December 2018	1,466	–	1,466
Exchange realignments	9	–	9
At 31 December 2019	1,475	–	1,475
CARRYING VALUES			
At 31 December 2019	–	17,972	17,972
At 31 December 2018	–	17,972	17,972

For the purposes of impairment testing, goodwill has been allocated to CGU 2 and CGU 3. The business of CGU 3 are brokerage of securities and futures contracts, placing and underwriting services, margin financing, advisory, asset management and money lending and the business of CGU 2 was disclosed in note 19.

For the purposes of impairment testing, the basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

The recoverable amounts of the CGUs have been determined based on fair value less costs of disposal calculations. The recoverable amounts were determined with the assistance of an independent professional qualified valuer not connected with the Group. That calculation uses cash flow projections based on financial budgets approved by the management covering a five-year period, and discount rate of 12% for CGU 2 (2018: 13.13% and 12.35% for CGU 2 and CGU 3, respectively). The cash flows beyond the five-year period are extrapolated using a steady 3% (2018: 3%) growth rate. This growth rate is based on past performance and the management's expectations for the market development. Other key assumptions for the fair value less costs of disposal calculations relate to the estimation of cash inflows/outflows which include budgeted revenue and such estimation is based on the unit's past performance and management's expectations for the market development including the fluctuation in the current economic environment.

During the year ended 31 December 2019 and 2018, the management assessed the carrying amount of CGU 2 approximate to its recoverable amount. No impairment loss for goodwill or intangible assets with indefinite useful lives of CGU 2 was recognised in profit or loss.

On this basis, management assessed that the carrying amounts of CGU 2 approximate to its recoverable amount. No impairment loss for goodwill of CGU 2 was recognised in profit or loss during the year ended 31 December 2019. The management believes that any reasonably possible change in any of these assumptions might not cause the carrying amount of the CGU to exceed the recoverable amount of the CGU.

For CGU 3, during the year ended 31 December 2018, the management of the Company determined that their previous expectations as at 31 December 2017 on the budgeted revenue needed to be adjusted and the actual revenue had fallen below expectations, and therefore management had revised downward the cash flow forecast. On this basis, management assessed that the carrying amount of CGU 3 was higher than its recoverable amount. The impairment loss of the CGU 3 was allocated to the goodwill in the CGU. Impairment loss in respect of goodwill of USD1,466,000 was recognised in profit or loss during the year ended 31 December 2018 which fully impaired the goodwill belonging to the CGU.

21. LOANS RECEIVABLE

	2019 **USD'000**	2018 USD'000
Fixed-rate loans receivable, current	–	1,237
Less: Expected credit losses	–	(52)
	–	1,185

As at 31 December 2018, the range of effective interest rate (which are fixed rates, also equal to contractual interest rates) on the Group's loans receivable is from 7.5% to 24.0% per annum. The contractual maturity date of the loans receivable ranges from six months to one year and are all denominated in HKD.

As at 31 December 2018, loans receivable with gross carrying amount of USD1,237,000 are unsecured.

As at 31 December 2018, included in the Group's loans receivable balance with gross carrying amount of USD63,000 which was past due as at the reporting date. The Group has provided for certain impairment loss for such loans receivables as at 31 December 2018 based on the ECL model under 12m ECL as there is no significant change in credit risk. The Group received USD63,000 subsequent to the date of reporting period. The details of the impairment assessment on other receivables with ECL model is disclosed in note 34(b).

22. BANK TRUST ACCOUNTS BALANCES

The Group maintains segregated trust accounts with licensed financial institutions to hold clients' monies arising from the business of dealing in securities and futures contracts. The Group has classified the clients' monies as cash held on behalf of customers under the current assets of the consolidated statement of financial position and recognised the corresponding accounts payables to respective clients on grounds that it is liable for any loss or misappropriation of clients' monies. The Group is not allowed to use the clients' monies to settle its own obligations.

23. BANK BALANCES AND CASH

Bank balances carry interest at market rates which range from 0.001% to 3.460% (2018: 0.001% to 3.410%) per annum.

24. NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE

During the year ended 31 December 2018, the management of the Group has a detailed plan to dispose of vessel under property, plant and equipment with carrying amount of USD10,000,000 and expected the disposal would be completed within 12 months after the end of the reporting period.

As at 31 December 2018, the Group had classified such vessel under property, plant and equipment as a non-current asset classified as held for sale which was separately presented in the consolidated statement of financial position.

During the year ended 31 December 2019, a further impairment loss of USD4,327,000 has been recognised in profit or loss. The vessel was subsequently disposed of at a consideration of USD6,000,000 to an independent third party. A sum of USD600,000 representing 10% of the sales price of the vessel is withheld by an escrow agent of the buyer for a period of twelve months from the date of completion of the transfer of the vessel. The amount is included in the other receivables as at 31 December 2019.

25. OTHER BORROWINGS

	2019 USD'000	2018 USD'000
Fixed-rate unsecured other borrowings at 7% per annum, repayable in full on 31 March 2019	**–**	13,381

26. LEASE LIABILITIES

	2019 USD'000
Lease liabilities payable:	
Within one year	**200**
Within a period of more than one year but not more than two years	**54**
	254
Less: Amount due for settlement within 12 months shown under current liabilities	**(200)**
Amount due for settlement after 12 months shown under non-current liabilities	**54**

27. ACCOUNTS AND OTHER PAYABLES

	2019 USD'000	2018 USD'000
Accounts payables from the business of dealing in securities:		
Clients	**43,478**	30,563
Brokers	**3**	–
Accounts payables from the business of dealing in futures contracts:		
Clients	**1,329**	1,371
Accounts payables (Note a)	**44,810**	31,934
Other payables (Note b)	**12,371**	12,279
	57,181	44,213

Notes:

(a) Accounts payables to clients mainly include money held in banks, brokers and clearing house on behalf of customers from the business of dealing in securities and futures contracts. The majority of the accounts payables from the business of dealing in securities and futures contracts are repayable on demand except for certain accounts payables from the business of dealing in securities are repayable on settlement date, which is two business days after trade date. No ageing analysis is disclosed for the accounts payables from the business of dealing in securities and futures contracts as, in the opinion of directors of the Company, the ageing analysis does not give additional value in view of the nature of these businesses.

(b) As at 31 December 2019, included in other payables are USD9,839,000 (2018: USD9,839,000) relating to the liabilities arising from the disposal of mining business during the year ended 31 December 2016.

28. DEFERRED TAX LIABILITIES

The following is the major deferred tax liabilities recognised and movements thereon during the current year and prior year:

	Fair value adjustment on intangible assets USD'000
At 1 January 2018	64
Arising from acquisition of subsidiaries (Note 31)	288
Credit to profit or loss	(64)
At 31 December 2018, 1 January 2019 and 31 December 2019	288

At the end of the reporting period, the Group has unused tax losses of USD112,645,000 (2018: USD111,778,000) available for offset against future profits. During the year ended 31 December 2018, there was an acquisition of subsidiaries with unused tax losses of USD39,390,000. No deferred tax asset has been recognised in respect of unused tax losses due to the unpredictability of future profits streams. The tax losses may be carried forward indefinitely.

29. SHARE CAPITAL

	Number of shares	Value USD'000
Authorised:		
Ordinary shares of HKD0.01 each		
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	60,000,000,000	76,923
Issued and fully paid:		
Ordinary shares of HKD0.01 each		
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	27,048,844,786	34,871

30. SHARE-BASED PAYMENT TRANSACTIONS

The Company adopted a share option scheme pursuant to a resolution passed by shareholders on 18 June 2014 (the "2014 Scheme") for a period of ten years, ending 17 June 2024, for the purpose of providing incentives or rewards to directors, employees, customers, suppliers, providers of research, development or technical support, shareholders and holders of securities of the Group and its invested entities, in which the Group holds not less than 10% equity interest ("Eligible Participants"). Under the 2014 Scheme, the Board of Directors may grant options to Eligible Participants to subscribe for shares in the Company. The Company revised the general scheme limit allowing the Company to issue options representing no more than 1,352,442,239 shares under the 2014 Scheme for the option incentive purpose of the Group and made certain amendments in relation to the scheme limit which have been approved at the annual general meeting of the Company held on 15 June 2018 ("Amendments to the 2014 Scheme").

30. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Upon the Amendments to the 2014 Scheme, the maximum number of shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under 2014 Scheme or any other share option scheme adopted by the Company must not in aggregate exceed 15% of its issued share capital from time to time. The total number of shares which may be issued upon exercise of all options to be granted under the 2014 Scheme and any other share option scheme of the Group must not in aggregate exceed 5% of the shares in issue unless it is approved by shareholders in a general meeting of the Company. The maximum number of shares issuable under the options to each eligible participant in any twelve-month period is limited to 0.5% of the shares in issue unless it is approved by shareholders in a general meeting of the Company. Any grant of options under the 2014 Scheme to a director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by independent non-executive directors (excluding any independent non-executive director who is the grantee of the options). Any share options granted to a substantial shareholder or an independent non-executive director of the Company or to any of their respective associates, in excess of 0.1% of the shares in issue and with an aggregate value (based on the closing price of the shares at the date of grant) in excess of HKD5,000,000 (approximately USD641,000), in any 12-month period, are subject to shareholders' approval in a general meeting of the Company.

No option was granted or outstanding during the years ended 31 December 2019 and 2018.

31. ACQUISITION OF SUBSIDIARIES/BUSINESS

On 20 July 2018, Empire Glaze Limited ("Purchaser"), an indirect wholly-owned subsidiary of the Company, the Company being the Purchaser's guarantor, Norfyork International Limited ("Vendor") and Hongkong Chinese Limited ("Vendor's Guarantor") entered into a sale and purchase agreement. Pursuant to which the Purchaser conditionally agreed to acquire and the Vendor conditionally agreed to sell the entire issued share capital of Funderstone Securities Holdings Limited (formerly known as Lippo Securities Holdings Limited) ("FSHL") at the consideration of approximately USD44,587,000, (equivalent to HKD348,665,101). This acquisition was completed on 11 December 2018 and has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was USD17,972,000. FSHL and its subsidiaries ("FSHL Group") are engaged in the financial services business. FSHL was acquired so as to expand the Group's financial services business.

	USD'000
Consideration transferred:	
Cash paid	44,587

The acquisition-related costs of the acquisition were insignificant.

	11 December 2018 USD'000
Assets acquired and liabilities recognised at the date of acquisition are as follows:	
Property, plant and equipment	11
Intangible assets	1,746
Accounts and other receivables and deposits	2,849
Bank trust accounts balances	27,752
Bank balances and cash	23,463
Accounts and other payables	(28,918)
Deferred tax liabilities	(288)
Net assets acquired	26,615

31. ACQUISITION OF SUBSIDIARIES/BUSINESS (continued)

	11 December 2018 USD'000
Goodwill arising on acquisition:	
Consideration transferred	44,587
Less: net assets acquired	(26,615)
Goodwill arising on acquisition	17,972
Net cash outflow arising on acquisition of FSHL Group:	
Cash consideration paid	(44,587)
Bank balances and cash acquired	23,463
	(21,124)

The fair value of accounts and other receivables and deposits at the date of acquisition amounted to USD2,849,000. The gross contractual amounts of those accounts and other receivables and deposits acquired amounted to USD11,113,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to USD8,264,000.

Goodwill arose in the acquisition of FSHL Group because the cost of the combination included a control premium. In addition, the consideration transferred for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of FSHL Group. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

During the year ended 31 December 2019, the management concluded that the fair value of net assets of FSHL Group at the date of acquisition was consistent with the original estimate.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

For the year ended 31 December 2018, included in the profit for the year, loss after taxation USD144,000 is attributable to the additional business generated by FSHL Group. Revenue for the year includes USD64,000 generated from FSHL Group.

Had the acquisition been completed on 1 January 2018, total group revenue for the year would have been USD36,383,000, and profit for the year would have been USD47,108,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2018, nor is it intended to be a projection of future results.

32. DISPOSALS OF SUBSIDIARIES

On 17 January 2018, the Group disposed of Prime Century Worldwide Limited ("Prime Century") which was the registered owner of an aircraft at a consideration of USD12,148,000.

On 11 September 2018, the Group disposed of Adair Ventures Limited, Golden Avenue Investments Limited and Westfield Global Investments Limited ("Investment companies") which held financial assets at FVTPL at an aggregate consideration of USD33,150,000.

On 19 September 2018, the Group disposed of Victoria Vale Holdings Limited ("Victoria Vale") which held a financial asset at FVTPL at a consideration of USD4,346,000.

32. DISPOSALS OF SUBSIDIARIES (continued)

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

	Prime Century USD'000	Investment companies USD'000	Victoria Vale USD'000
Analysis of assets and liabilities over which control was lost:			
Property, plant and equipment	12,148	–	–
Financial assets at FVTPL	–	33,144	4,346
Bank balances and cash	–	6	–
Net assets disposed of	12,148	33,150	4,346
Cumulative exchange differences	(93)	–	–
Gain on disposal	93	–	–
	12,148	33,150	4,346
Consideration received:			
Cash	12,148	33,150	4,346
Net cash inflow/(outflow) arising on disposal:			
Cash consideration received	12,148	33,150	4,346
Less: bank balances and cash disposed of	–	(6)	–
	12,148	33,144	4,346

33. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of equity attributable to owners of the Company, comprising issued share capital, reserves and retained earnings.

Certain subsidiaries of the Company are licensed with Securities and Futures Commission of Hong Kong ("SFC"). The Group's licensed subsidiaries are subject to liquid capital requirements under Securities and Futures (Financial Resources) Rules ("SF (FR) R") (Chapter 571N of the Laws of Hong Kong) adopted by the SFC. The management closely monitors, on a daily basis, the liquid capital level of those licensed subsidiaries to ensure compliance with the minimum liquid capital requirements under the SF (FR) R.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues, share buy-backs or raising of new debt.

34. FINANCIAL INSTRUMENTS

34a. Categories of financial instruments

	2019 USD'000	2018 USD'000
Financial assets		
Amortised cost	**1,104,719**	1,069,932
Financial assets at FVTPL	**318,448**	274,279
Financial assets at FVTOCI	**–**	15,852
Financial liabilities		
Amortised cost	**56,093**	56,597

34b. Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTPL, financial assets at FVTOCI, investments in debt instruments measured at amortised cost, investments in perpetual notes at FVTPL, accounts and other receivables and deposits, loans receivable, bank trust accounts balances, bank balances and cash, accounts and other payables, lease liabilities and other 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 manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate Senior Notes and lease liabilities; and cash flow interest rate risk in relation to bank balances and variable-rate Senior Notes.

The interest income is derived from the Group's current and fixed deposits that carry interest at the respective banking deposit rate of the banks located in Hong Kong. The Group's bank deposits (set out in note 23) carried interest at prevailing market rates.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for bank balances and variable-rate Senior Notes. The analysis is prepared assuming the financial instruments outstanding at the end of the period were outstanding for the whole year. A 50 basis points (2018: 50 basis points) increase or decrease is used for bank balances and variable-rate Senior Notes, and when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates respectively.

If interest rates had been 50 basis points (2018: 50 basis points) for bank balances and variable-rate Senior Notes higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2019 would increase/decrease by USD4,702,000 and USD160,000 (2018: increase/decrease by USD4,435,000 and USD177,000), respectively. This is mainly attributable to the Group's exposure to interest rates on its bank balances and variable-rate Senior Notes.

34. FINANCIAL INSTRUMENTS (continued)

34b. Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Other price risk

The Group is exposed to securities price risk through the Group's Hong Kong listed equity securities, unlisted security investments and variable rate Perpetual Notes which are measured at fair value. Management manages this exposure by maintaining a portfolio of investments with different risks. The Group's listed equity price risk is mainly concentrated in equity instruments quoted on the Hong Kong Stock Exchange for which quoted market bid price is available except for the shares which were suspended from trading, the fair value was estimated based on the latest public available financial information of the issuer including the unaudited net asset values of the investee group and applied asset-based approach determined by valuation conducted by an independent valuer. The independent valuer conducted researches and estimated the liquidation value of the investee group, taking into account the prolonged duration of the suspension from trading of shares (2018: The fair value of the shares which were suspended from trading was estimated based on the last market bid price before suspension and adopt a discount for lack of marketability). The unlisted security investments classified as financial assets at FVTPL include unlisted investment funds, an unlisted debt investment and an unlisted equity investment. The fair value measurement of the investment in unlisted investment funds, the management of the Group has determined that the reported net assets value of the unlisted investment funds provided by the general partners represented the fair value of the unlisted investment funds. The management of the Group valued the fair value of the investments held in the investment funds pursuant to the net asset values without adjustment. The general partners used methodology based on relevant comparable data whenever possible to quantify the adjustment from cost or latest financing price when adjustment if necessary, or to justify that cost or latest financing price is still a proper approximation of fair value of the underlying investments held by the investment funds in determining the net asset value. The factors to be considered in general partners' assessment may require the exercise of judgment. The underlying investments held by the investment funds were valued using transaction prices or latest financing price without adjustment. The fair value of the unlisted debt investment and unlisted equity investment is determined based on the valuation conducted by an independent valuer utilised the market approach and the valuation method by using the Enterprise Value Multiples Methodology, adjusted for consideration of discount for lack of marketability and with equity allocation method (2018: by using the Enterprise Value Multiples Methodology, adjusted for consideration of discount for lack of marketability). The fair value of variable rate Perpetual Notes is determined based on quoted price from the financial institutions supported by observable inputs. As at 31 December 2018, the fair value of unlisted managed investment funds for the real estate properties is determined by the market transaction prices of similar properties of the relevant locations.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to securities price risks at the reporting date.

If the prices of the respective securities had been 10% (2018: 10%) higher/lower, the Group's post-tax profit for the year ended 31 December 2019 would increase/decrease by USD31,237,000 (2018: USD26,484,000) as a result of the changes in fair value of Hong Kong listed equity securities, variable rate Perpetual Notes, unlisted managed investment funds and unlisted security investments under financial assets at FVTPL; and the Group's investment revaluation reserve as at 31 December 2018 would be increase/decrease by USD1,585,000 (2019: nil) as a result of the changes in fair value of Hong Kong listed equity securities under financial assets at FVTOCI.

34. FINANCIAL INSTRUMENTS (continued)

34b. Financial risk management objectives and policies (continued)

Market risk (continued)

(iii) Currency risk

Most of the Group's financial assets and liabilities are denominated in USD and HKD which are the same as the functional currency of the respective Group entities. In addition, the Group has certain financial assets and financial liabilities denominated in Australian Dollar ("AUD") and Chinese Yuan Renminbi ("CNY") and Pound sterling ("GBP").

In the opinion of the directors, USD are stable with HKD under the Linked Exchange Rate System, and accordingly, the Group does not have any significant foreign exchange risk in respect of transactions or balances as denominated in HKD. Accordingly, no sensitivity analysis is performed on HKD.

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

	2019 USD'000	2018 USD'000
Assets		
AUD	**879**	1,154
CNY	**759**	742
GBP	**1,163**	1,561
Liabilities		
AUD	**833**	1,115
CNY	**87**	42
GBP	**1,115**	1,544

The Group currently does not have a foreign exchange hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arises.

Sensitivity analysis

The Group's foreign currency risk is mainly concentrated on the fluctuation among AUD, CNY and GBP against USD. The following table details the Group's sensitivity to a 7% (2018: 7%) increase and decrease in the USD against the foreign currencies. 7% (2018: 7%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. As at 31 December 2019, a positive/(negative) number indicates and increase/decrease in profit before taxation for the year where the USD strengthens against the relevant foreign currencies. For a 7% (2018: 7%) weakening of the USD against the relevant foreign currencies, there would be an equal and opposite impact on profit before taxation.

	Profit before taxation	
	2019 USD'000	2018 USD'000
AUD	**(3)**	(3)
CNY	**(47)**	(49)
GBP	**(3)**	(1)
	(53)	(53)

34. FINANCIAL INSTRUMENTS (continued)

34b. Financial risk management objectives and policies (continued)

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to discharge their obligations in relation to each class of recognised financial assets excluding equity investments are the amounts stated in the consolidated statement of financial position. In order to minimise the credit risk, management of the Group has determined credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has concentrations of credit risk comprising deposits placed at a financial institution for the Group's bank balances of USD415,432,000 (2018: USD376,669,000), which represents approximately 44% (2018: 42%) of the Group's total bank balances and cash. Management considered the credit risk on such balances held at the financial institution and the credit risk are limited because the financial institution is with high credit rating.

Impairment assessment under ECL model

As at 31 December 2019, except for the credit risks associated with accounts receivables from clients from the business of dealing in securities, which are mitigated by the security over equity securities, the Group does not hold any collateral or other credit enhancements to cover the credit risks associated with other financial assets. Those carrying amounts are the best represent the Group's maximum exposure to credit risk. In the event of failure of the counterparties to discharge their obligation, the Group's maximum exposure to credit risk will be the financial loss of the carrying amount of the respective financial assets recognised in the consolidated statement of financial position.

Accounts receivables

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that followup action is taken to recover overdue debts. Before accepting any new client, the Group assesses the potential customer's credit quality and defines its credit limit. Credit limits attributed to client are reviewed regularly. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. In addition, the Group performs impairment assessment under ECL model on accounts balances individually.

The management performs periodic evaluations on clients to ensure the Group's exposure to bad debts is not significant. The experience in collection of accounts receivables from clients from the business of dealing in securities falls within the expectation of the directors. The management has continued to adopt business initiatives to enlarge the customer base of business of dealing in securities in order to reduce and also mitigate concentrations of credit risk.

The accounts receivables from clients from the business of dealing in securities have been reviewed by the management to assess impairment allowances which based on evaluation of collectability and on management's judgment, including the current creditworthiness and the past collection statistics of individual account and collateral held by the Group. ECL on accounts receivables amounting to USD18,000 (2018: USD2,000) was recognised as at 31 December 2019.

The credit risk for accounts receivables from clearing houses and brokers is considered as not material taking into account the good market reputations and high credit ratings of the counterparties.

34. FINANCIAL INSTRUMENTS (continued)

34b. Financial risk management objectives and policies (continued)

Impairment assessment under ECL model (continued)

Other receivables

In determining the ECL for other receivables, the management of the Group has taken into account the historical default experience, for example, the Group has considered the consistently low historical default rate in connection with payments as adjusted by forward-looking information, and concluded that credit risk inherent in the group's outstanding other receivables is insignificant.

Loans receivable

The Group has a policy for assessing the impairment on loans receivable on an individual basis. The ECL rates are estimated based on historical observed default rates and the credit quality classification and are adjusted for forward-looking information, including but not limited to the historical settlement patterns and financial status of each borrower.

In order to minimise the credit risk, the management of the Group has delegated a team to develop and maintain the Group's internal credit risk grading to categories exposures according to their degree of risk of default. Management uses publicly available financial information and the Group's own historical repayment records to rate its borrowers.

The Group's current credit risk grading framework comprises the following categories under the general approach:

Internal credit rating	Description	Loans receivable
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	12m ECL
Watch list	Borrowers frequently repays after due dates but usually settle after due date or extension of loan mutually agreed by the Group and borrower	12m 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
Loss	There is evidence indicating the asset is credit impaired	Lifetime ECL – credit impaired
Write-off	There is evidence indicating that the borrowers is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

In determining the ECL of the loans receivable, the Group will consider the change in the credit quality of the loans receivable, if any, from the date the loans initially granted up to the reporting date. This includes assessing the credit history of the borrowers, such as past experience of financial difficulties or default in payments, and current market conditions.

The Group is exposed to credit risk in respect of its loans receivable. As at 31 December 2018, the gross carrying amount of loans receivable was USD1,237,000. The Group had concentration of credit risk as 79% of the total loans receivable as at 31 December 2018 was due from one borrower. The Group seeks to maintain strict control over its outstanding loans receivable to minimise credit risk. The management has a credit policy in place and the exposures to the credit risk are monitored on an ongoing basis. Impairment allowances on outstanding loans receivable are determined by an evaluation of financial background, as well as financial condition of the borrower and the anticipated receipts for that individual loan, at the end of the reporting period.

34. FINANCIAL INSTRUMENTS (continued)

34b. Financial risk management objectives and policies (continued)

Impairment assessment under ECL model (continued)

Investments in debt instruments at amortised cost

The Group's investments in debt instruments at amortised cost mainly comprise instruments that have a low risk of default and the counterparties have a strong capacity to repay (e.g. financial instruments that are of investment grade or issuer with good credit history and capacity to repay etc). During the year ended 31 December 2019, the ECL on investments in debt instruments at amortised cost decreased by USD212,000 (2018: increased by USD333,000).

Bank balances and bank trust accounts balances

The management of the Group considers the bank balances and bank trust accounts balances that are deposited with the financial institutions with high credit rating to be low credit risk financial assets. The management of the Group considers the probability of default is negligible on the basis of high credit rating issuers, accordingly, no loss allowance was recognised.

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Notes	ECL Model	**Gross carrying amount 2019 USD'000**	**Loss allowance 2019 USD'000**	Gross carrying amount 2018 USD'000	Loss allowance 2018 USD'000
Financial assets at amortised cost						
Investments in debt instruments measured at amortised cost	16	12m ECL	**108,132**	**121**	125,652	333
Loans receivable	21	12m ECL	**–**	**–**	1,237	52
Accounts receivables	17	12m ECL	**5,110**	**18**	15,166	2
Other receivables	17	12m ECL	**6,915**	**–**	12,852	–
Bank trust accounts balances	22	12m ECL	**43,467**	**–**	28,342	–
Bank balances and cash	23	12m ECL	**940,486**	**–**	887,070	–

The following table shows reconciliation of loss allowances that have been recognised for investments in debt instruments measured at amortised cost, loans receivable and accounts receivables.

	12m ECL for investments in debt instruments measured at amortised cost USD'000	12m ECL for loans receivable USD'000	12m ECL for accounts receivables USD'000	Total USD'000
At 1 January 2018	121	536	–	657
Impairment allowance recognised/ (reversed)	212	(482)	2	(268)
Exchange realignment	–	(2)	–	(2)
At 31 December 2018 and 1 January 2019	333	52	2	387
Impairment allowance (reversed)/ recognised	(212)	(52)	16	(248)
At 31 December 2019	121	–	18	139

34. FINANCIAL INSTRUMENTS (continued)

34b. Financial risk management objectives and policies (continued)

Impairment assessment under ECL model (continued)

During the year ended 31 December 2019 and 2018, there is no impairment allowance for other receivables, bank trust accounts balances and bank balances. As at 31 December 2019, impairment allowances of USD121,000, nil and USD18,000 (2018: USD333,000, USD52,000 and USD2,000) were made for investments in debt instruments at amortised cost, loans receivable and accounts receivables, respectively.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the operations of the Group and to maintain a balance between continuity of funding and flexibility through the use of borrowings.

The following tables detail the remaining contractual maturity for the non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Liquidity tables

	Weighted average effective interest rate	On demand or less than 1 month USD'000	1–3 months USD'000	3 months to 1 year USD'000	More than 1 year USD'000	Total undiscounted cash flow USD'000	Carrying amount USD'000
At 31 December 2019							
Non-derivative financial liabilities							
Accounts and other payables	–	55,839	–	–	–	55,839	55,839
Lease liabilities	5.125%	25	52	130	54	261	254
		55,864	52	130	54	56,100	56,093
At 31 December 2018							
Non-derivative financial liabilities							
Accounts and other payables	–	43,216	–	–	–	43,216	43,216
Other borrowings	7%	–	13,612	–	–	13,612	13,381
		43,216	13,612	–	–	56,828	56,597

34. FINANCIAL INSTRUMENTS (continued)

34c. Fair value measurements of financial instruments

The fair value of financial assets are measured at fair value on a recurring basis:

- the fair value of Hong Kong listed equity securities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices; except for the shares which were suspended from trading, the fair value was estimated based on latest public available financial information of the issuer including the unaudited net asset values of the investee group and applied asset-based approach determined by valuation conducted by an independent valuer (2018: The fair value was estimated based on the last market bid price before suspension and adopt a discount for lack of marketability) more details are stated in note 16;
- the fair value of variable rate Perpetual Notes is determined based on the quoted price from the financial institution supported by observable inputs; and
- the fair value of unlisted managed investment funds and unlisted other security investment is based on fair value of quoted prices in the open market or observable prices or using valuation techniques, more details are stated in note 16.

The fair value of financial assets and financial liabilities are not measured at fair value on a recurring basis:

- the fair value of other financial assets and financial liabilities (excluding financial assets at FVTPL and financial assets at FVTOCI) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

34. FINANCIAL INSTRUMENTS (continued)

34c. Fair value measurements of financial instruments (continued)

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

There is no transfer among Level 1, 2 and 3 during the year. The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the input to the fair value measurements are observable and the significance of the inputs to the fair value measurement:

		Level 1 USD'000	Level 2 USD'000	Level 3 USD'000	Total USD'000
At 31 December 2019					
Financial assets					
Unlisted other security investments (classified as financial assets at FVTPL)	(Note a)	**–**	**–**	**223,135**	**223,135**
Hong Kong listed equity securities (classified as financial assets at FVTPL)	(Note b)	**36,842**	**–**	**–**	**36,842**
Variable rate Perpetual Notes (classified as investments in perpetual notes at FVTPL)	(Note c)	**–**	**58,471**	**–**	**58,471**
		36,842	**58,471**	**223,135**	**318,448**
At 31 December 2018					
Financial assets					
Unlisted managed investment fund (classified as financial assets at FVTPL)	(Note a)	–	889	–	889
Unlisted other security investments (classified as financial assets at FVTPL)	(Note a)	–	–	159,723	159,723
Hong Kong listed equity securities (classified as financial assets at FVTOCI)	(Note b)	15,852	–	–	15,852
Hong Kong listed equity securities (classified as financial assets at FVTPL)	(Note b)	50,051	–	7,138	57,189
Variable rate Perpetual Notes (classified as investments in perpetual notes at FVTPL)	(Note c)	–	56,478	–	56,478
		65,903	57,367	166,861	290,131

34. FINANCIAL INSTRUMENTS (continued)

34c. Fair value measurements of financial instruments (continued)

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

Notes:

(a) As at 31 December 2019, the fair value of unlisted security investments classified as financial assets at FVTPL include unlisted investment funds, an unlisted debt investment and an unlisted equity investment. In accounting for the fair value measurement of the investment in unlisted investment funds, the management of the Group has determined that the reported net asset value of unlisted investment funds provided by the general partners represent the fair value of the unlisted investment funds. The management of the Group valued the fair value of the investments held in the investment funds pursuant to the net asset values without adjustment. The general partners used methodology based on relevant comparable data whenever possible to quantify the adjustment from cost or latest financing price when adjustment if necessary, or to justify that cost or latest financing price is still a proper approximately of fair value of the underlying investments held by the investment funds in determining the net asset value. The factors to be considered in general partners' assessment may require the exercise of the judgment. The underlying investments held by the investment funds were valued using transaction prices or latest financing price without adjustment. The higher the latest financing price, the higher the fair value of the unlisted investment funds. The fair value of the unlisted debt investment and the unlisted equity investment is determined based on the valuation conducted by an independent valuer utilised the market approach and the valuation method by using the Enterprise Value Multiples Methodology, adjusted for consideration of discount of lack of marketability with equity allocation method (2018: by using the Enterprise Value Multiples Methodology, adjusted for consideration of discount of lack of marketability). The lower the discount rate, the higher the fair value of the unlisted debt investment and the unlisted equity investment. As at 31 December 2018, the fair value of the unlisted managed investment fund classified as financial assets at FVTPL was determined based on the market transaction prices of the similar properties of the relevant location of the real estate property held by the investment fund. The higher the market price of the properties, the higher the fair value of the unlisted managed investment fund.

The details of the valuation techniques and key inputs are set out in note 16 to the consolidated financial statements.

(b) The fair value of Hong Kong listed equity securities included in financial assets at FVTPL (2018: financial assets at FVTOCI and financial assets at FVTPL) with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices; except for the shares which were suspended from trading, the fair value was estimated based on the latest public available financial information of the issuer including the unaudited net asset values of the investee group and applied asset-based approach determined by valuation conducted by an independent value (2018: the fair value was estimated based on the last market bid price before suspension and adopted a discount for lack of marketability. The lower the discount for lack of marketability, the higher the fair value).

(c) The fair value of variable rate Perpetual Notes included in investments in perpetual notes at FVTPL is determined based on the quoted price from the financial institutions supported by observable inputs.

34. FINANCIAL INSTRUMENTS (continued)

34c. Fair value measurements of financial instruments (continued)

Reconciliation of Level 3 fair value measurements of financial asset

	Unlisted other security investments (classified as financial assets at FVTPL) USD'000	Hong Kong listed equity securities (classified as financial assets at FVTPL) USD'000
At 1 January 2018	92,001	12,610
Purchases	40,252	–
Return on capital	(7,973)	–
Gain/(loss) recognised in		
– profit or loss	35,443	(5,440)
– OCI (Note)	–	(32)
At 31 December 2018 and 1 January 2019	159,723	7,138
Purchases	52,762	–
Return on capital	(7,972)	–
Gain/(loss) recognised in		
– profit or loss	18,622	(7,137)
– OCI (Note)	–	(1)
At 31 December 2019	223,135	–

Note: The gain or loss included in OCI for the year related to the Hong Kong listed equity securities which were suspended from trading held at the end of the reporting period and are reported as changes of "exchange reserve".

34d. Financial assets and financial liabilities offsetting

The disclosures set out in the tables below include financial assets and financial liabilities that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments that are either:

- offset in the Group's consolidated statement of financial position; or
- not offset in the Group's consolidated statement of financial position as the offsetting criteria are not met.

Under the agreement of continuous net settlement made between the Group and Hong Kong Securities Clearing Company Limited ("HKSCC") and brokers, the Group has a legally enforceable right to set off the money obligations receivable and payable with HKSCC and the Group intends to settle these balances on a net basis.

In addition, the Group has a legally enforceable right to set off the accounts receivable and payable with its same retail customers in the Group's brokerage business ("brokerage clients") that are due to be settled on the same date with reference to the settlement method set by the HKSCC and the Group intends to settle these balances on a net basis.

34. FINANCIAL INSTRUMENTS (continued)

34d. Financial assets and financial liabilities offsetting (continued)

Except for balances which are due to be settled on the same date which are being offset, amounts due from/to HKSCC, brokers and brokerage clients that are not to be settled on the same date, financial collateral including cash and securities received by the Group and deposits placed with HKSCC and brokers do not meet the criteria for offsetting in the consolidated statement of financial position since the right of set-off of the recognised amounts is only enforceable following an event of default.

	Gross amounts of recognised financial assets after impairment USD'000	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position USD'000	Net amounts of financial assets presented in the consolidated statement of financial position USD'000	Related amounts not offset in the consolidated statement of financial position		Net amount USD'000
				Financial instruments USD'000	Collateral received USD'000	
As at 31 December 2019						
Accounts receivable from the business of dealing in securities	**6,860**	**(2,280)**	**4,580**	**–**	**(2,954)**	**1,626**
As at 31 December 2018						
Accounts receivable from the business of dealing in securities	16,461	(2,002)	14,459	–	(11,215)	3,244

	Gross amounts of recognised financial liabilities USD'000	Gross amounts of recognised financial assets set off in the consolidated statement of financial position USD'000	Net amounts of financial liabilities presented in the consolidated statement of financial position USD'000	Related amounts not offset in the consolidated statement of financial position		Net amount USD'000
				Financial instruments USD'000	Collateral received USD'000	
As at 31 December 2019						
Accounts payable from the business of dealing in securities	**45,761**	**(2,280)**	**43,481**	**–**	**–**	**43,481**
As at 31 December 2018						
Accounts payable from the business of dealing in securities	32,565	(2,002)	30,563	–	–	30,563

The gross amounts of the recognised financial assets and financial liabilities and their net amounts as presented in the Group's consolidated statement of financial position, both of which have been disclosed in the above tables, are measured as accounts receivable from, or payable to brokerage clients and clearing house and brokers at amortised cost.

35. OPERATING LEASES

The Group as lessee

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

	2018 USD'000
Within one year	748
In the second to fifth year inclusive	159
	907

Operating lease payments represented rentals payables by the Group for certain of its office premises. Leases are negotiated for terms ranging from one to three years.

The Group as lessor

During the year ended 31 December 2018, the Group had property rental income and sub-lease income of approximately USD2,186,000 and USD3,000, respectively.

Minimum lease payments receivable on leases are as follows:

	2019 **USD'000**
Within one year	**1,817**
In the second year	**1,384**
	3,201

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

	2018 USD'000
Within one year	2,108
In the second to fifth year inclusive	3,181
	5,289

36. OTHER COMMITMENTS

At the end of the reporting period, the Group had the following other commitments:

	2019 **USD'000**	2018 USD'000
Other commitments contracted for but not provided for in the consolidated financial statements in respect of capital contribution in unlisted security investments which are recognised as financial assets at FVTPL	**109,945**	120,814

37. RELATED PARTY DISCLOSURES

Key management personnel compensation

Emoluments to directors (being the key management personnel compensation) are disclosed in note 10(a).

38. RETIREMENT BENEFITS SCHEMES

The Group participates in a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all its employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. Under the rules of MPF Scheme, the employer and its employees are each required to make contributions to MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to MPF Scheme is to make the required contributions under the MPF Scheme. No forfeited contributions are available to reduce the contributions payable in future years.

During the year ended 31 December 2019, the total amount contributed by the Group to the MPF Scheme charged to the consolidated statement of profit or loss was USD268,000 (2018: USD90,000).

39. 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 flow will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Other borrowings USD'000	Other payables USD'000	Dividend payables USD'000	Lease liabilities USD'000	Total USD'000
At 1 January 2018	–	–	–	–	–
Net financing cash inflows/(outflows)	13,374	(562)	(447)	–	12,365
Dividends declared to non-controlling shareholder	–	–	447	–	447
Interest expenses	–	644	–	–	644
Exchange realignments	7	–	–	–	7
At 31 December 2018	13,381	82	–	–	13,463
Adjustment upon application of HKFRS 16	–	–	–	496	496
At 1 January 2019 (restated)	13,381	82	–	496	13,959
Financing cash outflows	(13,378)	(198)	–	(290)	(13,866)
New leases entered/lease modified	–	–	–	29	29
Interest expenses	–	116	–	18	134
Exchange realignments	(3)	–	–	1	(2)
At 31 December 2019	–	–	–	254	254

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2019 USD'000	2018 USD'000
NON-CURRENT ASSETS			
Property, plant and equipment		**7**	18
Investments in subsidiaries		**–**	–
		7	18
CURRENT ASSETS			
Other receivables		**407**	386
Amounts due from subsidiaries		**1,256,270**	1,205,256
Bank balances and cash		**101,864**	168,122
		1,358,541	1,373,764
CURRENT LIABILITIES			
Other payables		**915**	1,047
Amounts due to subsidiaries		**10,648**	17,385
		11,563	18,432
NET CURRENT ASSETS		**1,346,978**	1,355,332
		1,346,985	1,355,350
CAPITAL AND RESERVES			
Share capital		**34,871**	34,871
Reserves	a	**1,312,114**	1,320,479
Total equity		**1,346,985**	1,355,350

The statement of financial position of the Company was approved and authorised for issue by the Board of Directors on 27 March 2020 and is signed on its behalf by:

Leung Oi Kin *Director*	**Leung Wai Yiu, Malcoln** *Director*

Note:

(a) Reserves

	Share premium USD'000	Capital redemption reserve USD'000	Contribution surplus USD'000	Exchange reserve USD'000	Retained earnings USD'000	Total USD'000
At 1 January 2018	1,023,183	212	23,618	(6,737)	258,189	1,298,465
Profit for the year	–	–	–	–	27,620	27,620
Exchange realignment	–	–	–	(5,606)	–	(5,606)
Total comprehensive (expense)/income for the year	–	–	–	(5,606)	27,620	22,014
At 31 December 2018 and 1 January 2019	1,023,183	212	23,618	(12,343)	285,809	1,320,479
Loss for the year	–	–	–	–	(16,538)	(16,538)
Exchange realignment	–	–	–	8,173	–	8,173
Total comprehensive income/(expense) for the year	–	–	–	8,173	(16,538)	(8,365)
At 31 December 2019	1,023,183	212	23,618	(4,170)	269,271	1,312,114

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

The contributed surplus of the Company includes (i) the difference between the consolidated shareholders' funds of the subsidiaries at the date at which they were acquired by the Company, and the nominal amount of the Company's shares issued for the acquisition at the time of the group reorganisation prior to the listing of the Company's shares in 1994; (ii) the surplus arising from the group reorganisation in 1998; and (iii) the surplus arising from capital reorganisation in June 2009.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

The reserve available for distribution to shareholders at 31 December 2019 is USD292,889,000 (2018: USD309,427,000).

41. PRINCIPAL SUBSIDIARIES

General information of subsidiaries

Particulars of the principal subsidiaries at 31 December 2019 and 31 December 2018 are as follows:

Name of subsidiary	Place of incorporation/ operation	Class of shares	Paid up issued/ registered capital	Proportion of ownership interest held by the Company				Proportion of voting power held by the Company				Principal activities
				Directly		Indirectly		Directly		Indirectly		
				31.12.2019	31.12.2018	**31.12.2019**	31.12.2018	**31.12.2019**	31.12.2018	**31.12.2019**	31.12.2018	
				%	%	**%**	%	**%**	%	**%**	%	
ABNER HOLDINGS LIMITED	British Virgin Islands/ Hong Kong	Ordinary	USD1	**–**	–	**100**	100	**–**	–	**100**	100	Real property
ABUNDANT IDEA LIMITED	British Virgin Islands/ Hong Kong	Ordinary	USD1	**–**	–	**100**	100	**–**	–	**100**	100	Real property
ACE EMPEROR LIMITED	British Virgin Islands/ Hong Kong	Ordinary	USD1	**–**	–	**100**	100	**–**	–	**100**	100	Real property
CLASSIC IDEA INVESTMENTS LIMITED	British Virgin Islands	Ordinary	USD1	**–**	–	**100**	100	**–**	–	**100**	100	Fund investment
Enhanced Finance Limited	Hong Kong	Ordinary	HKD19,300,000	**–**	–	**100**	75	**–**	–	**100**	75	Money lending
Enhanced Investment Management Limited	Hong Kong	Ordinary	HKD739,170	**–**	–	**100**	75	**–**	–	**100**	75	Asset management services and advising on securities
Enhanced Securities Limited	Hong Kong	Ordinary	HKD450,000,000	**–**	–	**100**	75	**–**	–	**100**	75	Dealing in securities and futures contracts, provision of securities margin financing and advising on corporate finance
Funderstone Asset Management (HK) Limited	Hong Kong	Ordinary	HKD400,000	**–**	–	**100**	100	**–**	–	**100**	100	Provision of fund management services
Funderstone Finance Limited	Hong Kong	Ordinary	HKD5,000,000	**–**	–	**100**	100	**–**	–	**100**	100	Money lending
Funderstone Futures Limited	Hong Kong	Ordinary	USD2,000,000	**–**	–	**100**	100	**–**	–	**100**	100	Dealing in futures contracts, advising on futures contracts and asset management

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

41. PRINCIPAL SUBSIDIARIES (continued)

General information of subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operation	Class of shares	Paid up issued/ registered capital	Proportion of ownership interest held by the Company				Proportion of voting power held by the Company				Principal activities
				Directly		Indirectly		Directly		Indirectly		
				31.12.2019 %	31.12.2018 %	31.12.2019 %	31.12.2018 %	31.12.2019 %	31.12.2018 %	31.12.2019 %	31.12.2018 %	
Funderstone Securities Limited	Hong Kong	Ordinary	HKD500,000,000	–	–	100	100	–	–	100	100	Dealing in securities, provision of securities margin financing and advising on securities and corporate finance, and asset management
Funderstone Securities (Nominees) Limited	Hong Kong	Ordinary	HKD10,000	–	–	100	100	–	–	100	100	Provision of trust and company services
GLOBAL ACCESS DEVELOPMENT LIMITED	Hong Kong	Ordinary	HKD1	–	–	100	100	–	–	100	100	Money lending
PRIME CLASSIC HOLDINGS LIMITED	British Virgin Islands	Ordinary	USD1	–	–	100	100	–	–	100	100	Securities investment
RAVI GLOBAL LIMITED	British Virgin Islands/ Hong Kong	Ordinary	USD1	–	–	100	100	–	–	100	100	Securities investment
SMART BLEND LIMITED	British Virgin Islands	Ordinary	USD1	–	–	100	100	–	–	100	100	Fund investment
TOP CONCEPT GLOBAL LIMITED	British Virgin Islands	Ordinary	USD1	–	–	100	100	–	–	100	100	Fund investment
WELL ADVANTAGE GLOBAL LIMITED	British Virgin Islands	Ordinary	USD1	–	–	100	100	–	–	100	100	Fund investment
WIN GENIUS INVESTMENTS LIMITED	Hong Kong	Ordinary	HKD1	–	–	100	100	–	–	100	100	Securities investment

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

None of the subsidiaries of the Group had any debt securities outstanding at the end of the reporting period or at any time during the year.

During the year, the Group acquired the remaining 25% of the equity interests in Enhanced Financial Services Group Limited ("Enhanced Financial") at the consideration of HKD42,000,000 (equivalent to USD5,352,000). After completion, the shareholding of the Group in Enhanced Financial increased from 75% to 100% and Enhanced Financial became an indirect wholly-owned subsidiary of the Company. The non-controlling interests of USD5,489,000 had been offset with the consideration and USD137,000 was transferred to retained earnings.

As at 31 December 2018, the directors of the Company are of the option that none of the Group's subsidiaries that have non-controlling interests are material to the consolidated financial statements as a whole, therefore, the financial information in respect of those subsidiaries that have non-controlling interests are not presented.

42. EVENT AFTER THE REPORTING PERIOD

Since January 2020, the outbreak of Novel Coronavirus ("COVID-19") has impact on the global business environment. Up to the date of these financial results, COVID-19 has not resulted in material impact to the Group. Pending on the development and spread of COVID-19 subsequent to the date of these financial results, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of these financial results. The Group will keep continuous attention on the situation of the COVID-19 and react actively to its impact on the financial position and operating results of the Group.

FIVE-YEAR FINANCIAL SUMMARY

(a) RESULTS

For the year ended 31 December

	2015 USD'000	2016 USD'000	2017 USD'000	2018 USD'000	**2019 USD'000**
Revenue					
– Continuing operations	11,613	29,985	30,123	34,273	**27,110**
– Discontinued operation	391,468	78,270	–	–	**–**
	403,081	108,255	30,123	34,273	**27,110**
Profit before taxation	5,104	10,235	32,536	48,375	**43,492**
Taxation	–	3	(374)	(46)	**6**
Profit for the year from discontinued operation	56,204	118,566	–	–	**–**
Profit for the year	61,308	128,804	32,162	48,329	**43,498**
Profit for the year attributable to:					
Owners of the Company	59,423	127,938	31,249	48,208	**43,566**
Non-controlling interests	1,885	866	913	121	**(68)**
	61,308	128,804	32,162	48,329	**43,498**

(b) ASSETS AND LIABILITIES

As at 31 December

	2015 USD'000	2016 USD'000	2017 USD'000	2018 USD'000	**2019 USD'000**
Total assets	1,370,174	1,374,871	1,405,591	1,503,558	**1,551,417**
Total liabilities	(118,833)	(13,240)	(15,933)	(58,372)	**(57,745)**
	1,251,341	1,361,631	1,389,658	1,445,186	**1,493,672**
Equity attributable to owners of the Company	1,228,240	1,356,462	1,383,618	1,440,931	**1,493,672**
Non-controlling interests	23,101	5,169	6,040	4,255	**–**
	1,251,341	1,361,631	1,389,658	1,445,186	**1,493,672**

G-Resources Group Limited
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