中國通海國際金融有限公司
CHINA TONGHAI INTERNATIONAL FINANCIAL LIMITED

(Incorporated in Bermuda with limited liability) (於百慕達註冊成立之有限公司)

Stock Code 股份代號：00952

Your Growth Partner

與你邁向成功的夥伴

2019

Annual Report

年報

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Corporate Information

BOARD OF DIRECTORS

Mr. HAN Xiaosheng *Chairman*
Mr. ZHANG Bo *Deputy Chairman*
Mr. ZHANG Xifang
Mr. FENG Henian
Mr. LIU Hongwei
Mr. Kenneth LAM Kin Hing
Chief Executive Officer
Mr. Bernard POULIOT^
Mr. LIU Bing^
Mr. ZHAO Yingwei^
Mr. ZHAO Xiaoxia^
Mr. Roy LO Wa Kei#
Mr. KONG Aiguo#
Mr. LIU Jipeng#
Mr. HE Xuehui#
Mr. HUANG Yajun#

^ Non-executive Director
 # Independent Non-executive Director

EXECUTIVE COMMITTEE

Chairman:	Mr. ZHANG Bo
Vice-Chairman:	Mr. Kenneth LAM Kin Hing
Members:	Mr. HAN Xiaosheng
	Mr. ZHANG Xifang
	Mr. FENG Henian
	Mr. LIU Hongwei

AUDIT COMMITTEE

Chairman:	Mr. Roy LO Wa Kei
Members:	Mr. KONG Aiguo
	Mr. LIU Jipeng
	Mr. HE Xuehui
	Mr. HUANG Yajun

REMUNERATION COMMITTEE

Chairman:	Mr. KONG Aiguo
Members:	Mr. LIU Jipeng
	Mr. HE Xuehui
	Mr. HUANG Yajun

COMPANY SECRETARY

Ms. Hortense CHEUNG Ho Sze

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

18th and 19th Floors
China Building
29 Queen's Road Central
Hong Kong

AUDITOR

KPMG
Certified Public Accountants
and Public Interest Entity
Auditor registered in accordance with the
Financial Reporting Council Ordinance

HONG KONG LEGAL ADVISER

Howse Williams

BERMUDA LEGAL ADVISER

Conyers Dill & Pearman

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
China Minsheng Banking Corp., Ltd.
Hong Kong Branch
Chong Hing Bank Limited
Dah Sing Bank, Limited
Fubon Bank (Hong Kong) Limited
Shanghai Commercial Bank Limited
Standard Chartered Bank (Hong Kong) Limited
The Bank of East Asia, Limited
Nanyang Commercial Bank, Limited

STOCK CODE

00952

WEBSITE OF TONGHAI FINANCIAL GROUP

www.tonghaifinancial.com

INVESTOR RELATIONS

Tel: (852) 2217–2888
Fax: (852) 3905–8731
Email: ir@tonghaifinancial.com

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors, I would like to present to you the annual report of China Tonghai International Financial Limited ("the Group") for the year ended 31 December 2019. The year of 2019 is a year of turbulence, the Group recorded a significant decrease in net profit to HK$5.35 million for 2019 as compared with the net profit of HK$100 million in 2018). In spite of the business of the Group was severely hit by the volatility in the market, I still wish to thank all the staff for their concerted efforts in pursuit of our "client-first" philosophy and professionalism in the past year.

The year of 2019 marked the 70th anniversary of the founding of People's Republic of China, which is currently the second largest economy in the world and an important role it played due to its rapid economic development in the international arena. Rooted in Hong Kong, backed by Mainland China, and connected with the world, the Group looks forward to march its way towards extending the mutual benefits among Hong Kong, Mainland China and the world, helping clients to capture investment opportunities to reach their goals through the financial market.

In the past year, the financial market in Hong Kong encountered significant challenges presented by the macro-environment including the U.S.-China trade war, Brexit, sluggish global economic growth and local social events, which led to higher market volatility. The Group has taken precautionary and prudent policies for adjusting its strategies in a timely manner to minimise the impact on its revenue and profit, as well as continuously increasing its intrinsic value and social influence for the stable development of the Group. However, the global economic conditions and markets were quite unpredictable, which had a significant impact to the businesses of the Group.

Our business segments had been actively developed in 2019, we focused on further deepening and extending our existing operations, yet, the businesses of the Group was negatively affected in the severe market condition. Meanwhile, we strived to deepen business interaction with Oceanwide Holdings Co., Ltd., which is our parent company, and the non-listed groups of our controlling shareholders to explore business opportunities. In addition, we actively strengthened risk control measures, maintained the Group's gearing ratio at a low level, and adopted a more cautious approach to the approval of new margin loan. We also stepped up our marketing efforts to enhance the Group's brand recognition. In respect of team building, the Group has been recruiting high-calibre candidates in the market and optimising personnel structure. In addition, the Group organises corporate social activities regularly to facilitate communication between employees and management, for enhancing staff loyalty and cultivating a sense of corporate belonging.

It is worth mentioning that the Group received various awards in 2019, including the "Listed Company Award of Excellence 2019" (Main Board) by Hong Kong Economic Journal for two consecutive years and the "Corporate Governance Award" — The "Listed Enterprise Excellence Awards 2019" by Capital Weekly in recognition of its outstanding performance and corporate governance strategic planning over the past year. Subsidiaries of the Group have reached new heights of excellence in financial services, sweeping two accolades at "Financial Services Awards of Excellence 2019" by the Hong Kong Economic Journal. China Tonghai Asset Management Limited scooped "the Awards of Excellence — Asset Management" while China Tonghai Securities Limited garnered "the Awards of Excellence — Diversified Securities Management". China Tonghai Capital Limited, which is a subsidiary of the Group, also won the 2019 "Best Privatisation" from The Asset Triple A Country Awards. The widely recognised achievements of the Group in various aspects underlined its strong capabilities.

Looking ahead, clearer policies on the active development of the "Guangdong-Hong Kong-Macao Greater Bay Area" and the "Belt and Road Initiative" are expected to attract more governments, Chinese private enterprises, Chinese state-owned enterprises and foreign banks to enter and to list in the Hong Kong market. The Group will be offered more opportunities by playing an active role in providing and matching financial services. However, the ongoing Novel Coronavirus pandemic outbreak around the globe which led to a drag down in global market, the lingering local social events, the unresolved conflicts between the U.S. and China after the phase one trade agreement having come into force, the United States presidential election to be held in this year end and the negotiations on future relations between the United Kingdom and the European Union following Brexit usher in uncertainties about the future economic environment. As such, the Group will strive to strike a balance between development and stability as we grow and at the same time remain cautiously optimistic.

In 2020, the Group will continue to adhere to its brand philosophy and corporate spirit of being "Your Growth Partner", and offer clients premier one-stop financial services with the aim of becoming an industry-leading financial company while continuing to actively contribute to the community. All of our employees are ready to sail through wind and waves, and are committed to driving high-quality development.

On behalf of the Board, I would like to express my gratitude to all employees for their hard work in the past year. We hope that the pandemic will soon come to the end whereas Hong Kong and the world resume back to normal times. In spite of the fluctuation of external circumstances, in the future, we will endeavor to shape the Group into a sustainable and admirable listed enterprise and resume growth, so as to empower the Group to bring higher returns for shareholders, potential investors, clients, business partners and employees, and benefit our society in creating a brighter future.

Yours truly,
HAN Xiaosheng
Chairman

Hong Kong, 20 April 2020

Chief Executive Officer's Review

Dear Shareholders,

In our last year's annual report we have described the year of 2018 as a year of turbulence. Its effects would also spillover in a few more years to come. Putting it into the context of 2019, we probably have to go even further to say it has been the year of the Perfect Storm. As the external effects in the world economic scenes continued including the tightening of China's fiscal policy, and the U.S.-China trade war, we also had the social movements in Hong Kong causing disruptions to the daily lives of ordinary people. There were days that our BCP: Business Contingency Plan, has been triggered where staff had to work off-site while we carried on our daily routine, especially the Equity and Futures Trading business. During the noted period, the Consumer and Tourism business were among the sectors that had been affected most. And as for the financial services sector, particularly concerning Tonghai, many of the cross border deals in Mergers and Acquisitions (M&A) & Initial Public Offerings (IPO) have been delayed. The buildup of assets under our Wealth Management business have also been hit with the trend of the shifting of the domicile to Singapore. Other effects on the rest of the business lines have yet to be concluded.

Business performance for our Tonghai in 2019 has been moderate. Overall turnover has increased by 16%. A large part of it are the initiatives of our Structured Finance business, reflecting a revenue stream increased from HK$209 million in 2018 to HK$341 million in 2019. While this adds momentum to our relatively pro-active business lines, cost of risks control and interests also created an expense which increased from under HK$59 million, to HK$108 million in 2019.

Our net profit for 2019 has faced a drop from previous HK$100 million to HK$5.35 million which came largely from the mark down of funds that we have seeded and some investment in securities and loans we carried on books. Another major expenditure item which recorded a significant increase is the staff cost which went up by almost 30%. The reasons are partly due to the accounting provision of the direct costs, and the staff that we have hired in preparation for future business developments.

While there was optimism we took to at the start of 2019, and as positive as we always are, things that had happened during the year, hence its impact before the recovery, and those added factors that emerged towards the end of 2019, which is COVID-19, our strategy in 2020 needs a lot more delineation over the various sectors that our Tonghai is operating in. And indeed it will have to be a very careful calculated strategy: to continue our business growth with expanding geographical and product coverage, but with strict cost control.

For the growth in coverage, while we are facing the many uncertainties in the coming year, one strategy that we would take is to focus on the improvement of our economy of scale with lower costs. Our coverage, taking a safer bet, is still the major China Market.

Our Oceanwide Group, perhaps is among the few Private Chinese Enterprises to have owned the vital infrastructural financial services operations in China. Apart from banking affiliations, our holding companies owns directly or indirectly MinSheng Securities, MinSheng Trust, Asia Pacific Insurance and MinSheng Wealth. These affiliations should now enable the stage II development and translate acquaintances into recurring transactions. By that, we would focus beyond Corporate Finance and M&A deals but also in the Securities Broking, Wealth & Asset Management businesses.

Discussions have started with the Oceanwide Group, and different formats have been looked into. Major subjects include branding alignment albeit preliminary, research sharing, customers referral and risks control. Emphasis has also been put onto Business Policy on common management philosophy.

For costs, the factors that we now need to consider, given we are still in the aftermath of the U.S.-China Trade War, the business disruptions created from the social events and the latest occurrence of COVID-19 can only become more severe. Many of the variables that we included in our business planning need to be reexamined. This would include the business consequences of the slow down because of travelling restrictions, the disruption in the global supply chain as a result from the shutdown of manufacturing in China, the sources of capital which people would now conserve. All of these would lead to our revised sales budget, hence the resources including costs to be allocated. No doubt we would still remain alert to the choice of investing for the future, and the control in those spending to upkeep the Return on Investment (ROI).

For our Tonghai in 2020, stating the obvious would be to stay healthy, keeping our company healthy, and still make the positive difference while moving forward.

Kenneth LAM Kin Hing
Chief Executive Officer

Management Discussion and Analysis

i) Macro Environment

Despite the worrying factors displayed around global financial markets in 2019, including U.S.-China trade dispute, Brexit and U.S. interest rate trend, the performance of the global stock markets in 2019 was outstanding in the last decade. The stock markets of the U.S., Brazil and Germany rose by more than 20% in 2019. During the first half of the year, the yield on the benchmark 10-year U.S. Treasury Note broke below the 3-month yield. The inversion of the U.S. Treasury yield curve perceives a U.S. economic recession and has triggered fear and panic in the global financial markets. With the alarm of inverted Treasury yield curve, the U.S. Federal Reserve has lowered the Fed fund rates and implemented policies for expanding its balance sheet. The Federal Reserve had reduced the interest rate three times in 2019, by 0.25% each time, first year ever since the 2008 financial tsunami and resulted in easing the market's panic sentiment. Thereafter, China and the U.S. agreed to resume trade negotiations and then reached the "Phase One Trade Agreement" by the end of 2019, leading to significant improvement on the investor sentiment around the world in the fourth quarter.

The Novel Coronavirus has been spreading across the world since the beginning of 2020. Under the threat of the outbreak of Novel Coronavirus, all economic fields are exposed to certain degree of impact, and it was expected that the economy as a whole might slow down significantly in the first half of the year. While fighting the Novel Coronavirus pandemic, governments and central banks of different countries have cut interest rates and implemented stimulus measures to tackle the economic impact of the outbreak. In particular, the U.S. Federal Reserve has cut rates by 0.5% and 1% in just the first two weeks of March 2020 and restarted quantitative easing measures. Facing the huge global and local challenges, the Hong Kong Monetary Authority has also followed correspondingly and lowered the Base Rate according to its pre-set formula. However, the Organisation for Economic Co-operation and Development (OECD) has warned that the outbreak of Novel Coronavirus will drag the global economy into the deepest recession since the 2008 financial tsunami. It would be difficult to determine the duration of the public health crisis as a result of this outbreak. Despite of the challenges, we are fully confident to the prospects of China and Hong Kong, and we believe Hong Kong's economy will swiftly recover once the pandemic alleviates.

ii) Hong Kong Market Review

The Hong Kong stock market had been volatile in 2019, seeing the surge and ease of the Hang Sang Index. With the resumption of U.S.-China trade negotiations, the market surged from January and returned to the level of 30,000 points in April, reaching the highest of 30,280 points in the year. However, the U.S.-China trade negotiations were on the edge of collapse afterwards, dragging the Hang Seng Index to fall until August at the low of 24,899 points, erasing all the gains since the beginning of the year. Thereafter, China and the U.S. resumed trade negotiations, central banks around the world restarted accommodative monetary policies, Alibaba had its secondary listing in Hong Kong at the end of November, and the atmosphere of the local social events had eased, leading to a gradual improvement in the confidence of the capital market. As a result, the market picked up towards the end of the year 2019, with the Hang Seng Index 2,344 points (9%) higher year-on-year and the Hang Seng China Enterprises Index 1,044 points (10%) higher year-on-year.

As at the end of 2019, Hong Kong stock market has a total of 2,449 listed companies comprising 2,071 Main Board counters and 378 GEM counters. In 2019, 183 companies were newly listed[#], and the total market capitalization of the Hong Kong stock market increased to HK$38.2 trillion, representing an increase of HK$8.3 trillion (28%) as compared to HK$29.9 trillion as at the end of 2018.

comprising companies on the Main Board and the GEM (the number of listed companies that were transferred from the GEM to the Main Board is included)

iii) Results and Overview

The Group experienced a difficult year in 2019. Facing the shortage of overseas capital for Chinese companies, the sustained U.S.-China trade war, the tightened requirements of the Securities and Futures Commission of Hong Kong ("SFC") on margin financing and the social events in Hong Kong during the second half of the year, licensed financial institutions in Hong Kong were operating in a significantly adverse environment in 2019, and there is no exception for the Group.

The Group recorded revenue of HK$779 million for 2019, as compared to HK$672 million for 2018, representing a year-on-year increase of 16%. Profit before tax for 2019 was HK$3.61 million, as compared to HK$110 million for 2018, representing a year-on-year decrease of 97%. Net profit for 2019 was around HK$5.35 million, as compared to HK$100 million for 2018, representing a year-on-year decrease of 95%. The Group does not recommend the payment of any final dividend for 2019 (2018: Nil).

Excluding the impact of certain material one-off or fair value changes items (the Group presented adjusted data as the impact of those items would distort the year-on-year comparison on the recurring business of the Group), the Group's adjusted revenue for 2019 was HK$723 million, as compared to HK$690 million for 2018 on the same basis, representing a year-on-year increase of 5%. Adjusted profit before tax for 2019 was around HK$96 million, as compared to HK$199 million for 2018 on the same basis, representing a year-on-year decrease of 52%. The changes were mainly attributable to the listing of a private equity investment of the Group in the U.S. stock market in December 2019. Its value as reflected by the share price at the end of last year were below our investment cost for more than HK$100 million.

Adjusted results	**2019** **HK$'000**	2018 HK$'000
Adjusted revenue	**722,857**	689,844
Other income/(loss)	**(2,275)**	23,261
Adjusted total expenses	**(624,859)**	(513,856)
Adjusted profit before tax	**95,723**	199,249

The adjusted items are as follows:

1) Impairment loss for the publicly offered bonds of China Energy Reserve invested by the Group (historical investment cost amounted to US$14 million): The Group invested in the one-year bond of China Energy Reserve with a face value of US$15 million in 2017. There was event of default for China Energy Reserve in the first half of 2018, and the Company disposed face value of US$1 million in the second half of 2018. As at the end of 2018 and 2019, there was debt restructuring but had not been validly approved by relevant creditors. As such, the Company made a provision equal to approximately 68% of the bonds, with a face value of US$14 million held as at the end of 2018 (technically accounted for at amortised cost according to the HKFRSs), and made a 95% provision in 2019. Thus, in respect of the adjustment to expenses in the table above, the Group reduced HK$28.53 million in 2019 and HK$71.93 million in 2018 to the bonds of China Energy Reserve.

2) Fair value adjustment of the Group's investment in the H shares of Haitong Securities (6837.HK) according to the closing price: The Group invested approximately HK$390 million in the H shares of Haitong Securities in the first half of 2018, and the Group held them all until the end of 2018. In 2019, the Group seized the market opportunity to dispose of part of its holding at a profit, and realised gains were recorded in 2019. The market price of such H shares was volatile in 2018 and 2019, the Group accounted for such shares at the closing price at the end of two consecutive years, resulting in a material impact to the Group's profit or loss, which was unrelated to the actual operation trend. The Group considers it as a medium-to-long-term investment, and the actual operating results should not be misrepresented by fluctuations in the stock price of such shares. Thus, in respect of the adjustment to revenue in the table above, the Group reduced HK$83.63 million in 2019 and increased HK$92.02 million in 2018 for investment on the H share of Haitong Securities.

3) Revaluation gain or loss in the seed funding investment of a private equity fund: To support the project of our own private equity fund, the Group invested in a private equity fund managed by our asset management team at a cost of approximately HK$157 million (US$20 million) in 2018. The underlying assets then comprised several high-quality unlisted enterprises. The Company engaged an independent valuer to value the investment and accounted for it at the fair value in accordance with the HKFRSs. As the fair value of an unlisted enterprise could fluctuate considerably, despite the fact that the increase/decrease in fair value was reflected in the books, the asset could not be realised immediately. It is uncertain whether such increase/decrease in fair value could be attained in future financial years. Thus, in respect of the adjustment to revenue in the table above, the Group increased HK$27.05 million in 2019 and reduced HK$74.49 million in 2018 for those valuation of unlisted investees in the fund.

4) Specific provision for other loan to a listed Chinese property developer: The principal amount of such other loan was approximately HK$180 million (HK$193 million with accrued interest), and the Group made a provision equal to approximately 65% of the carrying amount in aggregate in an amount of approximately HK$125 million in 2019 (2018: no specific provision). At the beginning of 2019, such property developer went into a state of credit default. The Group is in negotiation with all creditors on debt restructuring, and no definitive plan has been made at the moment. Thus, in respect of the adjustment to expenses in the table above, the Group further reduced HK$120 million for the loan to the listed Chinese property developer in 2019, whereas no adjustment was made in 2018.

The Group had held special general meetings in the past to approve the Group's on-going transactions with connected parties. Although the actual amount used was below the approved limit, it represented a significant portion of net assets. To let readers understand the proportions of revenue from continuing connected transactions in various segments, the Company presents the relevant data in the following table (those continuing connected transactions were approved by the special general meetings held on 20 November 2017 and 11 October 2019):

Analysis of Continuing Connected Transactions — Revenue

For the financial year ended 31 December 2019

		Revenue HK$ million (Unaudited)	Analysis: Continuing connected transactions HK$ million (Unaudited)		Independent third parties' transactions HK$ million (Unaudited)	
1)	Brokerage business	166	—		166	
2)	Interest income business	611	207		404	
	— Loans to margin clients	193	4		189	
	— Other loans	305	115		190	
	— Others	113	88		25	
3)	Corporate finance business	45	—		45	
4)	Asset management business	23	4		19	
5)	Investments and others business	(66)	3		(69)	
		779	214	27%	565	73%

As shown in the table above, revenue from continuing connected transactions accounted for 27% of the Company's total revenue. The proportion of continuing connected transactions in interest income is high, accounted for 34% of total interest income, as the Company provided a considerable amount of loans to connected parties. In the other four business segments, the proportions of revenue from continuing connected transactions are relatively small. The proportions of continuing connected transactions to items in the balance sheet of the Group are analysed in the table below:

Analysis of Continuing Connected Transactions — Balance Sheet Items

As at 31 December 2019

		Analysis:			
	HK$ million (Unaudited)	Continuing connected transactions HK$ million (Unaudited)		Independent third parties' transactions HK$ million (Unaudited)	
Major items extracted from the balance sheet:					
Financial assets held for trading and market making activities	1,819	724		1,095	
— Listed debt securities	16	—		16	
— Listed equity securities	592	—		592	
— Unlisted debt securities	762	724		38	
— Unlisted equity securities	233	—		233	
— Unlisted mutual funds	28	—		28	
— Private equity fund	188	—		188	
Financial assets not held for trading and market making activities	158	97		61	
— Unlisted debt securities	152	97		55	
— Unlisted equity securities	6	—		6	
Derivative financial instruments	17	—		17	
Loans to margin clients	1,978	55		1,923	
Advances to customers for merger and acquisition activities	221	—		221	
Other loans	3,267	1,543		1,724	
	7,460	2,419	32%	5,041	68%

As loans to connected parties were executed in different forms in practice, each item was classified by its actual form in accordance with the relevant HKFRSs. The asset class as reflected by the Group amounted to HK$2,419 million, accounting for approximately 25% of total assets and approximately 42% of net assets. Its major components are: 1) other loans of HK$1,543 million (unsecured loans generally granted to connected parties by our subsidiaries); 2) bonds that were readily tradable of HK$821 million; and 3) margin loans of HK$55 million (margin loans provided to subsidiaries with SFC type 1 licence by the Group, which were generally secured by the shares of listed companies in Hong Kong held by connected parties). These items were further classified into current or non-current assets in accordance with the HKFRSs for the purpose of financial statements, but for the sake of simplicity, current and non-current assets of the same nature were combined in the analysis above.

iv) Business Review

In respect of our operation targets for 2019, the overall completion rate has improved as compared with 2018, though not achieved. The Group's market share in the secondary market of Hong Kong stock market recorded a slight year-on-year increase. At the end of 2019, the Group's margin loans to clients amounted to HK$1,978 million (trade date basis), representing a decrease of 30% from HK$2,811 million (trade date basis) at the end of 2018, was due mainly to our cooperative measures to comply with the requirement from SFC on tightening margin loans during the fourth quarter, while the interest rate of margin loans charged to clients increased significantly. The proportion of fair value loss on margin loans in 2019 was 0.8% (2018: less than 0.1%), which was still at moderate level. In 2019, the Group has newly entered into 1 sponsor engagement for initial public offerings (2018: 4). We have also entered into 15 new engagement letters as financial advisor/independent financial advisor, completed 8 equity capital market projects and 5 debt capital market projects (2018: 12, 8 and 6). At the end of 2019, our assets under management ("AUM") reached US$282 million, increasing by over 13% from US$250 million at the end of 2018, which was mainly due to the Group's newly developed products on investment management. It is worth mentioning that the Group received various awards in 2019, including the "Listed Company Award of Excellence 2019" (Main Board) by Hong Kong Economic Journal for two consecutive years and the "Corporate Governance Award" — The "Listed Enterprise Excellence Awards 2019" by Capital Weekly in recognition of its outstanding performance and corporate governance strategic planning over the past year. Subsidiaries of the Group have reached new heights of excellence in Financial Services, sweeping two accolades at "Financial Services Awards of Excellence 2019" by the Hong Kong Economic Journal. China Tonghai Asset Management Limited scooped "the Awards of Excellence — Asset Management" while China Tonghai Securities Limited ("China Tonghai Securities") garnered "the Awards of Excellence — Diversified Securities Management". China Tonghai Capital Limited, which is a subsidiary of the Group, also won the "Best Privatisation" from The Asset Triple A Country Awards. The widely recognised achievements of the Group in various aspects underlined our strong capabilities.

v) Financial Review

As the revenue from investments and other businesses were affected by market volatility, we have presented the following analysis of revenue by business by way of deducting the revenue from investments and other businesses from the total revenue. We wish such presentation would help our readers to better understand the distribution of our revenue:

Revenue	**2019 HK$ million**	**Proportion**	2018 HK$ million	Proportion	Change
Brokerage business	**166**	**20%**	201	28%	(17%)
Interest income business	**611**	**72%**	447	63%	37%
Corporate finance business	**45**	**5%**	41	6%	10%
Asset management business	**23**	**3%**	24	3%	(4%)
Total income excluding investments and other businesses	**845**	**100%**	713	100%	19%

From the above table, the proportion of interest income business increased from 63% in 2018 to 72% in 2019, while the proportion of brokerage business decreased at a relatively larger extent from 28% in 2018 to 20% in 2019, and the proportion of income from the other two businesses remained stable.

Brokerage Business

In 2019, total income from brokerage business recorded HK$166 million, a year-on-year decline of approximately 17% from HK$201 million in 2018, mainly due to the decrease in commission on dealings in futures and options. Commission income on futures and options products declined from HK$119 million in 2018 to HK$77 million in 2019, a year-on-year decline of approximately 35%, mainly due to the decline in transaction volume of futures and options products at substantially the same percentage. Handling, custodian and other service income increased by approximately 60% from HK$15 million to HK$24 million, mainly due to the handling fees from some one-off transactions.

Interest Income Business

The Group's interest income business include interest income from margin loans, interest income from other loans, interest income from proprietary investment business and interest income from treasury operation. Total revenue from interest income business in 2019 recorded HK$611 million, as compared to HK$447 million in 2018, representing a year-on-year increase of approximately 37%. In particular, interest income from loans to margin clients recorded HK$193 million in 2019, as compared to HK$178 million in 2018, a year-on-year increase of approximately 8%, which was mainly due to the increase in average margin loans balances and average loan interest rate. In addition, interest income from other loans also rose sharply in 2019, from HK$174 million in 2018 to HK$305 million in 2019, representing a year-on-year increase of approximately 75%. The increase was mainly due to the significant growth of other loan balance, which also took into account of loans to connected parties through the continuing connected transaction frameworks. For proprietary investment and treasury operation, interest income from the treasury business of clients' trust and house money as well as the investment business of proprietary investment in fixed income products in 2019 amounted to approximately HK$111 million, as compared to HK$93 million in 2018, representing a year-on-year increase of approximately 19%. The increase was mainly due to the increase in the portion of proprietary debt investment and interest rate. Interest income from other loans mainly represents the interests arising from loans measured at amortised costs. Interest income from proprietary investment and treasury operation mainly comprise of interests arising from trust fixed deposits at bank, bonds measured at amortised costs and bonds measured at fair value through profit or loss.

Corporate Finance Business

The Group's corporate finance business comprises sponsorship for listing, financial advisory, financing consultation service, equity capital market and debt capital market. It consists of revenue booked in China Tonghai Capital Limited, which is our subsidiary and some commission income from placing and underwriting booked under China Tonghai Securities which is another subsidiary. In 2019, total income from corporate finance business recorded HK$45 million, as compared to HK$41 million in 2018, representing a year-on-year increase of approximately 10%.

In 2019, commission-based income (from placing, underwriting and sub-underwriting deals) amounted to HK$26.55 million, representing a year-on-year increase of approximately 132% from HK$11.44 million in 2018. The major reason was the commission income recorded from Tai Hing Group Holdings Limited (Stock Code: 6811), where we acted as a joint global coordinator. In 2019, fee-based income (from sponsorship, financial advisory, compliance advisory engagements) was approximately HK$18.35 million, representing a year-on-year decline of approximately 37% from HK$29.23 million in 2018. The decline was mainly due to the fact that the listing sponsor projects were not completed in 2019 as scheduled.

Asset Management Business

In 2019, total revenue from asset management business recorded HK$23.16 million, representing a year-on-year decline of 4% as compared to HK$24.14 million in 2018. The decline was mainly due to the decrease in performance fees. Average AUM for 2019 has grown significantly compared to that in 2018 while several new asset management products are products with low management fee, thus a decrease in general management fee is recorded. Our asset management business currently includes the management of China Tonghai China Focus Segregated Portfolio ("CTCF", a private fund incorporated in the Cayman Islands), Oceanwide Greater China UCITS fund ("UCITS", a European public fund registered in Luxemburg), private equity funds named Oceanwide Pioneer Limited Partnership, Oceanwide Oceanpine Limited Partnership, Oceanwide Elite Limited Partnership, China Tonghai Kilmorey Guaranteed Return Segregated Portfolio, Golden Global SP1, a Merger and Acquisition Fund, China Tonghai Funds SPC Limited — China Tonghai Minsheng Trust A Shares Segregated Portfolio and various discretionary accounts and so on.

Investments and Others Business

In 2019, losses from investments and others business recorded HK$66.00 million, as compared to a loss of HK$40.34 million in 2018. The main reason for the losses for the year was the fair value losses of the aforesaid private equity investment and seed funding investment in the private equity fund. Fortunately, the fair value gain of another H share investment of the Group had offset part of the negative impact brought by the aforesaid losses.

Expenses

In 2019, direct costs recorded HK$160 million, representing a year-on-year decline of 12% from HK$181 million in 2018. The decline was mainly due to the decrease in income from brokerage business, where its corresponding commission expenses are a major component of direct costs.

In 2019, staff costs recorded HK$215 million, representing a year-on-year increase of approximately 30% from HK$165 million in 2018. The increase was mainly resulted from three factors: firstly, the general increase in the number of employees; secondly, the overall single-digit percentage annual salary increment; thirdly, the recruitment of higher caliber staff to strengthen the business teams.

In 2019, impairment loss recorded approximately HK$185 million, representing a year-on-year increase of approximately 106% from HK$90 million in 2018. Apart from the aforesaid two specific provisions, the remaining balance in 2019 represented some general provisions made against those remaining other loans.

Finance cost in 2019 rose sharply, increasing from HK$59 million in 2018 to HK$108 million in 2019 and representing a year-on-year increase of approximately 83%. The Group's average total borrowings recorded a significant year-on-year increase. The outstanding total borrowings of the Group have increased gradually from HK$570 million in early January 2018 to HK$2.4 billion in late 2018 while the outstanding total borrowings of the Group has stood above HK$2 billion for most of the time in 2019. The decrease in outstanding total borrowings is due to our repayment of HK$200 million to China Minsheng Banking Corp., Ltd., Hong Kong Branch (the "CMBC HK Branch") in December 2019 and repayment of loans to other banks.

vi) Other Information

Capital Structure, Liquidity and Financial Resources

The Group generally finances its operations with internally generated cash flow as well as through the utilisation of banking facilities and short-term loans and notes. From time to time, the Company may raise capital by issuing new shares or debt instruments. The Group's cash and short-term deposits as at the end of 2019 stood at around HK$182 million (2018: HK$357 million).

At the end of 2019, the Group's total borrowings amounted to HK$2,037 million, decreased by 15% from HK$2,393 million at the end of 2018. Borrowings mainly consisted of three components. The first component was bank facilities and secured financing of around HK$1,826 million (2018: HK$2,308 million), of which the Group had available aggregate banking facilities of around HK$4,249 million (2018: HK$3,840 million), and most was secured by the legal charge on certain securities as owned by the margin clients of the Group. The second component was notes issued to related parties and independent third parties, which amounted to HK$211 million at the end of 2019 (2018: HK$50 million). The third component was the obligations under repurchase agreement, which recorded HK$Nil as at the end of 2019 (2018: HK$35 million). At the end of 2019, the Group's gearing ratio (leverage) was 35% (2018: 41%), being calculated as total borrowings over net assets. The management has applied prudent risk and credit management on the increased borrowing. In addition, the Group is required to strictly follow regulatory re-pledging ratios and prudent bank borrowing benchmarks that govern the extent of bank borrowings in the securities margin lending business.

Contingent liabilities

Counterclaim by a Hong Kong listed company

On 4 February 2019, China Tonghai Securities, our subsidiary, initiated legal proceedings against a Hong Kong listed company (the "Defendant") in the High Court of the Hong Kong Special Administrative Region in respect of the failure of payment of commission fees to China Tonghai Securities under the agreement on provision of financial agency services dated 28 March 2018 (the "Agency Agreement"). According to the Agency Agreement, it was agreed that the Defendant shall pay a service fee of HK$1.20 million for China Tonghai Securities' performance of financial agency services, and commission fees amounting to 2.5% of the value of securities subscribed by or total value of capital financing and relevant transactions of investors referred by China Tonghai Securities (service fee of HK$1.20 million could be deducted from the commission upon the successful completion of capital financing). China Tonghai Securities has referred investors to the Defendant, and the Defendant succeeded in raising HK$450 million through our referral, with capital financing completed on 3 December 2018. Apart from the payment of partial financial service fees of HK$0.9 million, the Defendant has not paid the remaining commission fees of HK$10.35 million to China Tonghai Securities (not yet booked). The Defendant submitted its defense and counterclaim in mid-2019, and both parties will exchange witness statements prior to the first quarter of 2020. Save as disclosed above, the Directors consider that the Group has no other contingent liabilities. Although the possible consequence of the above case is now uncertain, the Directors consider any possible legal obligations arising from the above counterclaim would not impose any material impact on the financial position of the Group.

Material acquisitions, disposals and significant investments

For the current year, the Group had not made any material acquisitions and disposals of subsidiaries and associated companies. As at the end of the current year, the Group did not hold any significant investments.

Charges on the Group's assets

At the end of 2019, assets of HK$1,297 million (2018: HK$810 million) were charged to banks and other lender for facilities.

Employees and remuneration policies

In 2019, the Group had 242 full time employees (2018: 221) in Hong Kong and 30 full time employees (2018: 31) in Mainland China. In addition, the Group has 87 self-employed sales representatives (2018: 91). Competitive total remuneration packages are offered to employees by reference to industry remuneration research reports, prevailing market practices and standards and individual merit. Salaries are reviewed annually, and bonuses are paid with reference to individual performance appraisals, prevailing market conditions and the Group's financial performance. Other benefits offered by the Group include a mandatory provident fund scheme and medical and health insurance. In addition, the Group has maintained a restricted Share Award Scheme and a phantom share scheme as means for reward and staff retention.

Risk management

The Group's business is closely related to the economy and market fluctuation of Hong Kong and China, and indirectly affected by other overseas financial markets. To cope with the unpredictable market fluctuation and minimise risks, the Group takes preventive measures and establishes a risk management system with defined segregation of duty between business departments on the front line and internal control units such as the Internal Audit Department, Risk Management Department and Compliance Department. The Risk Management Department of the Group is responsible for overseeing all risk management functions. These functions primarily include risk identification, risk limits setting, measurement and monitoring of risk limits, analysis of risk scenarios, and produce timely reports to the senior management. The Risk Management team also perform pre- and post-risk assessments on both asset and liability items.

Credit risk

Credit risk is the risk in respect of loss arising from incompetence of a borrower, counterparty or issuer of financial instruments to meet its obligation, or potential deterioration of credit ratings. The Group has Credit Risk Approving Policy and Post Lending Monitoring Policy in place to dictate procedures and approving authorities required for all credit applications relating to increases in credit risk. The credit risks of the Group mainly arise from six business areas: brokerage business, asset management business, debt and equity underwriting/trading business, loans lending business, propriety investment and capital raising business. The Group's senior management and other executives have also set up a Business Assessment Committee to review and approve credit risky products/transactions within each of the business line. Advance risk IT systems are also utilised by the Group to conduct daily monitoring on credit and concentration risk limits.

Market risk

Market risk refers to potential losses due to market price movement of investment positions held, which includes interest rates risk, equity prices risk and foreign exchange rates risk. Risk Management Department is an independent department from business lines responsible for setting up market risk limits and investment guidelines for the Group's various business functions and their investment activities. Investments which carries market risks potential are, where appropriate, assessed and approved by Risk Management Department. Daily monitoring and assessments of market risks positions are conducted timely, and significant risks shall be reported to senior management to ensure the market risks of the Group collectively is controlled within an acceptable level. The Group continues to modify the market risk models through periodic back-testing and stress scenarios tests.

Liquidity risk

Liquidity risk refers to the risk that the Group might face in obtaining sufficient capital and funds in a timely manner to meet its payment obligations and capital requirements for normal business activities. The Treasury Department is responsible for management and allocation of funds for the Group. The Finance Department has a monitoring system to ensure compliance to relevant rules, including Financial Resources Rules (FRR) and financial covenants of lending banks. In addition, the Group has maintained good relationships with banks to secure stable channels for short-term financing such as borrowing and repurchases. The Group may also raise long-term working capital through public and private offerings of corporate bonds. The Group has also established a liquidity system to ensure it has sufficient liquid assets to meet any emergency liquidity needs.

Operational risk

Operational risk is the risk of financial loss arises mainly from negligence or omission of internal procedural management, information system failures or personnel misconduct of staffs. The Group actively schedules briefing sessions to improve risk awareness amongst employees, and instructs all departments to establish internal procedural and control guidelines. There is an Operational Risk Events Reporting procedure to ensure that all risk events are timely reported to the Risk, Compliance and IT departments for immediate implementation of remedial action.

Regulatory compliance risk

As a financial group operating regulated businesses, we endeavour to meet the stringent and evolving regulatory requirements, including but not limited to those related to investor interest protection and market integrity and stability maintenance. Our compliance team working closely together with internal and external professionals has continually reviewed our internal control processes to reduce the regulatory risks that can impact the Group's operation.

vii) Prospects

Encountering the prevailing complex, ever-changing and highly volatile market environment, the Group will take a more prudential stance towards its business. More efforts are put on the following three aspects:

1) Increase fee-based income: The Company will deploy more resources in boosting fee-based income. By continuous consolidation of sales and marketing efforts on securities, corporate finance and assets management businesses, the Company is determined to expand the respective market share and to lift business volume.

2) Enhance risk management: Given the subjective market factors, the Group has provided a relatively larger amount of provisions in 2019. We have learnt a lesson from the past and have strengthened risk control for various aspects with an aim to maximise the recoverability of the existing non-performing loans, while reduces the possibility of making provisions for new loans in the future. Such targets would be realized via reducing concentration risks, decelerating loan portfolio expansion rate and attracting higher quality customers.

3) Deepen our business interaction with the controlling shareholders: The Company will further deepen business interaction with Oceanwide Holdings Co., Ltd. (Stock Code: 000046.SZ) and the Group's controlling shareholders and the business interaction with its non-listed group. Under the continuing connected transaction frameworks as approved by shareholders for 2019, the Company has expanded the absolute cap amount for businesses with our parent company. We hope to operate more connected businesses in the future, and bring higher return to the Group and shareholders as a whole by better utilising various established networks and competitive edges of our controlling shareholders.

Looking forward, we will continue to be united and dedicated to strive for the benefits of the Company and all shareholders, as evidenced by the recent hard work of the whole Group in combat with Novel Coronavirus pandemic. We hope that with the end of the pandemic and the recovery of Hong Kong and the world to normal times, the Group's results would make new heights and we would bring higher return to all shareholders.

Environmental, Social and Governance Report

ABOUT THIS REPORT

This report is the fourth Environmental, Social and Governance ("ESG") report published by China Tonghai International Financial Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"). It presents the Group's sustainability strategy, practices and performance between 1 January 2019 and 31 December 2019 (the "reporting year").

Reporting Scope and Boundary

The ESG report focuses on the Group's major business lines, including brokerage, interest income, corporate finance, asset management, investments and others, and covers the operations of offices[1] in Hong Kong.

While the operations of the Group in Mainland China are not covered in this report, it is on the Group's agenda to refine the data collection system to pave the way for a wider reporting scope in the future.

Reporting Standard

This report is prepared in accordance with the 'comply or explain' provisions of the ESG Reporting Guide (the "Guide") under Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("SEHK"), and includes selected key performance indicators ("KPIs") under the 'recommended disclosures' of the Guide. The four reporting principles, namely the principles of materiality, quantitative, balance and consistency, form the backbone of this ESG report.

Data Preparation

The Group has established a formal review process to ensure that any information presented in this ESG report is as accurate and reliable as possible. The Report has been reviewed and approved by the Board of Directors (the "Board") on 20 April 2020.

Feedback Channel

Your comments and suggestions can help the Group define and strengthen its future ESG strategy and reporting. If you have any questions or comments, please contact the Group through the following channels:

Address: 18/F, China Building, 29 Queen's Road, Central, Hong Kong
Email: pr.comms@tonghaifinancial.com

ESG GOVERNANCE

The Board, the Group's highest governing body, is ultimately accountable for leading and overseeing the overall strategic direction and performance of the Group towards sustainability.

With the Board's support, an ESG working group has been set up during the reporting year. The working group is responsible for identifying and reviewing sustainability matters, tracking sustainability performance and recommending improvement actions, setting objectives and targets, and reporting to the Board on a regular basis. Comprised of the heads of Company Secretarial, Human Resources, Marketing, PR and Communications departments, the working group is responsible for implementing policies and initiatives on sustainability matters, principally in respect of environmental protection, employment, operational responsibility and community investment.

[1] Compared with the previous report which covered four offices in Central, Causeway Bay and Sai Ying Pun, Hong Kong, the reporting scope this year has been further expanded to include an office in Tsim Sha Tsui East, Hong Kong. In addition, the office in Causeway Bay was closed in September 2019 therefore only data before September is included.

Moving Forward on ESG Governance

Looking ahead, the working group will explore formulating a set of sustainability goals that cover key sustainability issues that are material to the Group. These goals will serve as the foundation for setting of KPIs and targets, which will be annually disclosed in the ESG reports. To ensure sound corporate sustainability governance, the Board will regularly review the scope of work of the working group, resources invested and progress towards the strategic objectives.

Managing ESG Risks

The Group monitors the daily operations of all departments through continuous risk management and internal control systems, so as to assess and determine the ESG-related risks. The Board has overall responsibility for overseeing the Group's risk management and internal control systems. External professional service providers are engaged to make recommendations for strengthening such systems.

The two ESG-related risks previously identified, namely data security and anti-money laundering, remain significant to the Group in the reporting year. Appropriate procedures and prudent policies are in place to manage such risks. In order to identify areas for improvement, the Group is considering to conduct an internal control review of the Group's cybersecurity in 2020.

STAKEHOLDER ENGAGEMENT

Understanding and meeting the needs of our stakeholders[2] is vital to the Group's path towards sustainability. The Group continues to engage its staff, shareholders, business partners, customers and other stakeholders in the communities through different channels, including questionnaires, meetings and workshops, with the aim of developing a mutually beneficial relationship and promoting sustainability.

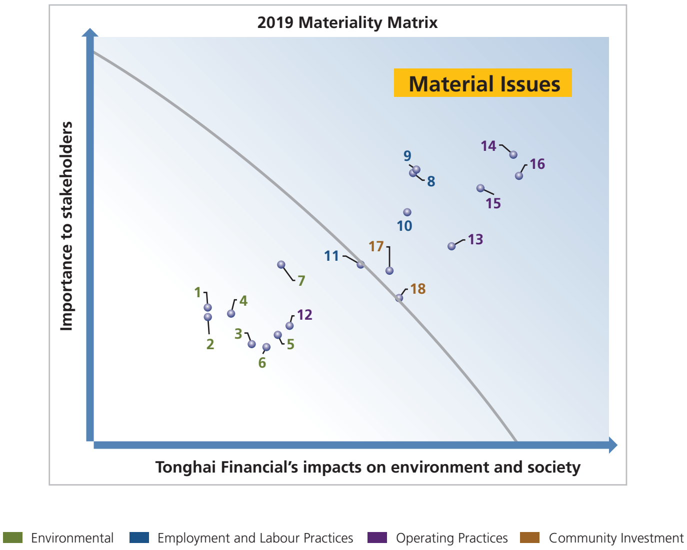
Staff	Shareholders	Customers	Communities
Staff can be informed of the latest trends of the Group through company announcements, and express their opinions through platforms such as performance evaluation.	Conducting an annual general meeting and two special general meetings to joint resolve matters affecting the Company.	Maintaining customer service through hotline, facsimile and emails, for clients to lodge complaints.	Supporting the community through sponsoring events and encouraging staff to participate in volunteer services.

Identifying Material Issues

With the assistance of an independent consultant, the Group referred to the local sustainability reporting standard and identified 18 ESG issues that are related to its business. Internal and external stakeholders were invited to take part in a questionnaire and rate each of the 18 issues according to the importance of the issues to them and the Group's impact on the environment and society. A total of 328 questionnaires were distributed and a total of 76 valid responses were received.

Base on the results of questionnaire, the Group has identified nine material issues. The ESG report sets forth the Group's focus on these material issues during the reporting year.

2 Stakeholders are those who have considerable influence on the Group's business, and whom the Group's business has a significant impact on.



Material Issues
(in a descending order of materiality)

14) Customer information and privacy
16) Anti-corruption
15) Intellectual property rights
9) Health and safety
8) Employment management
13) Fair and responsible marketing
10) Training and development
17) Understanding the needs of the community
18) Contributing resources to the community

OPERATING PRACTICES

As a financial group operating regulated businesses, the Group endeavours to meet the stringent and evolving regulatory requirements to gain and maintain customers' trust. The Group is committed to embedding responsible practices across operations, including protecting customer privacy, promoting good conduct and supporting the fight against financial crimes.

Protecting Customer Privacy

The Group collects, transmits and stores a large amount of customer personal data and information during the course of business. As cybersecurity threats continue to evolve, it is essential for the Group to ensure a healthy and strong risk management culture so that every staff is clear on their role in keeping customers' data secure.

Management Approach	Policy and guidelines	A policy statement outlining the Group's commitment in protecting customers' right to privacy when collecting, saving, using and transferring personal data. It ensures that customers' personal data is processed only for the purposes for which it has been collected.
	Precautionary measures	• Prevents unauthorised access to personal data by encrypted password setting, while access is restricted to authorised staff on a need-to-know basis. • Prevents ransomware and data breaches by multi-tier firewalls, anti-virus and anti-malware protection.

Annual Performance	Initiatives	• All non-encrypted websites have been migrated to encrypted ones using SSL certificates. • All new staff have undergone an online cybersecurity awareness training as part of their on-boarding process. • Existing staff are tested at irregular intervals via controlled phishing emails tests. • Regular email broadcast to remind staff to be vigilant.
	Performance	No complaint received about data breaches and privacy violations in the reporting year.

Preventing Corruption Activities

The Group recognises its responsibility to ensure a fair, honest and integrity-based business environment. With zero-tolerance on corruption, bribery, extortion, money-laundering and other fraudulent activities in connection with any of the business operations, a set of guidelines and measures are put in place.

Management Approach	Policy and guidelines	The Staff Manual sets forth the standard and practices on anti-bribery and anti-corruption.
	Precautionary measures	• Reminds staff through internal notice to avoid bribery and acceptance of advantages. • Sets up a whistle-blowing mechanism for staff to raise concerns on possible improprieties or non-compliance of staff, suppliers and business partners without fear of reprisal. The Internal Audit Department is responsible for carrying out independent investigation. • Carries out ongoing monitoring of existing clients' account activities and staff dealing activities to identify suspicious transactions.
Annual Performance	Training	• In the reporting year, the Group provided five training sessions to staff who were licensed by the Securities and Futures Commission ("SFC"). Trainings covered numerous topics such as the internal due diligence policies and procedures, and law enforcement cases. • A training about the updates of SFC regulations was provided to non-licensed staff (for example, staff from customer service department, accounting department and information technology department).
	Performance	Each training was attended by 73 participants on average.

The Group attaches great importance to safeguarding the integrity of the financial systems by implementing Guideline on Anti-Money Laundering and Counter-Terrorist Financing to detect, investigate, and report suspected money laundering and terrorist financing activity. Trainings on the approaches to handling new and existing customer accounts, identifying risks of financial crime, as well as gaining a holistic view of transactions were provided to staff.

Protecting Intellectual Property

Solid intellectual property ("IP") protection, and avoidance of IP rights of third parties, are necessary to safeguard major investments in business platforms, new products and services in financial services sectors. Recognising that intellectual property rights are important company assets, the Group strive to safeguard its IP rights and effectively utilise them. It also respects and makes every effort not to infringe upon the IP rights of other parties. The following measures are adopted:

Protecting the Group's IP	Respecting other parties' IP
• Maintains and monitors trademarks on an ongoing basis; • Engages third party intellectual property agent for professional advice and assistance, if necessary.	• Ascertains the ownership of the relevant copyright work and obtains consent from the copyright owner, before using any information of external parties.

Ensuring Responsible Marketing Communications

To act in the interest of customers, the Group strives to market its projects and services responsibly in line with regulatory requirements by governing the content of marketing and product documentation. The Group's Supply Chain Management, Product Responsibility and Anti-corruption Policy Statement sets out the requirements regarding marketing communications.

Information Accuracy	• Staff are required to provide accurate information regarding the products and services of the Group, enabling customers to make informed choices. • The Compliance Department reviews and supervises the marketing materials, aiming to enhance the reliability and accuracy of the information. • Staff are provided with trainings in responsible marketing.
Professional Advisory	• Staff shall always consider customers' objectives, risk appetite, and financial situation when offering their advices on products and services.

In addition, the Group seeks to improve its customer services and handle complaints with due procedures. Communication channels such as email address are provided for customers to express their opinions, including complaints. All opinions received through these channels are diverted to the Compliance Department.

Managing Supply Chain

The Group selects and manages suppliers based on its policy statement, in which it undertakes to consider the environmental and social risks in the process of supplier selection and regular review.

With these commitments in mind, the Group is developing a set of assessment criteria for supplier identification and evaluation, for example, suppliers who provide environmentally friendly materials will be given priority in future office renovation projects. Also, to maintain a culture of mutual understanding, the Group emphasises continuous and two-way communication with suppliers.

STAFF CARE

As a caring and responsible employer, the Group is devoted to creating a united and harmonious professional team and providing a quality workplace for its staff. The focus of human resources management at the Group is to enable every staff to enjoy due rights, explore potential and grow together with the Group.

Building a Healthy Work Environment

To cope with a challenging and dynamic work environment, the Group is committed in providing staff with a safe and harmonious workplace. As stated in the Employment and Labour Policy Statement, safety and well-being of our staff is a prime consideration.

In today's modern city life, indoor air quality has a significant impact on human health and comfort. As our staff spend most of their working time at office, air purifiers are installed to improve indoor air quality. In addition to medical care, the Group attaches special attention on preventive measures to ensure staff health and safety. These include offering discounted influenza vaccinations and arranging a series of company sports events.

Various exercises including TRX (Total Resistance Exercises), Yoga and Zumba dance have been arranged, encouraging staff to relieve mental stress and build physical health in the midst of their daily work. This also helps creating a vibrant and cohesive working culture.

Work-related injury cases (if any) must be reported to the Human Resources Department for undertaking investigations and follow-up actions immediately. In the reporting year, no work-related injury and fatality was recorded.

Safeguarding Staff Rights

The Group devotes attention to protecting the rights of staff and addressing their diverse needs. The Employment and Labour Policy Statement and the Staff Manual provide detailed guidelines on recruitment, promotion, dismissal, working hours, rest periods, compensation, benefits and welfare, equal opportunities, diversity and anti-discrimination as to ensure that staff understand their rights and duties.

Competitive remuneration and benefits

The Group offers competitive remuneration. Further, with a view to retaining talents, the Group develops and provides incentives to its staff based on their performance.

In assessing the rate of annual salary adjustment, the Group refers to the economic environment, inflation, salary trends and local industry salary adjustment, and takes into account the appraisal reports and work performance of the staff. Retirement benefits is provided to staff through defined contribution plans.

Better staff benefits, including an additional two to four days of annual leave entitlement depending on the staff grading, and upgraded medical coverage to include dental and Chinese practitioner, were established on January of the reporting year.

Equal opportunities and inclusive workplace

The Group offers equal and fair job opportunities to all qualified candidates irrespective of their gender, age, ethnic background, religion, etc.

Promotion criteria are based on various factors such as performance at work, leadership and teamwork. Discrimination on the basis of gender, disability, family status, race, or other factors will not be tolerated.

Family-friendly working environment

The Group provides medical insurance for all eligible staff, their spouses, and children. Immediate family members of staff could also participate in the voluntary supplementary medical insurance plan offered by the Group.

Prevention from child labour and forced labour

The Group strictly adheres to the Employment and Labour Policy Statement throughout the recruitment and employment process and prohibits the employment of child labour and forced labour.

The Human Resources Department is required to inspect the proof of identity of all applicants during the recruiting process. In addition, standard working hours has been stipulated in the Staff Manual.

Fair grievance mechanism

In case of suspected violation of the employment and labour practices, such as discrimination, sexual harassment staff can make reports through a dedicated grievance mechanism. For each complaint received, the Compliance Department shall conduct investigations and follow-up actions in a timely manner.

Case Study: Promoting Workplace Inclusivity

In order to enhance staff awareness of the social inclusion, the Group invited the Hong Kong Society of Rehabilitation to hold a one-hour talk in November. 23 staff listened to the presentation and enhanced their understanding on the importance of creating an inclusive environment for people with disabilities and chronic diseases. The event also provided participants with knowledge of stroke prevention.

Developing Talents

A skills shortage is threatening the future growth and prosperity of financial services companies. The Group believes that investing in staff learning and development is a key driver for building and maintaining a talented and adaptable workforce. Accordingly, the Group provides staff with in-house training programs and external training sponsorships, so as to ensure that staff proactively equip themselves with skills and keep them abreast of the latest development in the market and industry.

In line with the Employment and Labour Policy Statement, the Group provide adequate training opportunities during the reporting year. The training activities include:

- a total of 13 sessions of Mandarin course for the staff to improve their level of Mandarin;
- compliance training conducted by Compliance Department for staff; and
- trainings covering internal control, anti-money laundering, and updates on regulatory requirements, which were provided to staff licensed by SFC to carry on financing services, in order to maintain the highest standard of professional conduct and ethics.

COMMUNITY INVESTMENT

Supporting the local communities provides an opportunity for the Group to create value. Community investment activities of the Group are divided into three major aspects, namely "Charity & Sponsorships", "Education" and "Community Events", which are underlined in the Community Investment Policy Statement.

During the reporting year, the Group continued to encourage its staff to take part in volunteer services and provide sponsorship to community projects.

Highlights of community activities

Challenging 12 Hours 2019

Date: 27 October 2019

Organiser: Sowers Action

The Group is a sponsor of "Challenging 12 Hours 2019", a charity marathon event organised by Sowers Action, which aims to improve education and welfare for orphans and underprivileged children in rural regions. The Group also formed a team to participate in the 53-kilometer race to help staff understand the hardship of students who need to walk long distances to schools.

Exploring Mai Po & Organic Gardening Experience at Island House Conservation Studies Centre

Date: 29 November 2019

Organiser: World Wildlife Fund ("WWF")

To promote the environment conservation awareness among staff, the Group arranged staff to participate in two activities of WWF, namely "Exploring Mai Po" and" Organic Gardening Experience at Island House Conservation Studies Centre". Participants had a chance to appreciate the biodiversity of Hong Kong, and experience tree planting composting.

The Group also contributed to the communities by the following community investment initiatives:

Activities	Beneficiary
Sponsoring the Hong Kong Society for Rehabilitation	Persons with disabilities or health challenges
Donating the tickets of Tonghai Financial CNY Cup 2019	Educational institutions such as the Open University of Hong Kong, and non-profit organisations such as Youth Outreach , Loving Kids Community Service Co. Limited and The Hong Kong Society for Rehabilitation
Sponsoring the "Heart-to-Heart Charity Challenge" launched by Children's Heart Foundation	Children with congenital heart disease
Being the "Osprey Sponsor" of "Walk for Nature 2019"organised by WWF	Public

The Company was awarded as a "Caring Company" by the Hong Kong Council of Social Service, in recognition of its commitment to caring for the well-being of the community in the reporting year.

ENVIRONMENTAL PROTECTION

Environmental issues, such as climate change, are already affecting global public health, food and water security, livelihoods and peace. While recognising that every company, regardless of its business, has a responsibility to make investments that help address environmental issues, the Group is committed in protecting the environment by minimising its environmental impacts and optimising its use of resources. The commitment shapes the way the Group operates and lays the foundation for its environmental management approach.

Managing Emission and Energy

Recognising that climate change can bring risks and opportunities to businesses and communities and committed to reducing greenhouse gas ("GHG") emissions associated with its activities, the Group has established the Environmental Protection Policy Statement. As the first step in establishing a GHG emissions reduction strategy, the Group has employed an independent consultant to conduct a carbon assessment to quantify the GHG emissions[3] of its operations during the reporting year.

GHG emissions generated from the Group's operations are mainly attributable to the energy indirect emissions (Scope 2) caused by the purchased electricity[4] (366.6 tonnes of CO_2-e), followed by the other indirect emissions (Scope 3) generated by waste paper disposal, water consumption and sewage treatment (135.0 tonnes of CO_2-e).

When it comes to office-based operations, consumption of electricity has always accounted for a major part of the total GHG emissions. Therefore, the Group has taken various initiatives regarding energy efficiency in the offices, including to clean the filter and coiled fan regularly, and to deploy energy-efficient devices certificated with Energy Label. LED lights will be considered for the upcoming renovation.

During the reporting year, the total electricity consumption was 458.9 MWh (2018: 398.8 MWh) and the intensity was 1.4 MWh (2018: 1.3 MWh) per staff. The increase in electricity consumption is due to the increase in equipment such as copiers.

Air pollutants, including nitrogen oxides ("NO_x"), sulphur oxides ("SO_x") and respirable suspended particles ("RSP"), are mainly emitted by the Group's passenger cars. Notwithstanding that the Group's operation does not result in significant air emissions, the Group strives to reduce emissions by encouraging video conference and tele-conference.

Managing Waste and Resource

As part of the corporate social responsibility, the Group desires to reducing its own environmental footprint by cutting the total operation waste. With the implementation of the Environmental Protection Policy Statement, the Group strives to reduce, reuse and recycle throughout its operations to minimise the disposal of waste to the landfill.

Reduce	Reuse	Recycle
• Corporate brochures are prepared in electronic form and will only be printed when necessary. • Office Automation (OA) System is used for increasing administration efficiency and reduce paper use.	• Non-disposable tableware is provided for staff. • Envelopes and folders are reused for internal documents and letters.	• Recyclers are engaged to deal with waste papers. The amount of waste paper recycled during the reporting year was approximately 1.9 tonnes.

3 The GHG emissions were assessed according to the Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong.

4 Electricity consumed by the majority of the Group's offices is supplied by The Hongkong Electric Company, Limited. Only an office located in New East Ocean Centre purchases electricity from CLP Holdings Limited.

During the reporting year, due to the fluorescent lamp replacements, 0.03 tonnes (2018: unavailable) of hazardous waste were collected and handled by property managers. While the operations of the offices did not involve substantial amount of hazardous waste, nearly 12 tonnes of non-hazardous mainly attributable to the general office waste were produced. Such waste is regularly collected by the property managers, and then transferred to the nearest refuse collection points.

The Group does not encounter difficulty in sourcing water that is fit for purpose. Water consumption intensity in the reporting year was 1.95 cubic metre per staff (2018: 0.50 m^3/staff). A damaged faucet resulted in a large increase in water consumption. To prevent such case from happening again, the Group's service provider checks pipes and taps for leakage every month and arranges repairs when needed.

Creating a Green Future Together

The Group understands that the energy and water it consumes, and the air and land around its operations and supply chain are all shared natural resources. In order to comply with the Environmental Protection Policy Statement, the Group accelerates working with suppliers and customers to reduce impacts on the environment and nurture a culture of environmental protection.

Objects	Measures
Suppliers	• Procuring recyclable materials to reduce the use of disposable goods. • Purchasing paper certified by the Programme for the Endorsement of Forest Certification. • More than 20% printing ink used is eco-friendly.
Staff	• Maintaining continuous communication with staff with regard to environmental protection policies and measures. • Encouraging staff to participate in environment-related activities, for example, "Exploring Mai Po".
Customers	• Using electronic forms of promotion to encourage greater use of electronic documents by customers.

Moving Forward on Environmental Protection

Creating a greener future will require new ways of living, working and investing. To continue making progress, the Group will regularly assess the environmental risks along its value chain, and adopt preventive measures as necessary to reduce the risks.

REGULATORY COMPLIANCE

Compliance with all laws and regulations is the fundamental requirement and a matter of top priority for the Group. The impact of non-compliance with the related laws and regulations may lead to repercussions such as enforcement actions by regulators, fines and/or penalties. In this regards, the Group has put in place proper and adequate control measures to detect potential cases of contravention for avoiding legal and regulatory sanctions.

Aspects	Relevant Laws and Regulations	Disclosure on Compliance
A1 Emissions	• Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong) • Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong) • Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong)	In the reporting year, no cases of non-compliance in relation to emissions were reported.
B1 Employment	• Employment Ordinance (Chapter 57 of the Laws of Hong Kong) • Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong)	In the reporting year, no cases of non-compliance in relation to employment were reported.
B2 Health and Safety	• Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong) • Employee Compensation Ordinance (Chapter 282 of the Laws of Hong Kong)	In the reporting year, no cases of non-compliance in relation to health and safety were reported.
B4 Labour Standards	• Employment Ordinance (Chapter 57 of the Laws of Hong Kong) • Employment of Children Regulations (Chapter 57B of the Laws of Hong Kong)	In the reporting year, no cases of non-compliance in relation to labour standards were reported.
B7 Product Responsibility	• Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong)	In the reporting year, no cases of non-compliance in relation to product responsibility were reported.
B8 Anti-corruption	• Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong) • Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Chapter 615 of the Laws of Hong Kong)	In the reporting year, no cases of non-compliance in relation to anti-corruption were reported, and there were no corruption litigation against the Group or its staff.

KEY PERFORMANCE INDICATOR SUMMARY

Environmental Performance

Air emissions	Quantity (2019)	Quantity (2018)	Unit
Nitrogen oxides (NO_x)	1.66	1.82	Kilogram
Sulphur oxides (SO_x)	0.04	0.04	Kilogram
Respiratory suspended particles (RSP)	0.12	0.13	Kilogram

Greenhouse gas emissions	Quantity (2019)	Quantity (2018)	Unit
Scope 1 Direct emissions	7.3	7.8	tonnes CO_2-e
Scope 2 Energy indirect emissions	366.6	315.0	tonnes CO_2-e
Scope 3 Other indirect emissions	135.0	Not available	tonnes CO_2-e
Total carbon emissions	**508.9**	**322.8**	**tonnes CO_2-e**
Intensity of carbon emissions (per staff)	**1.60**	**1.03**	**tonnes CO_2-e/ person**

Waste	Quantity (2019)	Quantity (2018)	Unit
Total hazardous waste produced	0.03	Not available	tonnes
Intensity of hazardous waste produced (per'000 staff)	0.09	Not available	tonnes/'000 person
Total non-hazardous waste produced	11.8	14.4	tonnes
Intensity of non-hazardous waste produced (per staff)	0.04	0.05	tonnes/person

Energy use	Quantity (2019)	Quantity (2018)	Unit
Petrol	25.1	26.1	MWh
Electricity	458.9	398.8	MWh
Total energy consumption	**484.0**	**424.9**	**MWh**
Intensity of energy consumption (per staff)	**1.5**	**1.4**	**MWh/person**

Water use	Quantity (2019)	Quantity (2018)	Unit
Total water consumption	621	156	m^3
Intensity of water consumption (per staff)	1.95	0.50	m^3/person

Packaging materials[5]	Quantity
Total packaging materials used Packaging materials used per unit produced	Not applicable

5 The operations of offices did not involve any use of packaging materials for finished products.

Social Performance

Occupational health and safety

Number of work-related injuries	0
Number of work-related fatalities	0
Rate of work-related injuries (per'000 staff)	N/A
Rate of work-related fatalities (per'000 staff)	N/A
Number of lost days due to work-related injuries	N/A

Percentage of staff trained

Male	42.79%
Female	39.50%
Total	**41.56%**

Total staff trained	**Percentage**
Male	64.66%
Female	35.34%

Average training hours per employee

Male	2.62
Female	3.34
Total	**2.89**

Community investment	**Amount of contribution (HK$)**	**Number of volunteer hours**
Environment	120,000	135
Education	5,000	25.5
Health	10,000	N/A
Total	**135,000**	**160.5**

ESG REPORTING GUIDE CONTENT INDEX

Material Aspects	Content	Page Index
A1. General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	29, 31
A1.1	The types of emissions and respective emissions data.	32
A1.2	Greenhouse gas emissions in total and, where appropriate, intensity.	32
A1.3	Total hazardous waste produced and intensity.	32
A1.4	Total non-hazardous waste produced and intensity.	32
A1.5	Description of measures to mitigate emissions and results achieved.	29
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	29–30
A2. General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	29
A2.1	Direct and/or indirect energy consumption by type in total and intensity.	32
A2.2	Water consumption in total and intensity.	32
A2.3	Description of energy use efficiency initiatives and results achieved.	29
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	30
A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced.	32
A3. General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	30
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	30
B1. General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	26, 31
B2. General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employee from occupational hazards.	26, 31
B2.1	Number and rate of work-related fatalities.	33
B2.2	Lost days due to work injury.	33

Material Aspects	Content	Page Index
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	26
B3. General Disclosure	Policies on improving employee knowledge and skills for discharging duties at work. Description of training activities.	27
B3.1	The percentage of employee trained by gender and employee category.	33
B3.2	The average training hours completed per employee by gender and employee category.	33
B4. General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	27, 31
B4.1	Description of measures to review employment practices to avoid child and forced labour.	27
B5. General Disclosure	Policies on managing environmental and social risks of the supply chain.	25
B6. General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	23, 25, 31
B6.3	Description of practices relating to observing and protecting intellectual property rights.	25
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	23–24
B7. General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	24, 31
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employee during the reporting period and the outcomes of the cases.	31
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	24
B8. General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	27
B8.1	Focus areas of contribution.	28
B8.2	Resources contributed to the focus area.	33

Corporate Events and Affiliations

China Tonghai International Financial Limited ("Tonghai Financial") is always dedicated to offer one-stop premier financial service to its clients. Our group actively participate in corporate activities, establish a close relationship with professional organizations and contribute to the local community.

THE CHAMBER OF HONG KONG LISTED COMPANIES SPRING COCKTAIL RECEPTION

Management of Tonghai Financial was honored to be invited to The Chamber of Hong Kong Listed Companies' (CHLC) spring cocktail reception. The event was successfully held with the great support from the eminent representatives of listed companies from different sectors, creating an unprecedentedly grand occasion.

SILVER SPONSOR OF "THE INSTITUTE OF SECURITIES DEALERS 40TH ANNIVERSARY DINNER AND INAUGURATION CEREMONY"

China Tonghai Securities Limited has become the Silver Sponsor of "The Institute of Securities Dealers 40th Anniversary Dinner and Inauguration Ceremony". To celebrate the 40th anniversary of its founding in Hong Kong, The Institute of Securities Dealers held a banquet at the Grand Hyatt Hong Kong Hotel. Management of Tonghai Financial and Mr. James Henry Lau JR, JP, Secretary for Financial Services and the Treasury representatives were invited to the event.

Corporate Events and Affiliations

GOLD SPONSOR OF "THE HK SECURITIES AND INVESTMENT INSTITUTE AUTUMN DINNER 2019"

Tonghai Financial is honored to be the Gold Sponsor of "Hong Kong Securities and Investment Institute Autumn Dinner 2019" which was held at the JW Marriott Hotel Hong Kong. Management of Tonghai Financial and the Chief Investment Officer of the Group, Mr. YAN Chi Kwan, as representatives were invited to take pictures on the stage to commemorate the event. Hundreds of industry elites converged that day, strengthening financial ties and co-operation with others.

GOLD SPONSOR OF "CHKLC 17TH ANNIVERSARY CELEBRATION CUM HONG KONG CORPORATE GOVERNANCE EXCELLENCE AWARDS 2019 GALA DINNER"

Tonghai Financial is honored to be the Gold Sponsor of "CHKLC 17th Anniversary Celebration cum Hong Kong Corporate Governance Excellence Awards 2019 Gala Dinner". Mr. WONG Stacey Martin, the Chief Operating and Risk Officer of Tonghai Financial, was invited to attend the dinner, which was held at Grand Hyatt Hong Kong. The Chamber of Hong Kong Listed Companies (CHKLC) instituted the awards for 17 years and evidence the achievement of the winning companies in corporate governance. This event gathered hundreds of industry elites to attend this grand celebration, strengthening linkages among the listed companies and facilitating co-operation with others.

Corporate Events and Affiliations

"QUAM IR AWARDS 2018"

The award presentation ceremony of Quam IR Awards 2018 successfully took place on 31 May 2019 at Four Seasons Hotel Hong Kong. Eminent representatives of listed companies from different sectors supported the event, sharing the joy with the winning companies on their outstanding performance and contribution in Investors Relations.

"FINANCIAL SERVICES AWARDS OF EXCELLENCE 2019" IN RECOGNITION OF ITS EXTRAORDINARY ACHIEVEMENTS IN ASSET MANAGEMENT AND SECURITIES

Tonghai Financial has reached new heights of excellence in Financial Services, sweeping two accolades at "Financial Services Awards of Excellence 2019" by the Hong Kong Economic Journal. China Tonghai Asset Management scooped "the Awards of Excellence-Asset Management" while China Tonghai Securities garnered "the Awards of Excellence-Diversified Securities Management".

Corporate Events and Affiliations

HKEJ "LISTED COMPANY AWARDS OF EXCELLENCE 2019"

Tonghai Financial has won "Listed Company Awards of Excellence 2019" by the Hong Kong Economic Journal for the recognition of the Company's outstanding performance for the second consecutive years.

"CORPORATE GOVERNANCE — THE LISTED ENTERPRISE EXCELLENCE AWARDS 2019" BY CAPITAL WEEKLY

Tonghai Financial has won "Corporate Governance — The Listed Enterprise Excellence Awards 2019" which was organized by Capital Weekly for the recognition of the Company's outstanding performance and excellent corporate governance and strategy over the past year. Management of Tonghai Financial attended the ceremony and accepted the award on 18 December 2019.

"OVERSEAS PROPERTY & INVESTMENT EXPO"

Quamnet and MingPao co-organized "Overseas Property & Investment Expo" on 14 September 2019 at JW Marriott Hotel Hong Kong. A total of 16 exhibitors, including CME group, investment consultancy of immigration and foreign investment and overseas education agency, presented a wide range of investment opportunities. Seminar topics including but not only "Fund immigration and U.S. stock strategy", "Properties in the Greater Bay Area" and "The path to immigration to the UK, Australia and Canada". Thousands of public audiences and high-net-worth investors attended the expo.

Corporate Events and Affiliations

“QUAMNET OUTSTANDING ENTERPRISE AWARDS 2019”

“The Award Ceremony of Quamnet Outstanding Enterprise Awards 2019” was successfully held on 14 January,2020 at Rosewood Hong Kong. Representatives and honorable guests attended and witnessed the 11th Anniversary of the Awards. With celebration of the remarkable achievement, the Awards gained unwaving support from the business community and media from both Hong Kong and overseas.

OUR GLOBAL M&A CAPABILITY — OAKLINS INTERNATIONAL INC. ("OAKLINS")

Oaklins is one of the world's largest and most experienced M&A advisors in the mid-market, with over 850 professionals globally and dedicated industry teams in over 45 countries worldwide. China Tonghai Capital Limited is the Hong Kong based member of Oaklins and has been acting as its exclusive Hong Kong member since 2005.

With firm roots in local soil and flexible collaboration on a global scale, Oaklins facilitates the delivery of expert support by over 850 professionals with extensive industry knowledge in 15 key industries and numerous niche sectors worldwide to clients undertaking acquisitions, mergers and disposals. Oaklins successfully closed 358 deals in 2019 worth US$19.5 billion, in which 108 deals were cross-border deals.

Oaklins held full member conferences in Madrid and Los Angeles, and regional Asia conference in Melbourne during the year.

Corporate Events and Affiliations

GLOBAL ALLIANCE PARTNERS (GAP)

The Founding Partners of Global Alliance Partners (L-R) are Mr. Toyoharu Tsutsui (Japan), Mr. Kenneth Lam and Mr. Bernard Pouliot (Hong Kong & China), Mr. Robert W. McMillen (UAE).

The inception of Global Alliance Partners (GAP) dates back to 2008, in the midst of the global financial crisis. The intention was to establish an international platform that would reach out to a larger audience and wider market. Our membership now totals 13 Partners across Asia, Europe, Australia, and the USA.

We are now entering our second decade of operations. Despite the difficult circumstances we are facing today, GAP has proven to be resilient and more relevant than ever before by providing access to global markets.

As ties have strengthened between Partners, more opportunities have been made available to them through brokerage, investment banking, fund management or M&A activities. We are a people-to-people business and our unadulterated reputation is key to our business.

GLOBAL ALLIANCE PARTNERS CONFERENCE

We held two conferences:

- 29-31 May 2019 in Bangkok, Thailand as hosted by Country Group Securities; and
- 19-21 November 2019 in Dubai, UAE as jointly hosted by Seal Consulting and MAC Capital Advisors.

Our next conference will be held in Milan, Italy as hosted by Equita Sim.

Mr. Bernard Pouliot moderates the GAP Meeting in Dubai, UAE.

GLOBAL ALLIANCE PARTNERS FUNDS

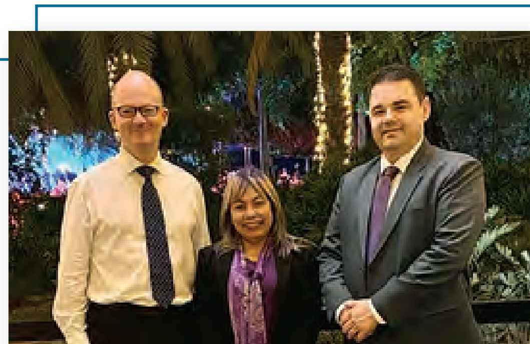
In order to align all the Partners' interest in fund management, the GAP Asset Management Committee was reactivated last year under the GAP Board of directors. The idea was to create a common platform that would promote each Partner's funds. This facilitated the renaming of Oceanwide Funds SICAV into Global Alliance Partners SICAV; hence, reflecting a Group effort to expand the platform and its reach to investors. This should entice some of the Partners, among which Aris PrimePartners Asset Management (Singapore) and Seal Consulting (Switzerland) to launch their Spanish Credit Fund using this vehicle.

A further sign of collaboration was between our Partners in Japan and Spain with the creation of the World Tourism Fund. GVC-Gaesco, which established the said fund in Spain a few years ago, now acts as the Investment Advisor for the Japanese World Tourism Fund of Capital Asset Management.

Mr. Kenneth Lam (R-center), Executive Director of Tonghai Financial discusses the GAP Funds with GVC Gestion (L).

NEW MEMBERSHIPS

Last year, Global Alliance Partners received several membership referrals from its member firms. We are currently in talks with candidates based in Luxembourg, London, Istanbul, and Dublin, with a view to expand our presence in Europe and give our members better access to region.



Ms. Coy Rillo, Director of Group Marketing and Communications of GAP is flanked by Mr. Simon Smith and Mr. Henk Steyn of Cornhill Management, incoming new member firm based in Luxemburg.

THE NEXT 10 YEARS

The past decade was just the beginning of a long and exciting road ahead of us. We are looking optimistically to the future. The foundation we have laid and the growth we have attained has prepared us for the challenges that would follow after the global pandemic crisis.

Global Alliance Partners has always been associated with entrepreneurship, innovation, and resilience. We expect this to continue as we add more quality Partners to our network.

I take this opportunity to thank all the stakeholders for their continuous contribution and particularly the Board of Directors for their support and guidance.

By **MR. BERNARD POULIOT**
Director of Tonghai Financial Group; and
Chairman and Executive Director of
Global Alliance Partners (GAP)

Profile of Directors, Senior Management, Senior Advisor and Key Executives

EXECUTIVE DIRECTORS

Mr. HAN Xiaosheng (韓曉生), aged 63, is the Chairman and executive Director with effect from 3 February 2017. He is also currently an executive director and the chairman of the board and previously a chief executive officer of China Oceanwide Holdings Limited, whose shares are listed on the Stock Exchange (Stock Code: 715). Mr. HAN is currently the chairman of supervisory committee (previously the executive director and chief executive officer) of Oceanwide Holdings Co., Ltd.* (泛海控股股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 000046). He obtained a master's degree in economics from Renmin University of China in July 1996 and a Ph.D in Management from Huazhong University of Science & Technology in June 2018. Mr. HAN is a senior accountant in the PRC. He is also directors of China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司), China Oceanwide Group Limited and Oceanwide Holdings International Financial Development Co., Ltd., which are substantial shareholders of the Company.

Mr. ZHANG Bo (張博), aged 46, is the Deputy Chairman and executive Director with effect from 3 February 2017. He is also currently a director of Oceanwide Holdings Co., Ltd.* (泛海控股股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 000046), and is currently the chairman of China Minsheng Trust Co., Ltd.* (中國民生信託有限公司), a director of Asia-Pacific Property & Casualty Insurance Co., Ltd.* (亞太財產保險有限公司), a director of Minsheng Securities Co., Ltd.* (民生證券股份有限公司) and supervisor of China Minsheng Banking Corp. Ltd.* (中國民生銀行股份有限公司). He is also a director of Wuhan CBD Co., Ltd. (武漢中央商務區股份有限公司). He served as the deputy general manager of the risk management division, general secretary of the corporate banking marketing committee and general manager of the corporate banking division of CMBC, Taiyuan Branch* (中國民生銀行太原分行), a member of the integrated operation of corporate business reform group* (公司業務集中經營改革小組) and head of finance office of the corporate banking division of the head office of CMBC, the deputy chief of the preparatory group of CMBC, Changsha Branch* (中國民生銀行長沙分行), a member of Party Committee, risk director, the vice president and president of the aircraft leasing unit of Minsheng Financial Leasing Co., Ltd.* (民生金融租賃股份有限公司). He obtained a master's degree in business administration from Wuhan University in December 2006 and is currently pursuing a doctor's degree in western economics in Fudan University.

Mr. ZHANG Xifang (張喜芳), aged 47, is the executive Director with effect from 3 February 2017. He is an executive director and the executive vice president of China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司),the chairman and the president of Oceanwide Investment Group Co., Ltd.* (泛海投資集團有限公司), the chairman of Wuhan CBD Operation Development Ltd.* (武漢中央商務區運營發展有限公司),a vice chairman of China Minsheng Trust Co., Ltd* (中國民生信託有限公司), the executive director of China Oceanwide Holdings Limited, whose shares are listed on the Stock Exchange (Stock Code: 715), the director of Oceanwide Holdings Co., Ltd.* (泛海控股股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 000046), a director of Minsheng Securities Co., Ltd.* (民生證券股份有限公司), a director of China Bohai Bank Co., Ltd.* (渤海銀行股份有限公司), a director of Wuhan CBD Co., Ltd.* (武漢中央商務區股份有限公司), a director of Oceanwide Industrial Co., Ltd.* (泛海實業股份有限公司), a director of Asia-Pacific Property & Casualty Insurance Co., Ltd.* (亞太財產保險有限公司), a director of International Data Group, Inc., and the chairman of supervisory committee of Oceanwide Equity Investment Management Co., Ltd.* (泛海股權投資管理有限公司). He served as the head of the operation division of the finance and asset management department and the deputy director of the finance and asset management department of State Grid Corporation of China* (國家電網公司), the deputy general manager of State Grid Asset Management Co., Ltd.* (國網資產管理有限公司), the deputy general manager of State Grid Yingda International Holdings Group Co., Ltd.* (國網英大國際控股集團有限公司), the general manager of Yingda Taihe Property Insurance Co., Ltd.* (英大泰和財產保險股份有限公司) and the chairman of Yingda Insurance Asset Management Co., Ltd.* (英大保險資產管理有限公司). He studied the undergraduate programme of Accounting at Central University of Finance and Economics from September 1991 to June 1995 and received a degree of Bachelor of Economics. After that, he studied the programme of business administration at Tsinghua University School of Economics and Management from March 2006 to January 2009 and received a Master degree in Business Administration.

** For identification purposes only*

Mr. FENG Henian (馮鶴年), aged 58, is re-designated as an executive Director with effect from 28 March 2018 and was the non-executive Director since 3 February 2017. He is currently a director of Oceanwide Holdings Co., Ltd.* (泛海控股股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 000046), and the chairman and secretary of Party Committee of Minsheng Securities Co., Ltd.* (民生證券股份有限公司). He served as a director and secretary of Party Committee of Shandong Securities Regulatory Bureau of China Securities Regulatory Commission, a deputy director of the Department of Law of China Securities Regulatory Commission, a director of the Department of Unlisted Public Companies and a director of the Department of GEM Public Offering Supervision of China Securities Regulatory Commission. He obtained a master's degree in economic law from China University of Political Science and Law in July 1989.

Mr. LIU Hongwei (劉洪偉), aged 53, is the executive Director with effect from 3 February 2017. He is also an executive director and deputy chairman of the board of China Oceanwide Holdings Limited, whose shares are listed on the Stock Exchange (Stock Code: 715), a non-executive director of CuDeco Limited, whose shares are listed on the Australian Securities Exchange (Stock Code: CDU) and the vice-president of China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司). He served as a supervisor of Oceanwide Holdings Co., Ltd.* (泛海控股股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 000046) and a director of Minsheng Holdings Co., Ltd.* (民生控股股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 000416). He obtained a bachelor's degree in engineering from Dalian Ocean University (formerly known as Dalian Fisheries College) in July 1989 and a master's degree in management from Massey University in New Zealand in April 2006. He is also a director of China Oceanwide Group Limited, which is substantial shareholder of the Company.

Mr. Kenneth LAM Kin Hing (林建興), aged 66, joined the Company in 2001, and is currently the executive Director of the Company and Chief Executive Officer of the Group. Since 1994, he has been the Managing Director of Dharmala Capital Holdings Group, a company which was subsequently amalgamated with the Company. Mr. LAM is a responsible officer for Types 1, 2, 4, 6 and 9 regulated activities under the Securities and Futures Ordinance (the "SFO") for China Tonghai Securities Limited and a responsible officer for Types 1, 4 and 9 regulated activities under the SFO for China Tonghai Asset Management Limited. Mr. LAM had worked for an international bank for 10 years as the head of its PRC and corporate banking operations. Mr. LAM has more than 30 years of experience in corporate finance and banking. He was an independent non-executive director of Hon Kwok Land Investment Company, Limited, a company listed in Hong Kong (March 2004 to August 2015) and a director of Seamico Securities Public Company Limited, a company listed in Thailand (September 1997 to August 2013). He is the member of the General Committee of The Chamber of Hong Kong Listed Companies since June 2013 and the Vice Chairman and past Chairman (2009 to 2010) of the Institute of Securities Dealers Limited. He holds a Bachelor of Science Degree in University of Western Ontario (now known as Western University) with a double major in Computer Science and Economic (1976), and a Master of Business Administration in the 3-Year MBA Program of The Chinese University of Hong Kong (1983). In 2012, he was conferred on Honorary Fellowship by Canadian Chartered Institute of Business Administration and Honorary Doctor of Laws by Lincoln University.

* *For identification purposes only*

Profile of Directors, Senior Management, Senior Advisor and Key Executives

NON-EXECUTIVE DIRECTORS

Mr. Bernard POULIOT, aged 68, joined the Company in 2000. He was the Chairman of the Company until February 2017 and became Deputy Chairman of the Company (from February 2017 to September 2017). He is now the non-executive Director of the Company with effect from 1 October 2017. Mr. POULIOT has more than 30 years of experience in investment, finance and corporate development. Mr. POULIOT was a director of Seamico Securities Public Company Limited, a company listed in Thailand (September 1997 to May 2013) and was appointed as the vice-chairman in February 2008.

Mr. LIU Bing (劉冰), aged 62, is the non-executive Director with effect from 3 February 2017. He is currently the global president and director of International Data Group, Inc., an executive director of China Oceanwide Holdings Limited, whose shares are listed on the Stock Exchange (Stock Code: 715), the vice chairman of the supervisory committee (previously was the executive director and executive vice president) of China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司) which is substantial shareholder of the Company, the vice chairman of the board of Minsheng Holdings Co., Ltd.* (民生控股股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 000416), a director of Minsheng Securities Co., Ltd.* (民生證券股份有限公司), a director of Oceanwide Equity Investment Management Co., Ltd. (泛海股權投資管理有限公司) and the chairman of the supervisory committee of Shenzhen Fanhai Sanjiang Electronics Co., Ltd. (深圳市泛海三江電子股份有限公司). He was the chairman of the supervisory committee of Oceanwide Holdings Co., Ltd.* (泛海控股股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 000046) and the supervisor of China Minsheng Trust Co., Ltd. He obtained a master's degree in business administration from Sacred Heart University in the United States in August 1989.

Mr. ZHAO Yingwei (趙英偉), aged 49, is the non-executive Director with effect from 28 March 2018. He is currently a non-executive director of China Oceanwide Holdings Limited, whose shares are listed on the Stock Exchange (Stock Code: 715), the vice-chairman of supervisory committee (previously the executive director of Oceanwide Holdings Co., Ltd.* (泛海控股股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 000046) and the chairman of the supervisory committee of Minsheng Holdings Co., Ltd.* (民生控股股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 000416). He is a senior accountant in China. Mr. ZHAO obtained a Bachelor's degree in economics from Renmin University of China in January 1997 and a Master's degree in engineering from Beihang University in January 2013. He is also directors of China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司) and China Oceanwide Group Limited, which are substantial shareholders of the Company.

Mr. ZHAO Xiaoxia (趙曉夏), aged 56, is the non-executive Director with effect from 3 February 2017. He served as a director of Oceanwide Holdings Co., Ltd.* (泛海控股股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 000046), the sub-manager of international business division and the representative of London liaison office of People's Insurance Company of China* (中國人民保險總公司), director and the general manager of Huatai Insurance Agency & Consultant Service Ltd.* (華泰保險代理和諮詢服務公司), director and the executive vice president of AXA-Minmetals Assurance Co., Ltd.* (金盛人壽保險有限公司), senior vice president of New York Life Insurance (International)* (美國紐約人壽 (國際) 保險公司), president and the chief executive officer of Haier New York Life Insurance Co., Ltd.* (海爾紐約人壽保險有限公司), senior vice president of Asia Capital Holding Group Limited* (亞洲資本控股集團公司) and executive vice president of North Asia Region and the head of China of ACR Reinsurance Group* (ACR再保險集團). He obtained a bachelor's degree in law from Peking University in 1985.

** For identification purposes only*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Roy LO Wa Kei (盧華基), aged 48, is the independent non-executive Director with effect from 3 February 2017. He is the chairman of audit committee of the Company. He is currently the independent non-executive director of several public companies whose shares are listed on the Stock Exchange, including China Oceanwide Holdings Limited (Stock Code: 715), Sheen Tai Holdings Group Company Limited (Stock Code: 1335), Sun Hing Vision Group Holdings Limited (Stock Code: 125), China Zhongwang Holdings Limited (Stock Code: 1333), Xinming China Holdings Limited (Stock Code: 2699), Wan Kei Group Holdings Limited (Stock Code: 1718) and G-Resources Group Limited (Stock Code: 1051). He also serves as the managing partner of SHINEWING (HK) CPA Limited, the member of the Shanghai Pudong New Area Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議上海市浦東新區委員會), 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. He served as an independent non-executive director of North Mining Shares Company Limited (Stock Code: 433) from September 2004 to November 2015. He obtained a bachelor's degree in business administration from University of Hong Kong in November 1993 and a master's degree in professional accounting from Hong Kong Polytechnic University in November 2000. He 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.

Mr. KONG Aiguo (孔愛國), aged 52, is the independent non-executive Director with effect from 3 February 2017. He is the chairman of remuneration committee of the Company and a member of audit committee of the Company. He is currently an independent director of Oceanwide Holdings Co., Ltd.* (泛海控股股份有限公司) whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 000046), an independent non-executive director of Harmonicare Medical Holdings Ltd., whose shares are listed on the Stock Exchange (Stock Code: 1509) and a director of Shanghai Fudan Forward Science and Technology Co., Ltd.* (上海復旦復華科技股份有限公司), whose shares are listed on the Shanghai Stock Exchange (Stock Code: 600624). He served as an independent director of Tianjin Xinmao Science and Technology Co., Ltd.* (天津鑫茂科技股份有限公司) (now known as Tianjin Futong Xinmao Science and Technology Co., Ltd.* (天津富通鑫茂科技股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 000836)) (May 2015 to August 2018) and Simei Media Co., Ltd.* (思美傳媒股份有限公司), whose shares are listed on Shenzhen Stock Exchange (Stock Code: 002712) (December 2016 to November 2019). He is a professor and Ph.D supervisor in School of Management of Fudan University. From July 1989 to August 1992, he was an assistant engineer of Wuxi 721 Factory* (無錫721廠). He obtained a doctor's degree from Fudan University in December 1996.

** For identification purposes only*

Profile of Directors, Senior Management, Senior Advisor and Key Executives

Mr. LIU Jipeng (劉紀鵬), aged 64, is the independent non-executive Director with effect from 18 December 2017. He is a member of the audit committee and remuneration committee of the Company. He is also currently an independent non-executive director of China Oceanwide Holdings Limited, whose shares are listed on the Stock Exchange (Stock Code: 715), China Minsheng Banking Corp., Ltd.* (中國民生銀行股份有限公司), whose shares are dually listed on the Stock Exchange (Stock Code: 1988) and the Shanghai Stock Exchange (Stock Code: 600016), an independent director of Zhongjin Gold Corporation, Ltd.* (中金黃金股份有限公司), whose shares are listed on the Shanghai Stock Exchange (Stock Code: 600489), Chongqing Changan Automobile Co., Ltd.* (重慶長安汽車股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 000625) and China-Singapore Suzhou Industrial Park Development Group Co., Ltd. (中新蘇州工業園區開發集團股份有限公司), whose shares are listed on the Shanghai Stock Exchange (Stock Code: 601512). He also served as directors of various public companies including independent director of AVIC Capital Co., Ltd.* (中航資本控股股份有限公司), whose shares are listed on the Shanghai Stock Exchange (Stock Code: 600705) (from May 2011 to May 2017), independent non-executive director of Dalian Wanda Commercial Properties Co., Ltd., whose shares are listed on the Stock Exchange (Stock Code: 3699, delisted on 20 September 2016) (from 2012 to 2016) and independent non-executive director of Wanda Hotel Development Company Limited, whose shares are listed on the Stock Exchange (Stock Code: 169) (from July 2013 to March 2019). He is a senior economist and certified public accountant in China. Mr. LIU obtained a Bachelor's degree in economics from Capital University of Economics and Business (formerly known as Beijing School of Economics) in July 1983 and a Master's degree in economics from Graduate School of Chinese Academy of Social Sciences in July 1986.

Mr. HE Xuehui (賀學會), aged 48, is the independent non-executive Director with effect from 3 February 2017. He is a member of the audit committee and remuneration committee of the Company. He is currently an EMBA professor in Shanghai National Accounting Institute* (上海國家會計學院), a senior partner of Shanghai Sigma Investment Consulting Corporation, an executive director of Shanghai Finance Institute* (上海市金融學會) and a member of Expert Committee on Working Mechanism of Prudential Qualification Appraisal of Risks Relating to Separate Accounting Business in Shanghai Pilot Free Trade Zone* (上海自貿試驗區分賬核算業務風險審慎合格評估工作機制專家委員會). From December 2012 to September 2016, he was Dean of School of Finance of Shanghai University of International Business and Economics* (上海對外經貿大學). From May 2009 to August 2012, he was a professor in Shanghai National Accounting Institute* (上海國家會計學院). From September 2003 to April 2009, he was Deputy Dean of School of Finance of Hunan University* (湖南大學金融學院). From May 2001 to January 2002, he served as a senior researcher in Shanghai Jin Xin Financial Engineering Research Institute* (上海金新金融工程研究院). He obtained a master's degree in economics from Hunan University (then known as "Hunan College of Finance and Economics*") (湖南財經學院 (現湖南大學)) in September 2009. He obtained a Ph.D in economics from Fudan University in December 2003.

Mr. HUANG Yajun (黃亞鈞), aged 67, is the independent non-executive Director with effect from 3 February 2017. He is a member of audit committee and remuneration committee of the Company. He is currently the head of the world economy department, School of Economics of Fudan University and a director of Securities Research Institute of Fudan University. He is also an independent director of Shanghai Keysino Separation Technology Co., Ltd. (上海凱鑫分離技術股份有限公司), an independent director of Shanghai Zi Jiang Enterprise Group Co., Ltd.* (上海紫江企業集團股份有限公司), whose shares are listed on the Shanghai Stock Exchange (Stock Code: 600210) and an independent director of YTO Express Group Co., Ltd.* (圓通速遞股份有限公司) whose shares are listed on the Shanghai Stock Exchange (Stock Code: 600233). He served as an independent director of China Information Development Inc., Ltd. Shanghai* (上海中信信息發展股份有限公司), whose shares are listed on the Shanghai Stock Exchange (Stock Code: 300469) (from 2012 to November 2018). He served as Deputy Dean and Dean of School of Economics of Fudan University from July 1992 to December 2000 and Deputy Dean of University of Macau from December 2000 to July 2006. He obtained a master's degree in economy from Fudan University in 1985 and a doctor's degree in economy from West Virginia University in 1992.

* *For identification purposes only*

SENIOR MANAGEMENT

Mr. WONG Stacey Martin, aged 52, joined the Group in November 2017 and is the Chief Operating and Risk Officer of the Group. Mr. WONG has about 30 years of experience in the investment banking industry and led IPOs and placings of Hong Kong and Chinese Companies and has participated in mergers and acquisitions and financial advisory transactions of Blue-chip, Red-chip, private enterprise and H-share companies. He is a responsible officer for Types 1, 2, 4, 6 and 9 regulated activities under the SFO for China Tonghai Securities Limited and a responsible officer for Types 1 and 6 regulated activities under the SFO for China Tonghai Capital Limited. Mr. WONG is an independent non-executive director of OCI International Holdings Limited (Stock code: 329.HK) and non-executive director of Minsheng Creative Technology Holdings Limited (Stock code: 1632.HK). Prior to joining China Tonghai International Financial Limited, Mr. WONG was the Chief Operating Officer and a director of CMBC International Holdings Limited since February 2013. Mr. WONG was the Head of Investment Banking of Piper Jaffray Asia Limited (formerly named as Goldbond Group Holdings Limited (2003–2007) which was merged by Piper Jaffray Companies (NYSE: PJC) in July 2007) and also headed Bear Stearns Asia Limited's corporate finance team, worked as the Head of BNP Paribas Peregrine Capital Limited's infrastructure and public utility corporate finance team, and spent ten years with Peregrine Capital Limited. Mr. WONG holds a Bachelor of Arts degree and a Master of Arts degree from the University of Cambridge, the United Kingdom.

Mr. Chris WU Kwok Choi, aged 46, joined the Company in June 2017 and is the Chief Financial Officer of the Company. Mr. WU has more than 20 years of finance and accounting experience in the Greater China region. Mr. WU graduated from the Hong Kong University of Science and Technology with a bachelor's degree in Business Administration. Mr. WU is a fellow member of the Association of Chartered Certified Accountants and a fellow member of The Hong Kong Institute of Certified Public Accountants.

Mr. YAN Chi Kwan, aged 44, joined the Group in May 2018 and is the Chief Investment Officer of the Group. He has over 19 years of investment experience in the financial markets of the Asia-Pacific region. Mr. YAN is a responsible officer for Types 1, 4 and 9 regulated activities under the SFO for China Tonghai Asset Management Limited and a responsible officer for Type 1 regulated activity under the SFO for China Tonghai Securities Limited. Prior to joining the Group, he was the Chief Investment Officer of CMBC International Holdings Limited, responsible for investment, financing and asset management. Mr. YAN has also set his footprints in other financial institutions. He was the Head of Product and Business Development in Shenwan Hongyuan Asset Management (Asia) Limited (formerly known as Shenyin Wanguo Asset Management (Asia) Limited) and Deputy Managing Director in Shenwan Hongyuan Securities (H.K.) Limited (formerly known as Shenyin Wanguo Securities (H.K.) Limited). Mr. YAN was also the Management Director in a number of well-established asset management companies where he participated in investment management, research, business and product development. He holds a Master degree in Economics and Bachelor degree in Finance from The University of Hong Kong. He is a CFA® charterholder. On personal front, Mr. YAN was a prominent speaker or lecturer in several university institutions. He conducted lectures at The Open University of Hong Kong, and National Kaohsiung University of Applied Sciences (now known as National Kaohsiung University of Science and Technology).

Profile of Directors, Senior Management, Senior Advisor and Key Executives

SENIOR ADVISOR

Mr. Richard David WINTER, aged 67, has been the Senior Advisor of the Company since September 2017. He joined the Company in 2002 and was previously Deputy Chairman of the Company and Chief Executive Officer of corporate finance business of the Group. Mr. Winter has extensive experience in the investment banking and corporate finance advisory field in Hong Kong. He was Managing Director of Deloitte & Touche Corporate Finance Limited and before that Standard Chartered Asia Limited. He received an Honours Degree in Commerce from Edinburgh University. Mr. Winter is a member of the Takeovers and Mergers Panel and Takeovers Appeal Committee of the Securities and Futures Commission and a member of Listing Review Committee of the Hong Kong Exchanges and Clearing Limited. He is a senior fellow of Hong Kong Securities and Investment Institute, a fellow of the Institute of Chartered Accountants in England and Wales, a fellow of the Hong Kong Institute of Directors, a member of the Hong Kong Institute of Certified Public Accountants and Chairman of Executive Committee of The Outward Bound Trust of Hong Kong Limited.

KEY EXECUTIVES

Mr. Benny CHUNG Koon Chung, aged 46, joined the Group in May 2017 and is the Chief Executive Officer of corporate finance of the Group. Mr. CHUNG has over 20 years of investment banking experience and had worked at the investment banking division of various multinational banks. He is a responsible officer for Types 1 and 6 regulated activities under the SFO for China Tonghai Capital Limited. Prior to joining the investment banking industry, Mr. CHUNG worked as an auditor at one of the major international accounting firms for over two years.

Mr. Calvin CHIU Chun Kit, aged 49, is the Deputy Chief Executive Officer of the securities and futures businesses of the Group. He is a responsible officer for Types 1, 2, 4 and 9 regulated activities under the SFO for China Tonghai Securities Limited. He joined the Group in 2002.

Mr. CHAN Hok Sing, aged 57, joined the Group in January 2019 as the Chief Operating Officer of China Tonghai Asset Management Limited. Mr. Chan has more than 30 years of experience in financial industry. He is responsible for the operation of the asset management team of the Group.

Mr. HAU Man Sing, aged 50, joined the Group in 2013 and is Head of Information Technology. Mr. HAU is responsible for the overall IT administration and services to the Group. Mr. HAU graduated from the University of Kent in England, with a Computer Science degree and has extensive experience across many IT fields.

Ms. Hortense CHEUNG Ho Sze, aged 45, is the Company Secretary of the Company. She joined the Group in 2007. Ms. CHEUNG has extensive experience in handling listed company secretarial matters and is an associate member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in United Kingdom.

Mr. HUI John, aged 46, joined the Group in December 2018 and is the Head of Institutional Sales of China Tonghai Securities Limited, responsible for overseeing the Institutional Sales function. Mr. HUI has more than 20 years of experience in securities brokerage business, he previously held senior positions in number of leading global Investment banks and Chinese financial institutions. He is responsible officer for Types 1 and 4 under the SFO for China Tonghai Securities Limited. Prior to joining to China Tonghai Securities Limited, Mr. HUI was the Managing Director of Institutional Sales at China Galaxy International Financial Holdings Limited, Head of Institutional Sales in CMBC International Holdings Limited and RHB Securities Hong Kong Limited. Mr. HUI received a Honor Bachelor of Commerce and Finance from the University of Toronto.

Mr. Jackie LAM Chi Sun, aged 42, joined the Group in August 2019 as the Head of Internal Audit. He has over 15 years of audit experience in the financial services industry. Mr. Lam holds a Master of Investment Management from The Hong Kong University of Science and Technology. He is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

Ms. Jane CHAN Ching Yin, aged 39, is the Head of Marketing of the Group and responsible for the group marketing, promotional and branding matters. She joined the company in 2008 and rejoined again in 2012. She has extensive experience in the field of internal and external communication, public relations and marketing.

Mr. Keith CHAN Chin Wang, aged 44, joined the Group in July 2018 and is the Head of Legal of the Group. Mr. CHAN was admitted as a solicitor of the High Court of Hong Kong Special Administrative Region in 2003. Mr. CHAN has been a practising solicitor in Hong Kong for over 10 years specialised in corporate finance, merger and acquisition and regulatory compliance. Prior to joining the Group, Mr. CHAN was also appointed as the Company Secretary for a number of companies whose shares are listed on the Main Board and GEM of the Stock Exchange.

Mr. TSANG Chung Him, aged 48, joined the Group in 2007 as the Head of Compliance. He had also acted as Company Secretary of the Company from April 2008 to October 2015. He has extensive experience of compliance in the financial industry. He had worked for the Securities and Futures Commission and several major financial groups. Mr. TSANG holds a Bachelor of Social Sciences and a Master of Laws from The University of Hong Kong and the professional designations of Chartered Financial Analyst, Certified Public Accountant and Financial Risk Manager.

Ms. TSUI Ka Chi, aged 50, is the Group Human Resources Manager of the Group. She is responsible for the overall human resources management and administration of the Group. She joined the Group in 2006. Ms. TSUI has extensive experience in human resources and administration and is a professional member of the Hong Kong Institute of Human Resource Management.

Mr. YEUNG Shu Fan, aged 54, joined the Group in April 2019 and is the Chief Executive Officer of the securities and futures businesses of the Group. He is a responsible officer for Types 1,2,4,6 and 9 regulated activities under the SFO for China Tonghai Securities Limited. Mr. Yeung has been engaging in financial industry for more than 30 years with extensive experience in the management of the business in brokerage and investment products for the institutional clients of both Hong Kong and overseas market. He previously worked as Managing Director of China Galaxy International Securities (Hong Kong) Co., Limited, Director of Shengang Securities Company Limited, Chief Executive Officer of Mason Securities Limited, and Managing Director of Shenwan Hongyuan Securities (H.K.) Limited. Mr. Yeung received a Bachelor's Degree of Management Science from the London School of Economics and Political Science of University of London in United Kingdom.

Mr. YIP Melvin Yang Joon, aged 44, joined the Group in April 2019 and is the Head of Structured Finance of the Group. Mr. YIP has over 20 years of investment banking experience and had worked at the investment banking division of various multinational banks. Prior to joining to the Group, Mr. YIP was a Managing Director at ICBC International Holdings Ltd. He holds a degree from Brown University.

Directors' Report

The board of directors (the "Board" or "Directors") of China Tonghai International Financial Limited (the "Company") presents the annual report together with the audited financial statements of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2019 (the "Year").

PRINCIPAL ACTIVITIES

During the Year, the principal activity of the Company is investment holding and the principal activities of the subsidiaries are as follows:

a) discretionary and non-discretionary dealing services for securities, futures and options, securities placing and underwriting services, margin financing and money lending services, insurance broking and wealth management services;

b) corporate finance advisory and general advisory services;

c) fund management, discretionary portfolio management and portfolio management advisory services;

d) financial media services; and

e) investing and trading of various investment products.

Particulars of the principal subsidiaries of the Company as at 31 December 2019 are set out in note 47 to the financial statements.

BUSINESS REVIEW

A review of the business of the Group during the Year, a discussion on the Group's future business development, possible risks and uncertainties that the Group may be facing, the environmental policies and performance and the relationship with key stakeholders of the Group are set out in the section of "Chief Executive Officer's Review", "Management Discussion and Analysis" and "Environmental, Social and Governance Report" on pages 6 to 7, pages 8 to 19 and pages 21 to 35 respectively of this annual report.

SEGMENT INFORMATION

An analysis of the Group's revenue and results by business segment for the Year is set out in note 7 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the Year and the financial position of the Company and the Group as at 31 December 2019 are set out in the financial statements on pages 92 to 206.

No interim dividend was paid during the Year (2018: Nil).

The Board has resolved not to recommend the payment of a final dividend for the Year (2018: Nil).

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the past financial years, which was extracted from the audited financial statements and reclassified as appropriate, is set out on pages 207 and 208 of this annual report. This summary does not form part of the financial statements.

PROPERTY AND EQUIPMENT

Details of movements of the property and equipment of the Company and the Group during the Year are set out in note 28 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Year are set out in note 35 to the financial statements.

BORROWINGS AND INTEREST CAPITALISED

Borrowings repayable on demand or within one year are classified under current liabilities. Details of the borrowings are set out in note 31 to the financial statements.

SHARE AWARD SCHEME

A Restricted Share Award Scheme ("Share Award Scheme") was adopted by the Company on 19 August 2010. The purpose of the Share Award Scheme is to recognize and motivate the contribution of certain employees and/or consultants and to provide incentives and help the Group in retaining its existing employees or consultants and recruiting additional employees or consultants and to provide them with a direct economic interest in attaining the long-term business objectives of the Company.

Pursuant to the rules of Share Award Scheme, the Board may, from time to time, at its absolute discretion select the employees and consultants (excluding any excluded participant) as they deem appropriate for participation in the Share Award Scheme and determines the number of awarded shares to be granted. Existing shares would be purchased by the trustee from the market out of cash contributed by the Group and be held in trust for the relevant selected participants. The awarded shares of the Company will be vested only after satisfactory completion of time-based targets or time-and-performance-based targets.

The Share Award Scheme is subject to the administration of the Board in accordance with the rules of Share Award Scheme. The aggregate number of awarded shares granted by the Board throughout the duration of the Share Award Scheme should not be in excess of 10% of the issued share capital of the Company as at the date of its adoption. Unless terminated earlier by the Board, the Share Award Scheme shall be valid and effective for a term of 10 years from the date of its adoption. However, the Board has the right to renew for the Share Award Scheme up to three times and each time for another 5-year terms. Further details of the Share Award Scheme were set out in the announcement of Company dated 19 August 2010.

The trustee has purchased 41,890,000 issued Shares from the market during the year ended 31 December 2019. Accordingly, a total of 51,172,002 Awarded Shares are now held by the trustee under the Restricted Shares Award Scheme Trust which is available for allocation. No Awarded Share has been granted as at 31 December 2019. The Share Award Scheme should be retained until expiry of trust period or until informed by the Company.

Save as disclosed above, at no time during the Year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

SHARE PREMIUM AND RESERVES

Details of movements in the share premium and reserves of the Company and the Group during the Year are set out in the consolidated statement of changes in equity, and in note 46 to the financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2019, the Company's reserves available for cash distribution and/or distribution in specie to Shareholders, comprising the aggregate of contributed surplus and retained profits of the Company, amounted to HK$5,491.8 million. In accordance with the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution to Shareholders. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that:

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

(ii) the realisable value of the company's assets would thereby be less than its liabilities.

DIVIDEND POLICY

The declaration of dividends by the Company is also subject to any restrictions under the Companies Act 1981 of Bermuda, the Listing Rules, bye-laws of the Company and any applicable laws, rules and regulations. Distribution will usually be considered annually after the annual accounts of the Company are approved by the Shareholders but interim distribution may be made from time to time to the Shareholders as appear to the Board to be justified by the position of the Company.

The declaration of future dividends will be subject to the decision by the Board and will depend on, among other things, the operation and financial performance, liquidity conditions, capital requirements and future funding needs, contractual restrictions, availability of reserves and the prevailing economic climate or any other factors that our Directors may consider relevant.

CHARITABLE DONATIONS

During the Year, the total charitable donations made by the Group is HK$30,000 (2018: HK$300,000).

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, services provided to the Group's five largest customers accounted for 37% of the total turnover for the Year and services provided to the largest customer included therein amounted to 14%. Among the five largest customers (including the largest customer), three of them were subsidiaries of the holding companies of Oceanwide Holdings International Financial Development Co., Ltd (the Controlling Shareholder).

Services provided from the Group's five largest suppliers accounted for 33% of the total cost of services provided for the Year and services provided from the largest supplier included therein amounted to 13%.

Save as disclosed in the consolidated financial statements and the report herein, none of the Directors or any of their associates or any Shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) had, at any time during the Year, a beneficial interest in any of the five largest customers and suppliers of the Group.

DIRECTORS

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

Executive Directors

Mr. HAN Xiaosheng
Mr. ZHANG Bo
Mr. ZHANG Xifang
Mr. FENG Henian
Mr. LIU Hongwei
Mr. Kenneth LAM Kin Hing

Non-executive Directors

Mr. Bernard POULIOT
Mr. LIU Bing
Mr. ZHAO Yingwei
Mr. ZHAO Xiaoxia

Independent Non-executive Directors

Mr. Roy LO Wa Kei
Mr. KONG Aiguo
Mr. LIU Jipeng
Mr. HE Xuehui
Mr. HUANG Yajun

In accordance with bye-laws 87 of the Company and pursuant to code provision A.4.2 of Appendix 14 of the Listing Rules, Mr. LIU Hongwei, Mr. Kenneth LAM Kin Hing, Mr. Bernard POULIOT, Mr. LIU Bing and Mr. HUANG Yajun will retire by rotation at the forthcoming annual general meeting. Mr. Bernard POULIOT will retire and not offer himself for re-election while the aforesaid four directors, namely Mr. LIU Hongwei, Mr. Kenneth LAM Kin Hing, Mr. LIU Bing and Mr. HUANG Yajun are being eligible and will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received from each of its independent non-executive Director an annual confirmation of independence pursuant to rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") and considered that all the independent non-executive Directors are independent in accordance with the terms of the independence guidelines set out in rule 3.13 of the Listing Rules.

DIRECTORS' REMUNERATION

Details of the emoluments of the Directors for the Year are set out in note 14 to the financial statements.

EMOLUMENT POLICY

The emolument policy of the Group, in general, is determined with reference to the financial position and operating results of the Company and the prevailing market condition and trends. On this basis, the emolument of the Directors is determined with reference to their individual performances, involvement in the Group's affairs, the Company's performance and profitability. For the executive Directors, their remuneration is reviewed by the Remuneration Committee of the Company. As for the independent non-executive Directors, remuneration is determined by the Board, upon the recommendation from the Remuneration Committee of the Company. A resolution will be proposed at the forthcoming annual general meeting to obtain Shareholders' authorisation for the Board to fix Directors' remuneration.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of Directors and senior management of the Group are presented on pages 48 to 53 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. HAN Xiaosheng, Mr. ZHANG Xifang and Mr. LIU Hongwei has entered into a renewal service agreement with the Company to act as executive Director for a term of three years commencing 3 February 2020, all renewable following the expiration of the term and is subject to the retirement by rotation and re-election in accordance with the provisions of the bye-laws of the Company. Each of them has agreed and acknowledged that he is not entitled to any director's fee or bonus as remuneration for his services during the continuance of his directorship under his service agreement.

Mr. ZHANG Bo has entered into a renewal service agreement with the Company to act as executive Director for a term of three years commencing 3 February 2020, renewable following the expiration of the term and is subject to the retirement by rotation and re-election in accordance with the provisions of the bye-laws of the Company. He is entitled to receive a monthly salary of HK$235,000.

Mr. FENG Henian has entered into a service agreement with the Company to act as executive Director for a term of three years commencing 28 March 2018, renewable following the expiration of the term and is subject to the retirement by rotation and re-election in accordance with the provisions of the bye-laws of the Company. He has agreed and acknowledged that he is not entitled to any director's fee or bonus as remuneration for his services during the continuance of his directorship under his service agreement.

Mr. Kenneth LAM Kin Hing has entered into a service agreement with the Company to act as executive Director for a term of three years commencing 1 October 2017, renewable following the expiration of the term and is subject to the retirement by rotation and re-election in accordance with the provisions of the bye-laws of the Company. He is entitled to receive a monthly salary of HK$433,334.

Mr. Bernard POULIOT entered into a letter of appointment as a non-executive Director with the Company for a term of one year commencing 1 October 2019, renewable following the expiration of the term, and is subject to retirement by rotation and re-election in accordance with the provisions of the bye-laws of the Company. He is entitled to receive a monthly director's fee of HK$16,000.

Each of Mr. LIU Bing and Mr. ZHAO Xiaoxia has entered into a letter of appointment with the Company to act as non-executive Director for a term of one year commencing 3 February 2020, all renewable following the expiration of the term and is subject to the retirement by rotation and re-election in accordance with the provisions of the bye-laws of the Company. Each of them has agreed and acknowledged that he is not entitled to any director's fee or bonus as remuneration for his services during the continuance of his directorship under his letter of appointment.

Mr. ZHAO Yingwei has entered into a letter of appointment with the Company to act as non-executive Director for a term of one year commencing 28 March 2020, renewable following the expiration of the term and is subject to the retirement by rotation and re-election in accordance with the provisions of the bye-laws of the Company. He has agreed and acknowledged that he is not entitled to any director's fee or bonus as remuneration for his services during the continuance of his directorship under his letter of appointment.

Each of Mr. Roy LO Wa Kei, Mr. KONG Aiguo, Mr. HE Xuehui and Mr. HUANG Yajun has entered into a letter of appointment with the Company to act as independent non-executive Director for a term of one year commencing 3 February 2020, all renewable following the expiration of the term and is subject to the retirement by rotation and re-election in accordance with the provisions of the bye-laws of the Company. Each of them received a fixed annual directors' fee of HK$200,000 since 3 February 2017 (their date of appointment) and then it increased to HK$250,000 with effect from 3 February 2018. They will not receive any variable remuneration from the Group.

Mr. LIU Jipeng has entered into a letter of appointment with the Company to act as independent non-executive Director for a term of one year commencing 18 December 2019, renewable following the expiration of the term and is subject to the retirement by rotation and re-election in accordance with the provisions of the bye-laws of the Company. He received a fixed annual directors' fee of HK$200,000 since 18 December 2017 (his date of appointment) and then it increased to HK$250,000 with effect from 18 December 2018. He will not receive any variable remuneration from the Group.

Save as disclosed above, no Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not terminable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed under "Continuing Connected Transactions" in this director's report and in note 40 to the financial statements, no Director had a material interest in any transactions, arrangements or contract of significance to the business of the Group subsisted at the end of the Year or at any time during the Year to which the Company or any of its subsidiaries was a party.

MANAGEMENT CONTRACTS

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

DIRECTORS' INTERESTS

As at 31 December 2019, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") under Appendix 10 of the Listing Rules were as follows:

(i) Long Position in the shares of the Company (the "Shares")

Name of director	**Capacity**	**Number of Shares held**	**Approximate percentage of shareholding in the Shares in issue** (Note 1)
Mr. Kenneth LAM Kin Hing	Beneficial owner	113,072,833	1.82%
Mr. Bernard POULIOT	Beneficial owner	38,952,666	0.62%

(ii) Long positions in the shares of associated corporations of the Company

(a) Oceanwide Holdings Co., Ltd. ("Oceanwide Holdings")

Name of Director	**Capacity**	**Number of shares in Oceanwide Holdings**	**Approximate percentage of shareholding in Oceanwide Holdings** (Note 2)
Mr. HAN Xiaosheng	Beneficial owner	3,500,000	0.06%
Mr. ZHANG Bo	Beneficial owner	510,000	0.009%
Mr. ZHANG Xifang	Beneficial owner	276,000	0.005%
Mr. LIU Hongwei	Beneficial owner	30,000	0.0005%
Mr. LIU Bing	Beneficial owner	90,000	0.001%
Mr. ZHAO Yingwei	Beneficial owner	200,000	0.003%
Mr. ZHAO Xiaoxia	Beneficial owner	183,500	0.003%

(b) China Oceanwide Holdings Limited ("China Oceanwide")

Name of Director	Capacity	Number of shares in China Oceanwide	Approximate percentage of shareholding in China Oceanwide (Note 2)
Mr. LIU Jipeng	Beneficial owner	9,212,000	0.05%

(iii) Interest in the debentures of an associated corporation of the Company

Name of Director	Name of associated corporation	Nature of interest	Amount of debentures
Mr. Kenneth LAM Kin Hing	Oceanwide Holdings International Development III Co., Ltd.	Personal interest	US$5,000,000

Notes:

1. The approximate percentage shown was the number of Shares the relevant Director was interested in expressed as a percentage of the total number of issued Shares as at 31 December 2019.

2. The approximate percentage shown was the number of shares the relevant Director was interested in expressed as a percentage of the total number of issued shares of the relevant entity as at 31 December 2019.

Save as disclosed above, as at 31 December 2019, none of the Directors or their respective associates had or were deemed under the SFO to have any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register kept by the Company under section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND OTHER PERSONS' INTERESTS

As at 31 December 2019, so far as were known to the Directors, the following persons (other than the Directors) who had interests and short positions in the Shares, underlying Shares and debentures of the Company as recorded in the register kept by the Company under section 336 of the SFO, or as otherwise notified to the Company, as being directly or indirectly interested or deemed to be interested in 5% or more of the Shares in issue of the Company, were as follows:

Long Position in the Shares and underlying Shares

Name of holder of Shares/ underlying Shares	**Capacity**	**Number of Shares and underlying Shares held**	**Approximate percentage of total interests in the Shares in issue** (Note 11)
Mr. LU Zhiqiang ("Mr. Lu")	Interest of controlled corporations	4,494,454,732 (Note 1)	72.52%
Ms. HUANG Qiongzi	Interest of controlled corporations	4,494,454,732 (Note 1)	72.52%
Tohigh Holdings Co., Ltd.* (通海控股有限公司)	Interest of controlled corporations	4,494,454,732 (Note 2)	72.52%
Oceanwide Group Co., Ltd.* (泛海集團有限公司)	Interest of controlled corporations	4,494,454,732 (Note 3)	72.52%
China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司)	Interest of controlled corporations	4,494,454,732 (Note 4)	72.52%
Oceanwide Holdings	Interest of controlled corporations	4,494,454,732 (Note 5)	72.52%
China Oceanwide Group Limited	Interest of controlled corporations	4,494,454,732 (Note 5)	72.52%
Oceanwide Holdings International Financial Development Co., Ltd. ("Oceanwide Holdings IF")	Beneficial owner	4,494,454,732 (Note 5)	72.52%
Haitong Securities Co., Ltd.	Interest of controlled corporations	4,100,000,000 (Note 6)	66.16%
Haitong International Holdings Limited	Interest of controlled corporations	4,100,000,000 (Note 7)	66.16%
Haitong International Securities Group Limited	Interest of controlled corporations	4,100,000,000 (Note 8)	66.16%
Haitong International Investment Solutions Limited	Security interest in Shares	4,100,000,000 (Note 9)	66.16%

* *For identification purposes only*

Notes:

1. Mr. LU and Ms. HUANG Qiongzi (黃瓊姿) (the spouse of Mr. LU) together held more than one third of the voting power at general meetings of Tohigh Holdings Co., Ltd.* (通海控股有限公司). By virtue of the SFO, Mr. LU and Ms. HUANG Qiongzi (黃瓊姿) are deemed to be interested in all the Shares in which Tohigh Holdings Co., Ltd.* (通海控股有限公司) is interested.

2. Tohigh Holdings Co., Ltd.* (通海控股有限公司) held the entire issued share capital of Oceanwide Group Co., Ltd.* (泛海集團有限公司). By virtue of the SFO, Tohigh Holdings Co., Ltd.* (通海控股有限公司) is deemed to be interested in all the Shares held by Oceanwide Group Co., Ltd.* (泛海集團有限公司).

3. Oceanwide Group Co., Ltd.* (泛海集團有限公司) held 98% interest in the issued share capital of China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司). By virtue of the SFO, Oceanwide Group Co., Ltd.* (泛海集團有限公司) is deemed to be interested in all the Shares held by China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司).

4. China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司) directly and indirectly held 70.88% interest in the issued share capital of Oceanwide Holdings. By virtue of the SFO, China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司) is deemed to be interested in all the Shares held by Oceanwide Holdings.

5. Oceanwide Holdings IF is a wholly-owned subsidiary of China Oceanwide Group Limited, which in turn is a wholly-owned subsidiary of Oceanwide Holdings. During the year ended 31 December 2019, the Company was informed by Oceanwide Holdings IF that a total of 800,000 shares were sold in the open market, as a result of which the number of Shares it held was reduced from 4,495,254,732 to 4,494,454,732. By virtue of the SFO, China Oceanwide Group Limited and Oceanwide Holdings are deemed to be interested in 4,494,454,732 Shares.

6. Haitong Securities Co., Ltd held 100% interest in the issued share capital of Haitong International Holdings Limited. By virtue of the SFO, Haitong Securities Co., Ltd is deemed to be interested in all the Shares held by Haitong International Holdings Limited.

7. Haitong International Holdings Limited indirectly held 63.08% interest in the issued share capital of Haitong International Securities Group Limited. By virtue of the SFO, Haitong International Holdings Limited is deemed to be interested in all the Shares held by Haitong International Securities Group Limited.

8. Haitong International Investment Solutions Limited is an indirect subsidiary of Haitong International Securities Group Limited. By virtue of the SFO, Haitong International Securities Group Limited is deemed to be interested in all the Shares held by Haitong International Investment Solutions Limited.

9. According to the announcement of Oceanwide Holdings dated 5 December 2018, Oceanwide Holdings IF issued to Haitong International Investment Solutions Limited the short term notes in the principal amount up to HK$1,100,000,000 pursuant to which Oceanwide Holdings IF has pledged 4,100,000,000 Shares (representing 66.16% of the issued share capital of the Company as at 31 December 2019) to Haitong International Investment Solutions Limited.

10. The following entities, namely Tisé Media Fund LP and China Alliance Properties Limited (and its associates), disclosed to the Company that they were, directly or indirectly interested or deemed to be interested in 5% or more of the Shares on 28 August 2015 pursuant to the subscription agreement entered among the Company, CMBC International Holdings Limited ("CMBCI"), and the co-investors, namely New Hope Global Holding Co., Limited, United Energy International Trading Limited, Mind Power Investments Limited, China P&I Services (Hong Kong) Limited, China Alliance Properties Limited, Good First International Holding Limited, Divine Unity Limited, Tisé Media Fund LP, Novel Well Limited, Ristora Investments Limited and Insight Multi-Strategy Funds SPC for the account of Insight Phoenix Fund III SP (together the "Co-Investors") on 28 August 2015 which CMBCI and the Co-Investors had conditionally agreed to subscribe for an aggregate of 23,054,875,391 shares of the Company at the subscription price of HK$0.565 per Subscription Share (the "First Subscription Agreement").

    As disclosed in the announcement of the Company dated 1 March 2016, the First Subscription Agreement ceased to be effective as of 28 February 2016 as certain conditions precedent under the First Subscription Agreement remained outstanding as at the long stop date. Accordingly, as at 31 December 2019, as far as the Directors were aware, CMBCI and the Co-Investors had ceased to have any interests in the Shares.

11. The approximate percentage shown was the number of Shares the relevant company/person was interested in expressed as a percentage of the total number of issued Shares as at the 31 December 2019.

* *For identification purposes only*

Save as disclosed above, as at 31 December 2019, the Company had not been notified by any other person (other than the Directors) who had interests or short positions in the Shares or underlying Shares which were required to be recorded in the register maintained by the Company under section 336 of the SFO.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

During the financial period ended 31 December 2019, the following Directors had interests in the following businesses (apart from the businesses of the Company or its subsidiaries) conducted through the companies named below, their subsidiaries, associated companies or other investment forms which are considered to compete or be likely to compete, either directly or indirectly, with the principal businesses of the Group conducted during the Year and are required to be disclosed pursuant to Rule 8.10(2) of the Listing Rules:

Name	Investing entity	Nature of interest	Nature of business considered to compete or likely to compete with the business of the Group
Mr. ZHANG Bo	Minsheng Securities Co., Ltd.* (民生證券股份有限公司)	director	Securities business
Mr. ZHANG Xifang	Minsheng Securities Co., Ltd.* (民生證券股份有限公司)	director	Securities business
Mr. FENG Henian	Minsheng Securities Co., Ltd.* (民生證券股份有限公司)	director	Securities business
Mr. LIU Bing	Minsheng Securities Co., Ltd.* (民生證券股份有限公司)	director	Securities business

Save as disclosed above, as at 31 December 2019, none of the Directors or their respective associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

The Directors are aware of their fiduciary duties and will act honestly and in good faith in the interests of the Company and will avoid any potential conflict of interests and duties.

CONTINUING CONNECTED TRANSACTIONS

The continuing connected transactions undertaken by the Group during the Year are included in the transactions and balance set out in note 40 to the financial statements.

Pursuant to rule 14A.55 of the Listing Rules, the independent non-executive Directors of the Company have reviewed the continuing connected transactions set out in note 40 to the financial statements and have confirmed that these continuing connected transactions have been entered into:

(i) in the ordinary and usual course of business of the Group;

* *For identification purposes only*

(ii) on normal commercial terms or on terms no less favourable to the Group than terms available to independent third parties; and

(iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Certain related party transactions as disclosed in note 40 and the transaction as disclosed in note 38 (in respect of loans to directors) to the financial statements were "continuing connected transaction" or fell within de minimis continuing connected transaction which exempted from reporting, announcement and independent shareholders' approval under the Listing Rules. The Company has complied with the disclosure requirements, where applicable, in accordance with Chapter 14A of the Listing Rules.

KPMG, the Company's auditor, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. KPMG has issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

DISCLOSURE PURSUANT TO RULE 13.15 OF THE LISTING RULES

		Amortised cost		**Fair value**	
Items	**Transactions**	**Principal amounts**	**Carrying amounts**	**Principal amounts**	**Carrying amounts**
	The following term loans were provided or extended by China Tonghai Finance Limited ("China Tonghai Finance", an indirect wholly-owned subsidiary of the Company) to China Oceanwide:				
1	on 21 December 2019, extended a term loan of HK$280 million with an adjusted interest rate of 12% per annum and with a maturity date of 21 December 2020.	HK$280 million	HK$274 million (Note 1a)	—	—
2	on 31 December 2019, extended a term loan of HK$3 million with an interest rate of 12% per annum and with a maturity date of 31 March 2020.	HK$3 million	HK$3 million (Note 1a)	—	—
3	on 31 December 2019, extended a term loan of HK$5 million with an interest rate of 12% per annum and with a maturity date of 31 March 2020	HK$5 million	HK$5 million (Note 1a)	—	—
4	on 31 December 2019, extended a term loan of HK$8 million with an adjusted interest rate of 12% per annum and with a maturity date of 31 March 2020.	HK$8 million	HK$8 million (Note 1a)	—	—

Items	Transactions	Amortised cost Principal amounts	Amortised cost Carrying amounts	Fair value Principal amounts	Fair value Carrying amounts

The following term loans and margin facility were provided or extended to China Oceanwide International Investment Company Limited ("COII") or Minyun Limited ("Minyun"), indirect subsidiaries of Tohigh Holdings Co., Ltd.* (通海控股有限公司)):

Items	Transactions	Amortised cost Principal amounts	Amortised cost Carrying amounts	Fair value Principal amounts	Fair value Carrying amounts
1	on 29 January 2019, China Tonghai Finance extended a term loan in the aggregate amount of HK$550 million with a top up loan of HK$128 million with an adjusted interest rate of 9% per annum and with a maturity date of 28 January 2020 to COII.	HK$678 million	HK$687 million (Note 1a)	—	—
2	on 3 December 2019, China Tonghai Finance provided a term loan of HK$64.5 million with an interest rate of 7.875% per annum for two years and with a maturity date of 31 January 2022 to Minyun.	HK$64.5 million	HK$62.5 million (Note 1a)	—	—
3	on 20 December 2019, China Tonghai Finance provided, extended, and consolidated various loans (which became due between October 2019 and December 2019) in an aggregate amount of approximately HK$141 million with an interest rate of 12% per annum and with a maturity date of 30 June 2020 to COII.	HK$141 million	HK$141.5 million (Note 1a)	—	—
4	an outstanding margin facility of HK$4.5 million provided by China Tonghai Securities Limited ("China Tonghai Securities", an indirect wholly-owned subsidiary of the Company) to Minyun pursuant to the terms of facility agreement dated 30 January 2019 at interest rate ranged from 2% to 3% above prime rate payable annually.	—	—	HK$4.5 million	HK$4 million (Note 2a)
5	a margin facility of HK$50 million provided by China Tonghai Securities to COII pursuant to the terms of facility agreement dated 20 December 2019 at interest rate ranged from 2% to 3% above prime rate payable annually.	—	—	HK$50 million	HK$32 million (Note 2a)
6	a margin facility of HK$32 million provided by China Tonghai Securities to COII pursuant to the terms of facility agreement dated 24 December 2019 at interest rate ranged from 2% to 3% above prime rate payable annually.	—	—	HK$32 million	HK$19 million (Note 2a)

** For identification purposes only*

Items	Transactions	Amortised cost Principal amounts	Carrying amounts	Fair value Principal amounts	Carrying amounts
The following term loan, unlisted senior notes and unsecured private notes were provided or extended to Oceanwide Holdings International Development III Co., Ltd. (the "Issuer/OHIDIII", a subsidiary of Oceanwide Holdings):					
1	on 18 April 2019, China Tonghai Capital (Holdings) Limited ("China Tonghai Capital Holdings", a wholly-owned subsidiary of the Company) and China Tonghai Securities subscribed unlisted senior notes issued by the Issuer in the subscription amount of US$91 million (equivalent to approximately HK$708 million) with coupon interest rate of 10.8% per annum, payable semi-annually and with a maturity date of 17 April 2020.	—	—	HK$708 million	HK$724 million (Note 2b)
2	on 6 June 2019, China Tonghai Capital Holdings subscribed an unsecured private notes issued by the Issuer in the subscription amount of US$12 million (equivalent to approximately HK$93 million) with coupon interest rate of 10% per annum and with a maturity date of 4 June 2020.	HK$93 million	HK$97 million (Note 1b)	—	—
3	on 30 December 2019, China Tonghai Finance extended and consolidated various term loans (which became due between October 2019 and December 2019) in an aggregate amount of approximately HK$361 million with an adjusted interest rate of 12% per annum and with a maturity date of 31 March 2020.	HK$361 million	HK$362 million (Note 1a)	—	—
	Total	HK$1,633.5 million	HK$1,640 million	HK$794.5 million	HK$779 million

Notes:

1a. As at 31 December 2019, approximately HK$1,543 million forms part of the HK$3,205 million total for current portion of other loans (note 22) in the consolidated statement of financial position.

1b. As at 31 December 2019, HK$97 million forms part of the HK$152 million total for current portion of financial assets not held for trading and market making activities (note 18) in the consolidated statement of financial position.

2a. As at 31 December 2019, HK$55 million forms part of the HK$1,978 million total for current portion of loans to margin clients (note 20) in the consolidated statement of financial position.

2b. As at 31 December 2019, HK$724 million forms part of the HK$1,631 million total for current portion of financial assets held for trading and market making activities (note 17) in the consolidated statement of financial position.

As at 31 December 2019, all the above loans were still outstanding.

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

1) On 11 July 2019, the Company entered into a deed of amendment with a licensed bank in Hong Kong as lender (the "July Banking Facility Arrangement") to extend the banking facility with a total amount of HK$1 billion (the "July Banking Facility") for one year. Pursuant to the July Banking Facility Arrangement, Oceanwide Holdings IF and Oceanwide Holdings International Co., Ltd., being the immediate controlling shareholders of the Company and China Oceanwide, charged 395,254,732 shares of the Company and 3,016,279,070 shares of China Oceanwide respectively, which represents 6.38% of the total issued shares of the Company and 18.69% of total issued shares of China Oceanwide (as of the date of this report), respectively, in favour of the licensed bank.

   Pursuant to the July Banking Facility Arrangement, Mr. LU and his parties acting in concert, shall at all times directly or indirectly beneficially own not less than 60% of the issued shares of the Company. As at the date of this report, Mr. LU, through his controlled corporation, beneficially own approximately 72.51% of the issued shares of the Company. Upon the breach of this condition, the July Banking Facility will immediately and automatically be cancelled and all outstanding loans, together with accrued interest, and all other amounts accrued under the July Banking Facility Arrangement, become immediately due and payable.

2) On 9 August 2019, the Company entered into a facility agreement with the lender (the "August Facility Agreement") in relation to a secured short term loan with principal amount of HK$100 million (the "August Facility"). The maturity date of August Facility was the date falling 6 months commencing from the date of utilisation. Pursuant to the August Facility Agreement, Oceanwide Holdings IF shall at all times legally and beneficially own at least 50% of the issued shares of the Company. As at the date of this report, Oceanwide Holding IF beneficially own approximately 72.51% of the issued shares of the Company and is the single largest shareholder of the Company. Upon the breach of this condition, the August Facility will immediately and automatically be cancelled and all outstanding loans, together with accrued interest, and all other amounts accrued under the August Facility Agreement, become immediately due and payable.

3) On 20 September 2019, an indirect wholly-owned subsidiary of the Company as borrower entered into a facility agreement (the "September Banking Facility Agreement") with a licensed bank in Hong Kong in relation to a revolving loan facility in the principal amount of up to HK$200 million (the "September Banking Facility"). The maturity date of September Banking Facility was the date falling one year commencing from the date of drawdown. Pursuant to the September Banking Facility Agreement, Mr. LU and his parties acting in concert, shall at all times maintain directly or indirectly not less than 50% of the shareholdings of the borrower and shall maintain the absolute management control over the borrower and the Company. It will be an event of default upon the breach of this condition and in such event, the lender may declare that the loan under the September Banking Facility shall become immediately due and payable by the borrower.

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE

Details of the corporate governance practices of the Company are presented in the Corporate Governance Report which is set out on pages 74 to 84 of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

During the Year, as far as the Board and management are aware, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that has a significant impact on the businesses and operations of the Group.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's bye-laws, every Director shall be indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities which he may sustain or incur in the execution of his office or otherwise in relation thereto. The Company has taken out insurance policies against the liability and costs associated with defending any proceeding.

EQUITY-LINKED AGREEMENT

For the year ended 31 December 2019, the Group did not enter into any equity-linked agreement.

UPDATES ON DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Changes of information of the Directors since the date of 2019 Interim Report which is required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules are set out below:

Name of Directors	Details of Change
Mr. HAN Xiaosheng	— Entered a service agreement with the Company for a term of three years commencing 3 February 2020
Mr. ZHANG Bo	— Entered a service agreement with the Company for a term of three years commencing 3 February 2020
Mr. ZHANG Xifang	— Entered a service agreement with the Company for a term of three years commencing 3 February 2020
Mr. LIU Hongwei	— Entered a service agreement with the Company for a term of three years commencing 3 February 2020
Mr. Bernard POULIOT	— Entered the letter of appointment with the Company for a term of one year commencing 1 October 2019
Mr. LIU Bing	— Entered the letter of appointment with the Company for a term of one year commencing 3 February 2020
Mr. ZHAO Xiaoxia	— Entered the letter of appointment with the Company for a term of one year commencing 3 February 2020
Mr. Roy LO Wa Kei	— Entered the letter of appointment with the Company for a term of one year commencing 3 February 2020
Mr. KONG Aiguo	— Entered the letter of appointment with the Company for a term of one year commencing 3 February 2020
	— Ceased to be an independent director of Simei Media Co., Ltd.* (思美傳媒股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 002712), in November 2019
Mr. LIU Jipeng	— Entered the letter of appointment with the Company for a term of one year commencing 18 December 2019
	— Appointed as an independent director of China-Singapore Suzhou Industrial Park Development Group Co., Ltd.* (中新蘇州工業園區開發集團股份有限公司), whose shares are listed on the Shanghai Stock Exchange (Stock Code: 601512), in December 2019
Mr. HE Xuehui	— Entered the letter of appointment with the Company for a term of one year commencing 3 February 2020
Mr. HUANG Yajun	— Entered the letter of appointment with the Company for a term of one year commencing 3 February 2020
	— Appointed as an independent director of YTO Express Group Co., Ltd.* (圓通速遞股份有限公司), whose shares are listed on the Shanghai Stock Exchange (Stock Code: 600233), in October 2019

Save as disclosed above, there is no other information required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules.

* *For identification purposes only*

AUDITORS

The financial statements for the nine-months period ended 31 December 2017 was audited by BDO Limited ("BDO"). The financial statements for the year ended 31 December 2018 and for the year ended 31 December 2019 were audited by KPMG.

In considering BDO had been the auditor of the Company and its certain subsidiaries for a number of years and change of auditor can comply with good corporate governance practice and enhance the independence of the auditor, BDO resigned as auditor of the Company with effect from 22 October 2018. KPMG were then appointed as auditors of the Company on 3 December 2018 following the approval by the Shareholders.

KPMG will retire at the forthcoming annual general meeting and being eligible, offer themselves for re-appointment. A resolution will be proposed at the forthcoming annual general meeting to re-appoint KPMG as auditor of the Company.

On behalf of the Board
China Tonghai International Financial Limited

HAN Xiaosheng
Chairman

Hong Kong, 20 April 2020

Corporate Governance Report

The Company is committed to maintaining high standards of corporate governance in order to ensure better transparency and safeguard the shareholders' interest in general. The board of directors (the "Board" or "Directors") reviews its corporate governance practices from time to time in order to build the effective self-regulatory practices and implementing sound internal control systems.

CORPORATE GOVERNANCE PRACTICES

The Board considers that the Company has applied the principles and complied with the code provisions set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), titled "Corporate Governance Code and Corporate Governance Report" (the "CG Code"), throughout the year ended 31 December 2019 (the "Year") and subsequent period up to the date of this annual report, save for the deviations from code provision A.5.1 which stipulates that a Nomination Committee should be established. In view of the stage of business growth, the existing size of the Board and business operation of the Company and its subsidiaries (together, the "Group"), it is considered more beneficial and effective to have the relevant function performed by the Board itself rather than through the establishment of such committee.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") under Appendix 10 of the Listing Rules. The code of conduct is also updated from time to time in order to keep abreast with the latest changes in the Listing Rules. It has also been extended to specific employees of the Company who are likely to be in possession of unpublished price sensitive information in respect of their dealings in the securities of the Company.

In response to specific enquiry, all of the Directors confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by the Directors adopted by the Company throughout the Year.

BOARD OF DIRECTORS

The Board is charged with promoting the success of the Company by directing and supervising its affairs in a responsible and effective manner. Each Director has a duty to act in good faith and in the best interests of the Company. The Directors are aware of their collective and individual responsibilities to all shareholders of the Company (the "Shareholders") for the manner in which the affairs of the Company are managed, controlled and operated, and they devote sufficient time and attention to the Company's affairs. To the best of the Company's knowledge, there is no financial or family relationship among the Board members. All of them are free to exercise their independent judgment on all matters concerning the Company.

The roles of the Chairman and the Chief Executive Officer of the Company are separated. Mr. HAN Xiaosheng is the Chairman of the Board. The primary role of the Chairman is to provide leadership for the Board and to ensure that it works effectively in discharging its responsibilities. Mr. Kenneth LAM Kin Hing is the Chief Executive Officer of the Company. The Chief Executive Officer is responsible for the overall management of the Group's business and recommendation of strategies to the Board. Matters reserved for the Board include formulation of the Group's long-term business strategy, consideration of dividend policy, approval of major investments, maintenance of an adequate system of internal controls and risk management, oversight of compliance with statutory and regulatory obligations and review of the corporate governance practices of the Group. Daily operations and administration are delegated to management teams.

The Board currently has fifteen members which comprise:

— six executive Directors, namely Mr. HAN Xiaosheng, Mr. ZHANG Bo, Mr. ZHANG Xifang, Mr. FENG Henian, Mr. LIU Hongwei and Mr. Kenneth LAM Kin Hing;

— four non-executive Directors, namely Mr. Bernard POULIOT, Mr. LIU Bing, Mr. ZHAO Yingwei and Mr. ZHAO Xiaoxia; and

— five independent non-executive Directors, namely Mr. Roy LO Wa Kei, Mr. KONG Aiguo, Mr. LIU Jipeng, Mr. HE Xuehui and Mr. HUANG Yajun.

The brief biographical details of the above directors are set out in the section of "Profile of Directors, Senior Management, Senior Advisor and Key Executives" of this annual report. A list containing the names of the Directors and their roles and functions can also be found in the website of the Company (www.tonghaifinancial.com) and the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk).

The Company has five independent non-executive Directors which represents one third of the Board. They are highly experienced professionals and business people with a broad range of expertise and experience in areas covering accounting, finance and business management and the Board as a whole has achieved an appropriate balance of skills and experience. They bring independent judgment to bear on issues of strategy, policy and performance, accountability, resources, key appointments and standards of conduct, and enable the Board to maintain high standards of compliance with financial and other mandatory reporting requirements and provide adequate checks and balances to safeguard the interests of Shareholders and the Company. At least one of the independent non-executive Directors possesses appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10 of the Listing Rules.

The Company has received, from each independent non-executive Director, an annual written confirmation of his independence pursuant to rule 3.13 of the Listing Rules. On this basis, the Company considers all independent non-executive Directors to be independent. The independent non-executive Directors had been expressly identified in all corporate communications of the Company that disclose the names of Directors.

All the non-executive Directors are appointed for a term of one year, subject to renewal and re-election as and when required under the Listing Rules and the bye-laws of the Company.

The Board is continually updated on the Group's business and regulatory environments in which it operates and other changes affecting the Group. The Company has provided the Board with monthly updates of the Group's management information such as performance and key operational highlights to enable the Directors to discharge their duties.

The Company has arranged insurance cover for all Directors in respect of any legal action against the Directors. The insurance coverage is reviewed at least annually for ensuring that the Directors and officers are adequately protected against potential legal liabilities.

During the Year, the Board met five times in person or through telephone conference and video conference to approve the final results for the year ended 31 December 2018, interim results for the six months ended 30 June 2019, to approve the continuing connected transactions, and to consider financial and operating performances and strategic investment decisions of the Group. Three general meetings were held which consisted of one annual general meeting and two special general meeting.

The number of Board Meetings, Audit Committee Meetings, Remuneration Committee Meetings, Executive Committee Meetings and General Meetings attended by each Director during the Year is set out in the following table:

The attendance of Directors at the meeting during the Year is set out below:

	Number of Meetings Attended/Total Number of Meetings Held (Percentage of Attendance)									
Name of Directors	**Board**		**Audit Committee**		**Remuneration Committee**		**Executive Committee**		**General Meeting**	
Executive Directors										
Mr. HAN Xiaosheng	5/5	(100%)		N/A		N/A	10/12	(83%)	3/3	(100%)
Mr. ZHANG Bo (Note 1)	4/5	(80%)		N/A		N/A	11/12	(92%)	2/3	(66%)
Mr. ZHANG Xifang	5/5	(100%)		N/A		N/A	7/12	(58%)	1/3	(33%)
Mr. FENG Henian	4/5	(80%)		N/A		N/A	4/12	(33%)	2/3	(66%)
Mr. LIU Hongwei	5/5	(100%)		N/A		N/A	12/12	(100%)	3/3	(100%)
Mr. Kenneth LAM Kin Hing	5/5	(100%)		N/A		N/A	12/12	(100%)	3/3	(100%)
Non-executive Directors										
Mr. Bernard POULIOT	4/5	(80%)		N/A		N/A		N/A	2/3	(66%)
Mr. LIU Bing	3/5	(60%)		N/A		N/A		N/A	0/3	(0%)
Mr. ZHAO Yingwei	4/5	(80%)		N/A		N/A		N/A	3/3	(100%)
Mr. ZHAO Xiaoxia	4/5	(80%)		N/A		N/A		N/A	2/3	(66%)
Independent Non-executive Directors										
Mr. Roy LO Wa Kei (Note 2)	5/5	(100%)	2/2	(100%)		N/A		N/A	3/3	(100%)
Mr. KONG Aiguo (Note 3)	4/5	(80%)	2/2	(100%)	5/5	(100%)		N/A	1/3	(33%)
Mr. LIU Jipeng	5/5	(100%)	2/2	(100%)	5/5	(100%)		N/A	3/3	(100%)
Mr. HE Xuehui	5/5	(100%)	2/2	(100%)	5/5	(100%)		N/A	3/3	(100%)
Mr. HUANG Yajun	5/5	(100%)	2/2	(100%)	5/5	(100%)		N/A	3/3	(100%)

Notes:

1. Chairperson of the Executive Committee

2. Chairperson of the Audit Committee

3. Chairperson of the Remuneration Committee

Each director is aware that he should give sufficient time and attention to the affairs of the Company. Upon reviewing (a) the directorships and major commitments of each Director; and (b) the attendance rate of each Director on board meetings and committee meetings as well as general meetings, the Board is satisfied that all Directors have spent sufficient time in performing their responsibilities during the Year.

Arrangements are in place to allow all Directors the opportunity to include matters for discussion in the agenda of each Board meeting. At least fourteen days' notice of all Board meetings is given to all Directors. The agenda and board materials are sent to all Directors at least three days in advance of every Board meeting to facilitate informed discussion and decision-making. Senior management and other executives will be invited to attend the Board meeting, when necessary, to provide information and explanation to facilitate the decision-making process.

If a Director has conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will be dealt with by a physical Board meeting rather than a written resolution. That Director will abstain from voting on the relevant board resolution in which he/she or any of his/her associates has a material interest and he/she shall not be counted in the quorum present at such Board meeting. Independent Non-executive Directors, who, and whose close associates have no material interest in the transaction, are present at the board meeting.

All Directors have recourse to external legal counsel and other professionals for independent advice at the Group's expense upon their request.

The Company Secretary assists the Chairman in preparing the agenda for the meetings and ensures that all applicable rules and regulations regarding the meetings are followed.

The proceedings of the Board at its meetings are generally conducted by the Chairman who ensures that sufficient time is allocated for discussion and consideration of each item on the agenda and also equal opportunities are being given to the Directors to speak, express their views and share their concerns.

The Company Secretary keeps minutes of each meeting. Draft minutes are sent to all Directors within a reasonable time for their comment and final versions of the minutes are available for inspection by all Directors at any time.

New director appointed by the Board to fill a casual vacancy is subjected to re-election by shareholders of the Company at the next general meeting pursuant to the bye-laws of the Company. All Directors are subject to retirement by rotation and may offer themselves for re-election at the annual general meeting. Therefore, no Director has an effective term of appointment longer than three years.

At the annual general meeting of the Company held on 24 May 2019, Mr. ZHANG Xifang and Mr. FENG Henian were re-elected as executive Directors, Mr. ZHAO Xiaoxia was re-elected as non-executive Directors; Mr. KONG Aiguo and Mr. HE Xuehui were re-elected as independent non-executive Directors.

In order to allow the newly appointed Directors to understand the responsibilities under the relevant regulatory requirements, the operation and business of the Company, the Company will provide an orientation package including key legal requirements, the Memorandum of Association and bye-Laws of the Company and information of the Company to and arrange a tailor-made induction for the newly appointed directors.

BOARD COMMITTEES

The Company has established the Audit Committee, the Remuneration Committee and the Executive Committee. The terms of reference of the Audit Committee and the Remuneration Committee can be found in the website of the Company (www.tonghaifinancial.com) and the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk).

Audit Committee

The Audit Committee has been established to assist the Board in reviewing the financial information of the Company, maintaining the relationship with the external auditor and overseeing the financial reporting system, risk management and internal control procedures of the Company.

It currently comprises five independent non-executive Directors, namely Mr. Roy LO Wa Kei (the chairman), Mr. KONG Aiguo, Mr. LIU Jipeng, Mr. HE Xuehui and Mr. HUANG Yajun. No member of the Audit Committee was a former partner of the existing external auditor of the Company.

The major role and authorities of the Audit Committee are summarised below:

i) to make recommendations to the Board on the appointment, reappointment and removal of the external auditors, and review and monitor their independence and objectivity as well as the effectiveness of the audit process;

ii) to approve the remuneration and terms of engagement of external auditors, maintain appropriate relationship between the Group and the external auditors and develop policy on the engagement of the external auditors to supply non-audit services;

iii) to ensure the integrity of the interim and annual consolidated financial statements and any significant financial reporting judgments contained in them; and review the external auditors' work, including management letter and management's response; and

iv) to review the Company's financial controls, internal controls and risk management systems.

During the Year, two Audit Committee meetings were held. The Chief Operating and Risk Officer, the Chief Financial Officer, the Head of Compliance and other executives of the Company were also invited to participate in the meetings. The Audit Committee members also met privately with the external auditor during the Year.

During the Year, the Audit Committee has discharged its responsibilities by considering and reviewing the following:

i) the financial statements for the year ended 31 December 2018 and for the six months ended 30 June 2019;

ii) the consideration of the nature, scope and process of the external audit;

iii) the continuing connected transactions of the Group for the year ended 31 December 2018;

iv) the internal control and risk management systems of the Company;

v) the adequacy of resources, qualifications and experience of staff, training programmes and budget of the accounting and financial reporting function; and

vi) the recommendation to the Board on the re-appointment of external auditor.

Remuneration Committee

The Remuneration Committee has been established and empowered by the Board to determine and review the remuneration packages of individual executive Directors and senior management, including salaries, bonuses, share options and benefits in kind.

It currently comprises four independent non-executive Directors, namely Mr. KONG Aiguo (the chairman), Mr. LIU Jipeng, Mr. HE Xuehui and Mr. HUANG Yajun.

The major roles and authorities of the Remuneration Committee are summarised below:

i) to review and recommend to the Board on the Group's remuneration policy and strategy;

ii) to review and approve the proposals for remuneration of the executive Directors, senior management and employees of the Group; and

iii) to review and approve the compensation arrangement relating to the dismissal or removal of directors.

During the Year, five Remuneration Committee meetings were held and the Remuneration Committee has discharged its responsibilities by considering and reviewing the following:

i) the remuneration policy for senior management of the Group; and

ii) the discretionary bonus and annual salary adjustment for executive Director and senior management of the Group.

The basis for determining the emolument payable to directors and senior management are with reference to the prevailing market condition, the financial performance of the Company, time commitment and responsibilities and comparable market statistics. Staff remuneration is determined by the Group's management by reference to the individual staff's qualifications, work experience, performance and prevailing market conditions.

Executive Committee

The Executive Committee has been established which determines group business strategy, reviews business operations and performance, examines major investments and monitors management performance. It also identifies and manages the market risk, credit risk, liquidity risk, operational risk, legal risk and regulatory risk of the Group, devises the Group's risk management strategy and strengthens the Group's system of risk management. It currently comprises all the executive Directors, namely Mr. HAN Xiaosheng, Mr. ZHANG Bo, Mr. ZHANG Xifang, Mr. FENG Henian, Mr. LIU Hongwei and Mr. Kenneth LAM Kin Hing. In order to sustain the long-term business development of the Company, meetings are usually held once every month.

Senior managements, namely (i.e. the Chief Operating and Risk Officer, the Chief Financial Officer and the Chief Investment Officer), and the Head of Compliance are invited to participate actively in the meetings. Minutes of the Executive Committee Meetings had also been sent to all the members of the Board within a reasonable time for review.

Nomination Committee

The Company does not establish a Nomination Committee. The Executive Committee will be responsible to identify and nominate suitable candidates as Board members. The shortlist of suitable candidates will then be proposed to the Board for consideration and appointment.

In February 2014, the Board has adopted a Board Diversity Policy which aims to set out the approach to achieve diversity on the Board. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will be based on meritocracy while taking into account of diversity. Selection of candidates will be based on a range of diversity criteria, 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 are likely to bring to the Board. The Board Diversity Policy, as appropriate, will be reviewed from time to time to ensure its continuing effectiveness.

The Group has adopted the nomination policy with retrospective effect from 1 January 2019. Each proposed new appointment or re-election of a director will be assessed and/or considered against the criteria and process set out in the nomination policy.

As a whole, the Board is diverse in terms of education background, professional background and business experience. Their age, gender and length of service with the Company can be found in the section of "Profile of Directors, Senior Management, Senior Advisor and Key Executives" of this annual report.

The Board will also be responsible for reviewing its structure, size and composition. Any new director appointed by the Board during the year shall be required to be offered for re-election by shareholders of the Company at the next general meeting if appoint to fill a casual vacancy or next annual general meeting of the Company if appoint as an addition to the Board pursuant to the bye-laws of the Company.

Shareholders may propose a person for election as a Director at the general meeting of the Company pursuant to the bye-laws of the Company. The procedures for such proposal can be found in the website of the Company (www.tonghaifinancial.com).

CONTINUING PROFESSIONAL DEVELOPMENT

Pursuant to the CG Code, all Directors and Company Secretary should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contributions to the Board are made on a well-informed basis.

During the Year, all Directors had complied with the code provision in relation to continuous professional development. This has involved various forms of activities including attending courses, seminars and/or conference provided by external professional advisors and reading materials and updates relevant to the regulatory changes, director's duties and responsibilities.

During the Year, the Company Secretary confirmed that she has undertaken no less than 15 hours of relevant professional training.

EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT

Details of the emoluments of the Directors for the Year are set out in note 14 to the financial statements.

The remuneration of the members of senior management (other than the Directors), whose particulars are set out in the section headed "Profile of Directors, Senior Management, Senior Advisor and Key Executives" in this annual report, for the Year by band is set out below:

Remuneration Bands	**Number of Senior Management**
Below HK$5,000,000	2
Above HK$5,000,000	1

AUDITORS' REMUNERATION

During the Year, the Group has engaged the following audit and non-audit services provided by the external auditors:

Type of services	**Fees paid/payable to external auditor (i.e. KPMG) As at 31 December 2019** HK$'000
Audit fee for the Group	3,120
Taxation services for the Group	300
Others	700
TOTAL	4,120

The Audit Committee will recommend the appointment of KPMG for assurance service for the financial year ending 31 December 2020 at a fee to be agreed.

DIRECTOR'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Board acknowledges that they are responsible for overseeing the preparation of the consolidated financial statements which give a true and fair view of the financial position of the Company and of the Group as at 31 December 2019 and of the Group's financial performance and cash flow for the year ended 31 December 2019 in accordance with Hong Kong Financial Reporting Standards and the applicable disclosure provisions of the Listing Rules and for ensuring that appropriate accounting policies are selected and applied consistently.

KPMG, the external auditor of the Company, stated their reporting responsibilities in the Independent Auditor's Report which is set out on pages 85 to 91 of this annual report.

The financial statements are prepared on a going concern basis. The Board confirms that, to the best of their knowledge, they are not aware of any material events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges the responsibility for establishing and maintaining an adequate system of internal control and risk management. The internal control system includes a well-established organisational structure with clearly defined lines of responsibility and authority, which is designed to protect the Group's operations and its clients from financial loss arising from theft, fraud, and other dishonest acts, professional misconduct or omissions.

The Group has established the Three Lines of Defense risk management mechanism. Each business departments has the primary responsibility of managing its business risk, and serves as the first line of defence for the risk management and internal control systems. The middle and back office departments, which perform their management functions independently from the business units, particularly Risk Management and Compliance, form the second line of defence for the risk management and internal control systems. Charged with the major duty of independent oversight of risks, the Compliance team is responsible for managing compliance risks, whereas the Risk Management Team is tasked with management of the overall risk governance, credit risk, market risk, liquidity and funding risk, and operational risk. The Internal Audit Department of the Company has been set up in this financial year and serves as the third line of defence.

During the Year, the Executive Committee continued to oversee the internal control and risk management systems of the Group on an ongoing basis, and had reviewed the particular internal controls and governance issues of the Group at each Executive Committee meeting with the assistance of the Chief of Operating and Risk Officer and the Head of Compliance.

The Board will also engage external professional service providers to conduct review on the risk management and internal controls systems and make recommendations for strengthening such systems. During the Year, the Group has engaged an external professional service provider to perform a compliance review of Anti-Money Laundering and Counter-Financing of Terrorism. The review results had been reported to the Audit Committee and the Executive Committee. Areas for improvement had been identified and appropriate remedial measures had been taken by the Group.

The Board, through the Audit Committee, has also reviewed the adequacy of resources, qualifications and experience of staff, training programmes and budget of the Company's accounting and financial reporting function during the Year. The review will be conducted annually in accordance with the requirements of the CG Code.

The Company is aware of its disclosure obligations under the Listing Rules and the Inside Information provisions under the Securities and Futures Ordinance and has put in place the proper procedure to ensure that any perceived inside information would be announced to the investing public on a timely basis.

The Board reviews the effectiveness of the Group's risk management and internal control systems on an ongoing basis. Through the structure and measures mentioned above, the Board considered that systems and procedures of the internal control and risk management of the Group were effective and adequate.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

Accountability and transparency are indispensable for ensuring good corporate governance and, in this regard, timely communication with the shareholders, including institutional investors, is crucial. The Company manages investor relations systematically as a key part of its operations and continues to promote and enhance investor relations and communications with the investors.

The Company maintains a company website at www.tonghaifinancial.com. It is a channel of the Company to communicate with the investing public with our latest corporate development. All our corporate communications, such as press release, statutory announcement, circular, annual report and interim report etc. are available on the website whereas circular, annual report and interim report are printed and sent to all shareholders of the Company. Shareholders and investors may also email their enquiries to the Company's email address: ir@tonghaifinancial.com, which will be handled by the Company's investor relations team. The Company has established a shareholders' communication policy and will review it on a regular basis to ensure its effectiveness.

The last annual general meeting of the Company was held on 24 May 2019 at East and West Rooms, 23/F., Mandarin Oriental, Hong Kong, 5 Connaught Road Central, Hong Kong. At the meeting, the ordinary business of adopting the audited financial statements for the year ended 31 December 2018, the re-election of Directors, the re-appointment of auditor and the authorisation of the Directors to fix their remuneration were approved at the meeting. Ordinary resolutions providing Directors with general mandates to repurchase and allot and issue shares of the Company subject to the relevant limits under the Listing Rules and a special resolution to approve the reduction of share premium account were also approved. Mr. HAN Xiaosheng (the Chairman of the Board), Mr. FENG Henian, Mr. LIU Hongwei, Mr. Kenneth LAM Kin Hing, Mr. ZHAO Yingwei, Mr. Roy LO Wa Kei (the chairman of Audit Committee), Mr LIU Jipeng, Mr. HE Xuehui and Mr. HUANG Yajun and representatives of KPMG (the external auditor) were present and available to answer questions at the meeting.

The forthcoming annual general meeting of the Company is expected to be held in June 2020. Details of the meeting and the necessary information on issues to be considered in the meeting will be set out in the circular to be dispatched to the shareholders of the Company in due course.

CONSTITUTIONAL DOCUMENTS

There is no change in the constitutional documents of the Company during the Year.

SHAREHOLDERS' RIGHTS

Shareholder(s) holding not less than one-tenth of the paid-up capital of the Company may request the Board to convene a special general meeting of the Company. The purposes of convening the meeting must be stated in the relevant requisition, signed by all the shareholders concerned in one or more documents in like form and deposited at the Company's registered office and principal place of business in Hong Kong.

Shareholder(s) can also submit a written requisition to move a resolution at a general meeting pursuant to Section 79 to 80 of the Bermuda Companies Act if they (a) represent not less than one-twentieth of the total voting rights of those shareholders having the right to vote at a general meeting; or (b) are not less than one hundred shareholders.

The written requisition must state the resolution, accompanied by a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution or the business to be dealt with at the general meeting and deposited at the Company's registered office and principal place of business in Hong Kong.

The written requisition must be signed by all the shareholders concerned in one or more documents in like form and deposited at the Company's registered office and principal place of business in Hong Kong for the attention of the Company Secretary not less than six weeks before the meeting in the case of a requisition requiring notice of a resolution, and not less than one week before the meeting in the case of any other requisition. A sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement given by the requisitionists to all shareholders in accordance with the requirements under the applicable laws and rules should also be accompanied.

CONCLUSION

The Company believes that good corporate governance practices raise the confidence of investors towards the Company. We are one of the founding signatories of the Hong Kong Corporate Governance Charter of The Chamber of Hong Kong Listed Companies which demonstrate the commitment of the Company to uphold good corporate governance. The Company will keep its ongoing effort to enhance the corporate governance practices in order to meet the changing circumstances.

TO THE SHAREHOLDERS OF CHINA TONGHAI INTERNATIONAL FINANCIAL LIMITED
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of China Tonghai International Financial Limited ("the Company") and its subsidiaries ("the Group") set out on pages 92 to 206, which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement 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") together with any ethical requirements that are relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

KPMG

KEY AUDIT MATTERS (CONTINUED)

Assessment of the fair value of financial instruments	
Refer to note 42 to the consolidated financial statements and note 2.15 of the accounting policies.	
The Key Audit Matter	**How the matter was addressed in our audit**
As at 31 December 2019, the fair value of the Group's financial assets represented 39% of its total assets as at 31 December 2019 of which HK$592,135,000, HK$2,745,397,000 and HK$482,449,000 were classified under the fair value hierarchy as level 1, 2 and 3 financial instruments respectively. The valuation of the Group's financial instruments is based on a combination of market data and valuation models which often require judgement. Some of the inputs used in the valuation models are obtained from readily available data for liquid markets. Where such observable data is not readily available, as in the case of level 3 financial instruments, estimates need to be developed which can involve significant management judgement. We identified assessing the fair value of financial instruments as a key audit matter because of the degree of complexity involved in valuing certain financial instruments and because of the significant degree of judgement exercised by management in determining the inputs used in the valuation models.	Our audit procedures to assess fair value of financial instruments included the following: • assessing the design, implementation and operating effectiveness of key internal controls over the valuation of financial instruments; • assessing the fair values of all level 1 financial instruments by comparing the fair values applied by the Group with publicly available market data; • reading investment agreements for level 2 and level 3 financial instruments to understand the relevant investments terms and identify any conditions that were relevant to the valuation of financial instruments; • involving our internal valuation specialists to assist us in evaluating the valuation models used by the Group to value certain level 3 financial instruments and to perform independent valuations of certain level 3 financial instruments and compare these valuations with the Group's valuations. This included comparing the valuation derived from the Group's valuation models with our knowledge of current market practice, testing inputs to the fair value calculations and establishing our own valuation models to perform revaluations; • assessing the appropriateness of the use of the net asset value reports provided by external fund administrators as the fair value of the level 3 financial instruments at reporting date. This included comparing the fair value movements against available market information. For the valuation of fund interests we obtained and agreed the latest reported net asset values from the fund managers. Our procedures also included obtaining audited financial statements of the funds where applicable and checking the historical accuracy of the net asset values; and • assessing whether the disclosures in the consolidated financial statements reflected the Group's exposure to financial instrument valuation risk with reference to the requirements of the prevailing accounting standards.

KPMG

KEY AUDIT MATTERS (CONTINUED)

<table>
<tr><td colspan="2">Impairment of loan receivables and unlisted financial instruments</td></tr>
<tr><td colspan="2">Refer to notes 18, 21 and 22 to the consolidated financial statements and note 2.15 of the accounting policies.</td></tr>
<tr><td>The Key Audit Matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>At 31 December 2019, loan receivables and unlisted financial instruments held at amortised cost represented 37% of the Group's total assets.

The determination of impairment allowance using the expected credit loss model is subject to a number of key parameters and assumptions, including the identification of loss stages, estimates of probability of default, loss given default, exposures at default and discount rate, adjustments for forward-looking information and other adjustment factors. Management judgment is involved in the selection of those parameters and the application of the assumptions.

In particular, the determination of the impairment allowance is heavily dependent on the external macro environment and the Group's internal credit risk management strategy. The expected credit losses are derived from estimates including the historical losses, historical overdue data and other adjustment factors.

Management also exercises judgement in determining the quantum of loss given default based on a range of factors. These include available remedies for recovery, the financial situation of the borrower or investee, the recoverable amount of collateral, the seniority of the claim and the existence and cooperativeness of other creditors. The enforceability, timing and means of realisation of collateral can also have an impact on the recoverable amount of collateral and, therefore, the amount of impairment allowances as at the end of the reporting period.</td><td>Our audit procedures to assess the impairment allowance for financial assets included the following:

• understanding and assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over the approval, recording and monitoring loan receivables and unlisted financial instruments and the measurement of impairment allowance;

• assessing the reliability of the expected credit loss model used by management in determining loss allowances, including assessing the methodology and appropriateness of the key parameters and assumptions in the expected credit loss model, including probability of default, loss given default, exposure at default, discount rate, adjustments for forward-looking information and other management adjustments;

• assessing the accuracy of input data of key parameters used in the expected credit loss model by comparing the input data with original documents for all loan receivables and unlisted financial instruments held at amortised cost;

• assessing reasonableness of the Group's estimates and input parameters, the consistency of judgement applied in the use of forward economic factors and the observation period for historical losses. We compared the forward economic factors used in the model to market information to assess whether they were aligned with relevant market and economic development;</td></tr>
</table>

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KEY AUDIT MATTERS (CONTINUED)

<table>
<tr><th colspan="2">Impairment of loan receivables and unlisted financial instruments (Continued)</th></tr>
<tr><td colspan="2">Refer to notes 18, 21 and 22 to the consolidated financial statements and note 2.15 of the accounting policies.</td></tr>
<tr><th>The Key Audit Matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>We identified impairment of loan receivables and unlisted financial instruments as a key audit matter because of the inherent uncertainty and management judgement involved and because of its significance to the financial results and capital of the Group.</td><td>• evaluating the validity of management's assessment on a sample basis on whether the credit risk of the loan has, or has not, increased significantly since initial recognition and whether the loan is credit-impaired. We checked on a sample basis on loan overdue information, making enquiries of the credit managers about the borrowers' business operations, checking borrowers' financial information and researching market information about borrowers' businesses;

• recalculating the amount of impairment allowance for 12 month and life time credit losses using the expected credit loss model based on the above parameters and assumptions for all loan receivables and unlisted financial instruments where the credit risk of the loan receivables and unlisted financial instruments has not, or has, increased significantly since initial recognition, respectively; and

• evaluating whether the disclosures on impairment of loans meet the disclosure requirements in the prevailing accounting standards.</td></tr>
</table>

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

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

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

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

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 judgement and maintain professional scepticism 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.

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Fong Hoi Wan.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

20 April 2020

Consolidated Statement of Profit or Loss

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Fee and commission income	5	**244,191**	277,429
Interest income			
— Calculated using the effective interest method	5	**340,819**	208,591
— Others	5	**270,102**	238,382
Net investment loss	5	**(75,680)**	(52,092)
Total revenue	5	**779,432**	672,310
Other income/(loss)	6	**(2,275)**	23,261
Direct cost		**(160,196)**	(181,304)
Staff cost	9	**(214,850)**	(164,967)
Depreciation and amortisation	10	**(42,440)**	(9,888)
Impairment loss		**(184,800)**	(89,890)
Finance cost			
— Interest on borrowings and repurchase agreements	8	**(107,520)**	(59,023)
— Interest on lease liabilities	8	**(4,611)**	—
Share of results of an associate		**(212)**	—
Share of results of joint ventures		**(2,036)**	1,597
Other operating expenses		**(56,883)**	(82,306)
Profit before tax	10	**3,609**	109,790
Tax credit/(expense)	11	**1,738**	(9,615)
Profit for the year, attributable to equity holders of the Company		**5,347**	100,175
Earnings per share for profit attributable to equity holders of the Company for the year		**HK cent(s)**	HK cent(s)
— Basic and diluted	12	**0.087**	1.612
Dividend per share	13	**Nil**	Nil

The notes on pages 99 to 206 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 13.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	2019 HK$'000	2018 HK$'000
Profit for the year, attributable to equity holders of the Company	**5,347**	100,175
Other comprehensive income for the year, including reclassification adjustments		
Item that may be reclassified subsequently to profit or loss		
— Exchange loss on translation of financial statements of foreign operations Items that will not be reclassified subsequently to profit or loss	**(858)**	(2,461)
— Changes in fair value of financial assets measured at fair value through other comprehensive income (note 18(b))	**(170)**	(5,294)
— Capital distribution from financial assets measured at fair value through other comprehensive income, which represents recovery of part of the investment cost	**—**	1,285
Other comprehensive income for the year, including reclassification adjustments and net of tax	**(1,028)**	(6,470)
Total comprehensive income for the year, attributable to equity holders of the Company	**4,319**	93,705

The notes on pages 99 to 206 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2019

		As at 31 December 2019			As at 31 December 2018		
		Current	Non-current	Total	Current	Non-current	Total
	Notes	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS							
Cash and cash equivalents	15	**182,449**	**—**	**182,449**	357,300	—	357,300
Bank balances held on behalf of clients	16	**1,253,410**	**—**	**1,253,410**	1,321,371	—	1,321,371
Financial assets held for trading and market making activities	17	**1,630,972**	**188,022**	**1,818,994**	1,756,694	230,141	1,986,835
Financial assets not held for trading and market making activities	18	**152,059**	**6,073**	**158,132**	262,571	54,465	317,036
Derivative financial instruments	19	**17,119**	**—**	**17,119**	10,000	—	10,000
Loans to margin clients	20	**1,977,795**	**—**	**1,977,795**	2,810,720	—	2,810,720
Advances to customers for merger and acquisition activities	21	**54,813**	**166,588**	**221,401**	—	—	—
Other loans	22	**3,204,578**	**62,513**	**3,267,091**	2,570,621	37,410	2,608,031
Accounts receivable	23	**498,162**	**—**	**498,162**	600,288	—	600,288
Prepayments, deposits and other receivables		**59,975**	**—**	**59,975**	26,808	—	26,808
Interest in an associate	24	**—**	**2,110**	**2,110**	—	—	—
Interests in joint ventures	25	**—**	**38,615**	**38,615**	—	41,444	41,444
Goodwill and other intangible assets	26	**—**	**19,558**	**19,558**	—	20,376	20,376
Other assets	27	**—**	**23,275**	**23,275**	—	19,004	19,004
Investment property	28	**—**	**11,700**	**11,700**	—	11,200	11,200
Property and equipment	28	**—**	**110,468**	**110,468**	—	21,285	21,285
Deferred tax assets	34	**—**	**65,790**	**65,790**	—	25,915	25,915
TOTAL ASSETS		**9,031,332**	**694,712**	**9,726,044**	9,716,373	461,240	10,177,613

	Notes	As at 31 December 2019 Current HK$'000	Non-current HK$'000	Total HK$'000	As at 31 December 2018 Current HK$'000	Non-current HK$'000	Total HK$'000
LIABILITIES AND EQUITY							
Liabilities							
Accounts payable	29	1,664,961	—	1,664,961	1,846,261	—	1,846,261
Obligations under repurchase agreements	30	—	—	—	34,634	—	34,634
Bank and other borrowings	31	2,037,029	—	2,037,029	2,308,573	50,000	2,358,573
Contract liabilities	32	4,988	—	4,988	8,886	—	8,886
Lease liabilities	33	31,626	58,642	90,268	—	—	—
Accruals and other payables		86,629	—	86,629	110,122	—	110,122
Tax payables		58,615	—	58,615	22,523	—	22,523
TOTAL LIABILITIES		3,883,848	58,642	3,942,490	4,330,999	50,000	4,380,999
Equity							
Share capital	35			20,657			20,657
Reserves				5,762,897			5,775,957
TOTAL EQUITY				5,783,554			5,796,614
TOTAL LIABILITIES AND EQUITY				9,726,044			10,177,613
Net current assets				5,147,484			5,385,374

Approved and authorised for issue by the Board on 20 April 2020.

On behalf of the Board

HAN Xiaosheng
Director

Kenneth LAM Kin Hing
Director

The notes on pages 99 to 206 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Cash flows from operating activities			
Profit before tax		**3,609**	109,790
Adjustments for:			
Amortisation of other intangible assets	10	**2,446**	2,421
Changes in net assets value attributable to other holders of a consolidated investment fund	6	**6,282**	(13,738)
Depreciation of property and equipment	10	**39,994**	7,467
Dividend income	5	**(9,081)**	(16,500)
Finance cost	8	**112,131**	59,023
Gain on revaluation of investment property	6	**(500)**	(1,000)
Impairment loss		**184,800**	89,890
Interest income	5	**(610,921)**	(446,973)
Net losses on disposals of property and equipment	10	**53**	153
Net realised loss on financial assets measured at amortised cost	5	**268**	5,348
Net realised and unrealised loss on financial assets measured at fair value through profit or loss	5	**84,493**	63,244
Share of results of an associate		**212**	—
Share of results of joint ventures		**2,036**	(1,597)
Write-back of other payables	6	**(1,400)**	(1,368)
Operating loss before working capital changes		**(185,578)**	(143,840)
(Increase)/decrease in other assets		**(2,661)**	6,385
Decrease in accounts receivable, prepayments, deposits and other receivables		**53,598**	218,547
Decrease/(increase) in loans to margin clients		**816,381**	(680,638)
Decrease/(increase) in financial assets held for trading and market making activities		**105,197**	(420,043)
Decrease/(increase) in financial assets not held for trading and market making activities		**130,519**	(267,569)
Decrease in derivative financial instruments		**1,629**	—
Increase in advances to customers for merger and acquisition activities		**(221,001)**	—
Increase in other loans		**(694,524)**	(1,384,504)
Decrease in bank balances held on behalf of clients		**67,961**	115,852
Decrease in accounts payable, contract liabilities and accruals and other payables		**(199,187)**	(359,502)
Cash used in operations		**(127,666)**	(2,915,312)
Capital distribution from financial assets measured at fair value through other comprehensive income		**—**	1,285
Dividend received		**9,081**	16,500
Interest received		**487,903**	418,130
Income tax paid		**(2,045)**	(10,565)
Net cash generated from/(used in) operating activities		**367,273**	(2,489,962)

	Notes	2019 HK$'000	2018 HK$'000
Cash flows from investing activities			
Proceeds from disposals of property and equipment		—	29
Proceeds from sale of financial assets at fair value through other comprehensive income	18	78	—
Purchases of other intangible assets		(1,628)	(2,299)
Payments for property and equipment		(11,491)	(15,773)
Net cash used in investing activities		(13,041)	(18,043)
Cash flows from financing activities			
Capital element of lease rentals paid	15(b)	(29,998)	—
Interest element of lease rentals paid	15(b)	(4,611)	—
Interest paid for obligations under repurchase agreements	15(b)	(149)	(3,334)
Interest paid for bank and other borrowings	15(b)	(113,015)	(25,785)
Net (repayments of)/proceeds from bank and other borrowings		(316,022)	2,102,633
Payments on redemption of shares by other holders of a consolidated investment fund	15(b)	(14,107)	(13,695)
Proceeds from shares issued to other holders of a consolidated investment fund	15(b)	784	24,752
Net repayment of obligations under repurchase agreements	15(b)	(34,779)	(271,196)
Payment on shares repurchased		—	(18,634)
Purchase of shares held under the share award scheme		(17,379)	(4,514)
Net cash (used in)/generated from financing activities		(529,276)	1,790,227
Net decrease in cash and cash equivalents		(175,044)	(717,778)
Cash and cash equivalents at the beginning of the year		357,300	1,074,932
Effect of foreign exchange rate changes, on cash held		193	146
Cash and cash equivalents at the end of the year	15(a)	182,449	357,300

The notes on pages 99 to 206 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium* HK$'000	Capital redemption reserve* HK$'000	Contributed surplus* HK$'000	Exchange reserve* HK$'000	Investment revaluation reserve* HK$'000	Property revaluation reserve* HK$'000	Shareholder's contribution* HK$'000	Shares held for Share Award Scheme* HK$'000	Retained profits* HK$'000	Total HK$'000
At 31 December 2017	20,740	5,135,621	936	352,580	490	(13,841)	5,255	1,811	(905)	234,736	5,737,423
Impact on initial application of HKFRS 15	—	—	—	—	—	—	—	—	—	(2,585)	(2,585)
Impact on initial application of HKFRS 9	—	—	—	—	—	—	—	—	—	(8,781)	(8,781)
Adjusted balance at 1 January 2018	20,740	5,135,621	936	352,580	490	(13,841)	5,255	1,811	(905)	223,370	5,726,057
Cancellation of shares repurchased	(83)	(18,551)	83	—	—	—	—	—	—	(83)	(18,634)
Share purchased for share award scheme	—	—	—	—	—	—	—	—	(4,514)	—	(4,514)
Transactions with owners	(83)	(18,551)	83	—	—	—	—	—	(4,514)	(83)	(23,148)
Profit for the year	—	—	—	—	—	—	—	—	—	100,175	100,175
Other comprehensive income											
— Exchange loss on translation of financial statements of foreign operations	—	—	—	—	(2,461)	—	—	—	—	—	(2,461)
— Changes in fair value of financial assets measured at fair value through other comprehensive income	—	—	—	—	—	(5,294)	—	—	—	—	(5,294)
— Capital distribution from financial assets measured at fair value through other comprehensive income, which represents recovery of part of the investment cost	—	—	—	—	—	1,285	—	—	—	—	1,285
Total comprehensive income for the year	—	—	—	—	(2,461)	(4,009)	—	—	—	100,175	93,705
At 31 December 2018	20,657	5,117,070	1,019	352,580	(1,971)	(17,850)	5,255	1,811	(5,419)	323,462	5,796,614
At 1 January 2019	**20,657**	**5,117,070**	**1,019**	**352,580**	**(1,971)**	**(17,850)**	**5,255**	**1,811**	**(5,419)**	**323,462**	**5,796,614**
Share purchased for share award scheme	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(17,379)**	**—**	**(17,379)**
Transactions with owners	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(17,379)**	**—**	**(17,379)**
Profit for the year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**5,347**	**5,347**
Other comprehensive income											
— Exchange loss on translation of financial statements of foreign operations	**—**	**—**	**—**	**—**	**(858)**	**—**	**—**	**—**	**—**	**—**	**(858)**
— Changes in fair value of financial assets measured at fair value through other comprehensive income	**—**	**—**	**—**	**—**	**—**	**(170)**	**—**	**—**	**—**	**—**	**(170)**
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**(858)**	**(170)**	**—**	**—**	**—**	**5,347**	**4,319**
Transfer from share premium to contributed surplus	**—**	**(5,000,000)**	**—**	**5,000,000**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Transfer of gain on disposal of equity investments at fair value through other comprehensive income to retained earnings	**—**	**—**	**—**	**—**	**—**	**(46)**	**—**	**—**	**—**	**46**	**—**
At 31 December 2019	**20,657**	**117,070**	**1,019**	**5,352,580**	**(2,829)**	**(18,066)**	**5,255**	**1,811**	**(22,798)**	**328,855**	**5,783,554**

* These reserve accounts comprise the reserves of HK$5,762,897,000 (31 December 2018: HK$5,775,957,000) in the consolidated statement of financial position as at 31 December 2019.

The notes on pages 99 to 206 form part of these financial statements.

1 GENERAL INFORMATION

The Company is a limited liability company incorporated and domiciled in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and, its principal place of business is 18th and 19th Floors, China Building, 29 Queen's Road Central, Hong Kong. The Company's shares are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). At 31 December 2019, the immediate holding company is Oceanwide Holdings International Financial Development Co., Ltd, a company incorporated in the British Virgin Islands ("BVI"). Its ultimate holding company is Tohigh Holdings Co., Ltd., a company incorporated in the People's Republic of China ("PRC") and its intermediate holding company is Oceanwide Holdings Co., Ltd., a joint stock company incorporated in the PRC whose shares are listed on the Shenzhen Stock Exchange.

The Group is principally engaged in the following activities:

— discretionary and non-discretionary dealing services for securities, futures and options, securities placing and underwriting services, margin financing and money lending services, insurance broking and wealth management services

— corporate finance advisory and general advisory services

— fund management, discretionary portfolio management and portfolio management advisory services

— financial media services

— investing and trading of various investment products

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"). Significant accounting policies adopted by the Group are disclosed below.

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

2.2 Basis of preparation

The consolidated financial statements for the year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in an associate and joint ventures.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets are stated at their fair value as explained in the accounting policies set out below:

— investment property (see note 2.12);

— financial instruments classified as financial assets at fair value through profit or loss (see note 2.15);

— financial instruments classified as financial assets at fair value through other comprehensive income (see note 2.15); and

— derivative financial instruments (see note 2.15).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of preparation (Continued)

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.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 4.

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results 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 effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by the Group.

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, liabilities incurred and equity interests issued by the Group in exchange for control of the acquiree. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between the aggregate of the fair value of the consideration received and the fair value of any retained interest; and the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary. 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 of a financial asset, or when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Subsidiaries

Subsidiaries are entities (including structured entities) controlled by the Group. The Group controls an entity when it has power over the investee, exposure, or rights, to variable returns from its involvement with the investee and the ability to affect those returns through its power over the investee. When assessing whether the Group has power, only substantive rights relating to the investee (held by the Group and others) are considered. For a right to be substantive, the Group must have the practical ability to exercise that right. Control is reassessed when facts and circumstances indicate that there are changes to one or more of the elements of control.

When the Group has a less than majority of voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including (a) the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders; (b) potential voting rights held by the Group, other vote holders or other parties; (c) rights arising from other contractual arrangements; and (d) any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. Structured entities often have restricted activities and a narrow and well defined objective.

In the Company's statement of financial position, subsidiaries are carried at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

2.5 Associates and joint ventures

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. 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.

A joint venture is a joint arrangement whereby the Group and other parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint arrangement is an arrangement of which the Group and other parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Associates and joint ventures (Continued)

In the consolidated financial statements, the investments in associates or joint ventures are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amounts are adjusted for the post-acquisition change in the Group's share of net assets and any impairment losses relating to the investments. The Group's share of the post-acquisition, post-tax results of the investees, including any impairment losses on the investments in associates or joint ventures for the period, are recognised in profit or loss, whereas the Group's share of the post-acquisition, post-tax items of the investees' other comprehensive income are recognised in other comprehensive income of the Group. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture, 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 or joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates or joint ventures are recognised only to the extent of unrelated investors' interests in the associates or joint ventures. The investor's share in the associate's or joint venture's profits and losses resulting from these transactions is eliminated against the carrying value of the associate or joint venture, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are immediately recognised in profit or loss.

Where the associate or joint venture uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made to conform the associate's or joint venture's accounting policies to those of the Group when the associate's or joint venture's financial statements are used by the Group in applying the equity method.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of the interest in the associate or joint venture is included in the determination of gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities.

In the Company's statement of financial position, investments in associates and joint ventures are carried at cost less impairment losses, if any. The results of associates and joint ventures are accounted for by the Company on the basis of dividends received and receivable during the period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Foreign currency translation

The financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company. All value are rounded to the nearest thousand except when otherwise indicated.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are retranslated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the foreign exchange rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into HK$. Assets and liabilities have been translated into HK$ at the closing rate at the reporting date. Income and expenses have been converted into HK$ at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in exchange reserve in equity.

On disposal of a foreign operation involving loss of control over a subsidiary, joint control over a joint venture or significant influence over an associate that includes a foreign operation, the cumulative exchange differences relating to that foreign operation accumulated in exchange reserve are reclassified from equity to profit or loss as part of the gain or loss on disposal.

2.7 Revenue and other income

Revenue comprises the fair value of the consideration received or receivable for the rendering of services and the use by others of the Group's assets yielding interest and dividends. Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accrued on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Revenue and other income (Continued)

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

(a) for financial advisory, financial media service, handling and custodian service fee income, depending on the nature of the services and the contract terms, advisory fees are recognised progressively over time using output method based on milestones achieved that depicts the Group's performance, or at a point in time when the advisory service is completed;

(b) for asset management fee income, it is recognised on a time-proportion basis with reference to the net asset value of the investment funds and portfolios under management;

(c) for performance fee income, it is recognised on the performance fee valuation day of the managed accounts when there is a positive performance for the relevant period, taking into consideration the relevant calculation basis of the investments funds and portfolios under management;

(d) for commission income from brokerage business, it is recognised on a trade date basis when the relevant transactions are executed;

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

(f) for interest income from financial assets measured at fair value through profit or loss, it is recognised as it accrues using the effective interest method;

(g) for placing and underwriting commission income, they are recognised at a point in time when the obligation is completed;

(h) for dividend income, it is recognised when the shareholders' right to receive payment has been established; and

(i) for realised gains and losses on financial assets measured at fair value through profit or loss, they are recognised on a trade date basis. For unrealised gains and losses on financial assets measured at fair value through profit or loss, they are recognised at the end of the reporting period on the changes in fair value. Fair value gain or loss does not include any dividend income and interest income from financial assets measured at fair value through profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset during the period of time that is required to complete and prepare the asset for its intended use are capitalised as part of the cost of that asset. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

2.9 Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2.13).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

2.10 Intangible assets (other than goodwill)

Intangible assets acquired separately or in a business combination

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is its fair value at the acquisition date. After initial recognition, intangible assets are carried at cost less accumulated amortisation and any impairment losses.

2.10 Intangible assets (other than goodwill) (Continued)

Internally-developed intangible assets (Research and development expenditures)

Expenditures associated with research activities are expensed in profit or loss as they occur. Expenditures that are directly attributable to development activities are recognised as intangible assets provided they meet the following recognition requirements:

(a) demonstration of technical feasibility of the prospective product for internal use or sale;

(b) there is intention to complete the intangible asset and use or sell it;

(c) the Group's ability to use or sell the intangible asset is demonstrated;

(d) the intangible asset will generate probable economic benefits through internal use or sale;

(e) sufficient technical, financial and other resources are available for completion; and

(f) the expenditure attributable to the intangible asset can be reliably measured.

Direct costs include staff costs incurred on development activities along with an appropriate portion of relevant overheads. The expenditure of development of internally generated software, products or knowhow that meet the above recognition criteria are recognised as intangible assets and are recognised initially at cost. After initial recognition, they are carried at cost less accumulated amortisation and impairment losses, if any. Development expenditures not satisfying the above criteria are expensed when incurred.

Amortisation of intangible assets

Amortisation of intangible assets with finite useful lives is provided on straight-line method over the estimated useful lives. The estimated useful lives of intangible assets are as follows:

Development costs	3–5 years
Film rights	Over the license periods
Mobile phone and computer applications	5 years
Trading rights	10 years
Corporate membership	Indefinite life

Amortisation commence when the intangible assets are available for use. The asset's amortisation method and estimated useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Intangible assets are not amortised where their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Property and equipment

Property and equipment, including right-of-use assets arising from leases of underlying property and equipment, are carried at cost less any accumulated depreciation and impairment losses, if any.

Depreciation on property and equipment is provided to write off the cost less their estimated residual value over their estimated useful lives, using the straight-line method, as follows:

Right-of-use assets	Over the lease terms
Leasehold improvements	10 years or over the lease terms, whichever is shorter
Furniture, fixtures and equipment	5 to 10 years
Motor vehicle	5 years

The assets' estimated residual value, depreciation method and estimated useful lives are reviewed, and adjusted if appropriate, at each reporting date.

The gain or loss arising on retirement or disposal is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset and is recognised in profit or loss.

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

2.12 Investment property

Investment property is property held to earn rental income and/or for capital appreciation. Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gain and loss arising from changes in the fair value of investment property is included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. 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 property, is included in profit or loss in the period in which the property is derecognised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Impairment of non-financial assets

Goodwill arising on acquisition of a subsidiary and other intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually, and whenever there is any indication that they may be impaired. Property and equipment and interests in associates and joint ventures are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

Recoverable amount is the higher of fair value, reflecting market conditions 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 time value of money and the risk specific to the asset for which the future cash flow estimates have not been adjusted.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets or group of assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. CGU). As a result, some assets are tested individually for impairment and some are tested at CGU level. Goodwill in particular is allocated to those CGUs that are expected to benefit from the synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

An impairment loss is recognised as an expense immediately for the amount by which the carrying amount of an asset, or the CGU to which it belongs, exceeds its recoverable amount. Impairment loss recognised for CGU, to which goodwill has been allocated, is credited initially to the carrying amount of goodwill. Any remaining impairment loss is allocated pro rata to the other assets in the CGU, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal, if measureable, and value in use, if determinable.

An impairment loss recognised for goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if there is any indication that an impairment loss recognised in prior periods may no longer exist or may have decreased, there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised. Reversal of impairment loss is recognised immediately in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

(A) Policy applicable from 1 January 2019

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

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

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

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2.11 and 2.13), except for the right-of-use asset that meet the definition of investment property are carried at fair value in accordance with note 2.12.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Leases (Continued)

As a lessee (Continued)

(A) Policy applicable from 1 January 2019 (Continued)

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

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

(B) Policy applicable prior to 1 January 2019

In the comparative period, as a lessee the Group classified leases as finance leases if the leases transferred substantially all the risks and rewards of ownership to the Group. Leases which did not transfer substantially all the risks and rewards of ownership to the Group were classified as operating leases, except for the property held under operating leases that would otherwise meet the definition of an investment property was classified as investment property on a property-by-property basis and, if classified as investment property, was accounted for as if held under a finance lease (see note 2.12).

Where the Group acquired the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets were recognised as property and equipment and the corresponding liabilities, net of finance charges, were recorded as obligations under finance leases. Depreciation was provided at rates which wrote off the cost or valuation of the assets over the term of the relevant lease or, where it was likely the Group would obtain ownership of the asset, the life of the asset, as set out in note 2.11. Impairment losses were accounted or in accordance with the accounting policy as set out in note 2.13. Finance charges implicit in the lease payments were charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Leases (Continued)

As a lessee (Continued)

(B) Policy applicable prior to 1 January 2019 (Continued)

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

2.15 Financial assets

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets under a contract whose terms that require delivery of assets within the time frame established generally by regulation or convention in the marketplace concerned. Derecognition of financial assets occurs when, and only when, the contractual rights to receive cash flows from the financial assets expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the Group continues to recognise the financial asset to the extent of its continuing involvement.

Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and it is not designated as at fair value through profit or loss:

(a) the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

(b) the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest.

Financial assets measured at fair value through other comprehensive income

On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at fair value through other comprehensive income. Designation at fair value through other comprehensive income is not permitted if the equity investment is held for trading.

2.15 Financial assets (Continued)

Financial assets measured at fair value through other comprehensive income (Continued)

Investments in equity instruments at fair value through other comprehensive income are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve. On derecognition of a financial asset that is classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but is reclassified to retained profits.

Dividends on these investments in equity instruments are recognised in profit or loss. The capital distribution from financial assets measured at fair value through other comprehensive income, which represents recovery of part of the investment cost, is recognised in the investment revaluation reserve, which is not reclassified to profit or loss and is reclassified to retained profits represent a recovery of part of the cost of the investment.

Financial assets measured at fair value through profit or loss

If a debt security does not meet the criteria for being measured at amortised cost or fair value through other comprehensive income, changes in the fair value of the debt security and interest income are recognised in profit or loss.

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

Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss.

Interest income on debt instruments and dividend income on investments in equity instruments at fair value through profit or loss is recognised in profit or loss. Fair value gain or loss does not include any dividend or interest earned on these financial assets.

Derivative financial instruments

Derivative financial instruments are recognised at fair value through profit or loss. At the end of each reporting period, the fair value is remeasured. The change in fair value arising from the remeasurement is recognised immediately in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Financial assets (Continued)

Credit losses and impairment of financial assets

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

— financial assets measured at amortised cost (including bank balances held on behalf of clients, accounts receivable, deposits and other receivables and loans, bonds and notes measured at amortised cost).

Financial assets measured at fair value, including units in funds, equity and debt securities measured at FVPL, equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

— fixed-rate financial assets: effective interest rate determined at initial recognition or an approximation thereof;

— variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

2.15 Financial assets (Continued)

Credit losses and impairment of financial assets (Continued)

Measurement of ECLs (Continued)

Impairment allowances for accounts receivable under HKFRS 15 are always measured at an amount equal to lifetime ECLs. For all other financial instruments, the Group recognises an impairment allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the impairment allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. 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 since initial recognition:

— failure to make payments of principal or interest on their contractually due dates;

— an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

— an actual or expected significant deterioration in the operating results of the debtor; and

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Financial assets (Continued)

Significant increases in credit risk (Continued)

Basis of calculation of interest income using effective interest rate method

Interest income from financial assets measured at amortised cost recognised in accordance with note 2.7 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 the amortised cost (i.e. the gross carrying amount less impairment allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

— the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

2.16 Accounting for income taxes

Income taxes comprise current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, taxation authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Accounting for income taxes (Continued)

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary differences arise from goodwill or initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

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

Deferred tax is calculated, without discounting, at tax rates that are expected to apply to the period when the liability is settled or the asset is realised, provided they are enacted or substantively enacted at the reporting date.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow 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. The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

Current tax and changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity, respectively.

Current tax assets and current tax liabilities are presented in net if, and only if, (a) the Group has a legally enforceable right to set off the recognised amounts; and (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Accounting for income taxes (Continued)

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if, (a) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either (i) the same taxable entity; or (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.17 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.18 Share capital and share premium

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Share premium includes any premiums received on the issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium to the extent that they are incremental costs directly attributable to the equity transaction.

2.19 Retirement benefit costs and short-term employee benefits

Retirement benefits

The Group participates in several staff retirement benefit schemes for employees in Hong Kong and the PRC, comprising defined contribution retirement schemes and a Mandatory Provident Fund scheme ("MPF Scheme"). The assets of these schemes are held separately from those of the Group in independently administered funds. The retirement benefit schemes are generally funded by payments from employees and the relevant group companies. The retirement benefit scheme expenses charged to profit or loss represent contributions payable by the Group to the schemes.

The subsidiaries operating in the PRC are required to participate in the defined contribution retirement schemes for their employees, organised by the relevant local government authorities. They are required to make contributions to the retirement benefit schemes at a specified percentage of the employees' relevant income and there are no other further obligations to the Group.

The Group contributes to the MPF Scheme under the Mandatory Provident Fund Schemes Ordinance for all employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The Group's employer contributions vested fully with the employees when contributed into the MPF Scheme.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Retirement benefit costs and short-term employee benefits (Continued)

Short-term employee benefits

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the reporting date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the reporting date for the expected future cost of such paid leave earned during the period by the employees and carried forward.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

2.20 Share-based payments

The Group operates a share award scheme for remuneration of its employees and/or consultants.

All services received in exchange for the grant of any awarded shares are measured at their fair value. These are indirectly determined by reference to the fair value of awarded shares granted. Their value is appraised at the grant date and excludes the impact of any service and non-market performance vesting conditions (for example, profitability and sales growth targets).

All services received are ultimately recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when the awarded shares granted vest immediately unless the expense qualifies for recognition as asset, with a corresponding increase in "Awarded share reserve" within equity. If service or non-market performance conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of awarded shares expected to vest. Non-market performance and service conditions are included in assumptions about the number of share options and awarded shares that are expected to vest. Estimates are subsequently revised, if there is any indication that the number of awarded shares expected to vest differs from previous estimates. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to awarded share reserve.

The shares awarded under the share award scheme are acquired from open market. The net consideration paid, including any directly attributable incremental costs, is presented as "Shares held for Share Award Scheme" and deducted from total equity. When the awarded shares are transferred to the awardees upon vesting, the related weighted average cost of the awarded shares vested are credited to "Shares held for Share Award Scheme", the related service costs of awarded shares vested are debited to the "Awarded share reserve", and any difference will be transferred to retained profits. Where the shares held for Share Award Schemes are revoked and the revoked shares are disposed of, the related gain or loss is transferred to retained profits.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Financial liabilities

The Group's financial liabilities include obligations under repurchase agreements, bank and other borrowings, trade and other payables and notes payable. Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (see note 2.8 to the financial statements).

A financial liability is derecognised when, and only when, the obligation under the financial liability is discharged or cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing financial liability are substantially modified, such an exchange or modification is treated as derecognition of the original financial liability and the recognition of a new financial liability, and the difference in the respective carrying amount is recognised in profit or loss.

Obligations under repurchase agreements

Financial assets sold subject to agreements with a commitment to repurchase at a specific future date are not derecognised in the consolidated statement of financial position. The proceeds from selling such assets are presented as "Obligations under repurchase agreements" in the consolidated statement of financial position. Obligations under repurchase agreements are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method. Obligations under repurchase agreements are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months from the reporting date.

Bank and other borrowings

Bank and other borrowings are recognised initially at fair value, net of directly attributable transaction costs incurred. Subsequent to initial recognition, they are stated at amortised cost, any difference between the initial amount and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Bank and other borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months from the reporting date.

Accounts payable and other payables

Accounts payable and other payables include accounts payable, accruals and other payables. They are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Warrants

The net proceeds received from the issue of warrants are recognised in warrants reserve within equity. Net proceeds received for warrants issued with notes are determined based on their relative fair value at the issue date. When the warrants are exercised, the amount recognised in warrants reserve will be transferred to share capital and share premium accounts. For warrants that are not exercised at the expiry date, the amount previously recognised in the warrants reserve will be transferred to retained profits.

2.23 Provisions and contingent liabilities

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

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major service lines.

The Group has identified the following reportable segments:

(a) the brokerage and interest income segment engages in discretionary and non-discretionary dealing services for securities, futures and options, margin financing and money lending services, insurance broking and wealth management services, and interest income arising from debt instruments;

(b) the corporate finance segment engages in securities placing and underwriting services, corporate finance advisory and general advisory services;

(c) the asset management segment engages in fund management, discretionary portfolio management and portfolio management advisory services;

(d) the investments segment engages in investing and trading of various investment products; and

(e) the others segment represents financial media services and other insignificant operating segments.

Each of these operating segments is managed separately as each of the service lines requires different resources as well as marketing approaches. No operating segments identified have been aggregated in arriving at the reportable segments of the Group.

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except that:

(a) share of results of joint ventures and associate accounted for using the equity method;

(b) revaluation on investment property;

(c) income tax expense; and

(d) corporate income and expenses which are not directly attributable to the business activities of any operating segment are not included in arriving at the operating results of the operating segments. Inter-segment revenue are charged on the expenses incurred by the relevant subsidiaries plus certain percentages.

Information relating to segment assets and liabilities is not disclosed as such information is not regularly reported to the chief operating decision maker.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Related parties

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

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

(ii) has significant influence over the Group; or

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

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

(i) the entity and the Group are members of the same group.

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

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

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

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

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

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

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

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

2.26 Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 2.7). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2.15).

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 2.7).

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Adoption of new and amended HKFRSs

During the year, the Group has adopted all the new and amended HKFRSs which are first effective for the reporting period. Except as explained below, the adoption of new and amended HKFRSs has no material impact on the Group's financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16, Leases

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

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

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17. Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

a. New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

Adoption of new and amended HKFRSs (Continued)

HKFRS 16, Leases (Continued)

b. Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property and equipment as disclosed in note 28. For an explanation of how the Group applies lessee accounting, see note 2.14.

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 4.55%.

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

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

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

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

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

Adoption of new and amended HKFRSs (Continued)

HKFRS 16, Leases (Continued)

b. *Lessee accounting and transitional impact (Continued)*

The following table reconciles the operating lease commitments as disclosed in note 39 as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	As at 1 January 2019 HK$'000
Operating lease commitment at 31 December 2018 as disclosed in the Group's consolidated financial statements (note 39)	120,681
Less: commitments relating to leases exempt from capitalisation:	
— short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(946)
	119,735
Less: total future interest expenses	(10,669)
Lease liabilities recognised at 1 January 2019	109,066

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

So far as the impact of the adoption of HKFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of HKFRS 16, other than changing the captions for the balances. Accordingly, instead of "obligations under finance leases", these amounts are included within "lease liabilities", and the depreciated carrying amount of the corresponding leased assets is identified as right-of-use assets. There is no impact on the opening balance of equity.

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

Adoption of new and amended HKFRSs (Continued)

HKFRS 16, Leases (Continued)

b. Lessee accounting and transitional impact (Continued)

The below summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

The impacts of the adoption of HKFRS 16 affected the following items in the statement of financial position on 1 January 2019:

- Increased property and equipment by HK$108,140,000;
- Increased non-current lease liabilities by HK$80,724,000;
- Increased current lease liabilities by HK$28,342,000;
- Decreased accruals and other payables by HK$1,063,000;
- Decreased prepayments, deposits and other receivables by HK$137,000.

There is no net impact on retained earnings on 1 January 2019.

c. Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

As a result of initially applying HKFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised HK$87,393,000 of right-of-use assets and HK$90,268,000 of lease liabilities as at 31 December 2019.

Also in relation to those leases under HKFRS 16, the Group has recognised depreciation and interest expense, instead of operating lease expense. During the year ended 31 December 2019, the Group recognised HK$31,963,000 of depreciation charges and HK$4,611,000 of interest expense from these leases.

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

Adoption of new and amended HKFRSs (Continued)

HKFRS 16, Leases (Continued)

c. Impact on the financial result, segment results and cash flows of the Group (Continued)

In the cash flow statement, the Group as a lessee is required to split rentals paid undercapitalised leases into their capital element and interest element (see note 15). These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement (see note 15).

The following tables give an indication of the estimated impact of the adoption of HKFRS 16 on the Group's financial result, segment results and cash flows for the year ended 31 December 2019, by adjusting the amounts reported under HKFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply in 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under HKAS 17.

	2019				2018
	Amounts reported under HKFRS 16 HK$'000	Add back: HKFRS 16 depreciation and interest expense HK$'000	Deduct: Estimated amounts related to operating leases as if under HKAS 17 (note 1) HK$'000	Hypothetical amounts for 2019 as if under HKAS 17 HK$'000	Compared to amounts reported for 2018 under HKAS 17 HK$'000
Financial result for year ended 31 December 2019 impacted by the adoption of HKFRS 16:					
Depreciation and amortisation	(42,440)	31,963	—	(10,477)	(9,888)
Finance cost	(112,131)	4,611	—	(107,520)	(59,023)
Other operating expenses	(56,883)	—	(34,091)	(90,974)	(82,306)
Profit before tax	3,609	36,574	(34,091)	6,092	109,790

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

Adoption of new and amended HKFRSs (Continued)

HKFRS 16, Leases (Continued)

c. *Impact on the financial result, segment results and cash flows of the Group (Continued)*

	2019			2018
	Amounts reported under HKFRS 16 (A) HK$'000	Estimated amounts related to operating leases as if under HKAS 17 (notes 1 & 2) (B) HK$'000	Hypothetical amounts for 2019 as if under HKAS 17 (C=A+B) HK$'000	Compared to amounts reported for 2018 under HKAS 17 HK$'000
Line items in the consolidated cash flow statement for year ended 31 December 2019 impacted by the adoption of HKFRS 16:				
Cash used in operations	(127,666)	(34,609)	(162,275)	(2,915,312)
Net cash generated from/(used in) operating activities	367,273	(34,609)	332,664	(2,489,962)
Capital element of lease rentals paid	(29,998)	29,998	—	—
Interest element of lease rentals paid	(4,611)	4,611	—	—
Net cash (used in)/generated from financing activities	(529,276)	34,609	(494,667)	1,790,227

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if HKAS 17 still applied.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions in applying the Group's accounting policies

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Provision for impairment loss of financial assets measured at amortised cost

In determining expected credit loss for financial assets measured at amortised cost, the most significant judgements relate to defining what is considered to be a significant increase in credit risk and in making assumptions and estimates to incorporate relevant information about past events, current conditions and forecasts of economic conditions. A high degree of uncertainty is involved in making estimations using assumptions that are highly subjective and very sensitive to the risk factors. Management reviews the provision on a regular basis.

(ii) Impairment loss of non-financial assets

At each reporting date, goodwill are tested for impairment. The Group also reviews internal and external sources of information to identify indications that any of the property and equipment, other intangible assets (including development costs), interests in joint ventures and associates may be impaired or an impairment loss previously recognised no longer exists or may have decreased. The sources utilised to identify indications of impairment are often subjective in nature and the directors of the Group are required to use judgement in applying such information to its business. Their interpretation of such information has a direct impact on whether an impairment assessment is performed as at any given reporting date.

Determining whether an asset or a CGU is impaired requires an estimation of their recoverable amount. Depending on the assessment of the overall materiality of the asset under review and complexity of deriving reasonable estimates of the recoverable amount, the Group may perform such assessment utilising internal resources or may engage external advisers in making this assessment. Regardless of the resources utilised, the Group is required to make assumptions in this assessment, including the utilisation of such asset, the cash flows to be generated, appropriate market discount rates and the projected market and regulatory conditions. Changes in any of these assumptions could result in a material change to future estimates of the recoverable amount of these assets.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) Critical accounting estimates and assumptions in applying the Group's accounting policies (Continued)

(iii) Fair value of financial assets in unlisted debt and equity instruments and fund investments

The investments in unlisted debt and equity instruments and fund investments that are accounted for as "financial assets measured at fair value through other comprehensive income" and "financial assets measured at fair value through profit or loss" are stated at fair value. The fair value of these financial assets is determined by using valuation techniques. Specific valuation techniques used to value these financial assets included value as reported by the fund administrators or other techniques, such as discounted cash flow analysis. The assumptions and discount rates used to prepare the cash flow analysis involve significant estimates and judgements and hence the fair value of these financial assets is subject to uncertainty. As at 31 December 2019, the carrying amount of the Group's investments in unlisted debt and equity instruments and fund investments was approximately HK$761,515,000 (31 December 2018: HK$728,796,000), HK$239,566,000 (31 December 2018: HK$477,455,000) and HK$216,122,000 (31 December 2018: HK$236,348,000), respectively.

(iv) Fair value of investment property

Investment property is carried in the consolidated statement of financial position at their fair value of HK$11,700,000 (31 December 2018: HK$11,200,000) as at 31 December 2019. The fair value was based on valuation conducted by independent firm of professional valuers using direct comparison method based on market observable transactions of similar properties and adjust to reflect the conditions and locations of the subject property. Favourable or unfavourable changes to these adjustments would result in changes in the fair value of the Group's investment property and corresponding adjustments to the amount of gain or loss reported in the consolidated profit or loss.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Critical judgement in applying the Group's accounting policies

In the process of applying the Group's accounting policies, the directors are required to make judgements, apart from those involving estimates. The judgements that have been made and can significantly affect the amounts recognised in the financial statements are discussed below:

Determination of control over an investment fund

The Group invested in certain investment funds with primary objectives for capital appreciation, investment income and selling in the near future for profit. Pursuant to subscription agreement or equivalent documents, the beneficial interests in these investment funds held by the Group are in the form of participating shares or interests which primarily provide the Group with the share of returns from the investment funds.

These investment funds are managed by respective investment manager who has the power and authority to manage the investment funds and make investment decisions. Among those investment funds held by the Group where the Group acted as investment manager, the Group regularly assesses and determines whether:

— the Group is acting as an agent or a principal to these investment funds;

— substantive removal rights held by other parties may remove the Group as investment manager; and

— the investment held together with its remuneration from managing these investment funds create significant exposure to variability of returns in these investment funds.

When the Group assesses that the combination of investments it held together with its remuneration creates exposure to variability of returns from the activities of the investment funds that is of such significance that indicates the Group is a principal, the Group had consolidated these investment funds. Third-party interests in consolidated investment funds are reflected as a liability and included in "Accruals and other payables" since they can be redeemed by the holders for cash and the realisation of which cannot be predicted with accuracy since these are subject to the actions of these holders. Changes in net assets attributable to other holders of consolidated investment fund are included in "Other income/(loss)" in the consolidated statement of profit or loss and other comprehensive income. The carrying amount included in "Accruals and other payables" as at 31 December 2019 is HK$43,236,000 (31 December 2018: HK$50,666,000).

When the variable returns of these investment funds to the Group are not significant or the Group is subject to substantive removal rights held by other parties who may remove the Group as an investment manager, the Group did not consolidate these investment funds and classified them as "Financial assets measured at fair value through profit or loss" in accordance with the Group's accounting policies. Further details in respect of those investment funds in which the Group had an interest are disclosed in note 17 to these financial statements.

5 REVENUE

(a) Revenue analysis

	2019 HK$'000	2018 HK$'000
Brokerage business		
Fee and commission income:		
— Commission on dealings in securities		
— Hong Kong securities	**59,201**	59,925
— Other than Hong Kong securities	**5,481**	6,643
— Commission on dealings in futures and options contracts	**77,459**	119,471
— Handling, custodian and other service fee income	**24,313**	14,829
	166,454	200,868
Interest income business		
Interest income from loans to margin clients:	**192,881**	178,061
Interest income calculated using the effective interest method:		
— Interest income from other loans	**304,662**	173,859
— Interest income from cash clients receivables	**2,216**	1,832
— Interest income from trust bank deposits	**13,527**	11,328
— Interest income from initial public offering loans	**530**	673
— Interest income from house money bank deposits and others	**19,884**	20,899
Interest income from bonds measured at fair value through profit or loss and others:	**77,221**	60,321
	610,921	446,973
Corporate finance business		
Fee and commission income:		
— Placing and underwriting commission income	**26,551**	11,438
— Financial and compliance advisory services fee income	**18,347**	29,231
	44,898	40,669
Asset management business		
Fee and commission income:		
— Management fee income	**18,223**	18,864
— Performance fee income	**4,940**	5,279
	23,163	24,143
Investments and others business		
Fee and commission income:		
— Financial media service fee income	**9,676**	11,749
Net investment loss:		
— Net realised loss on financial assets measured at amortised cost	**(268)**	(5,348)
— Net realised and unrealised loss on financial assets measured at fair value through profit or loss	**(84,493)**	(63,244)
— Dividend income from financial assets measured at fair value through profit or loss	**9,081**	16,416
— Dividend income from financial assets measured at fair value through other comprehensive income	**—**	84
	(66,004)	(40,343)
	779,432	672,310

5 REVENUE (CONTINUED)

(b) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its contracts with customers and did not disclose information about the remaining performance obligations under the contracts that had an original expected duration of one year or less.

6 OTHER INCOME/(LOSS)

	2019 HK$'000	2018 HK$'000
Changes in net asset value attributable to other holders of a consolidated investment fund (note 15(b))	(6,282)	13,738
Exchange gains, net	585	3,045
Gain on revaluation of investment property (note 28)	500	1,000
Write-back of other payables	1,400	1,368
Sundry income	1,522	4,110
	(2,275)	23,261

7 SEGMENT INFORMATION

The executive directors have identified the Group's five service lines as operating segments. These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

	Brokerage and interest income HK$'000	Corporate finance HK$'000	Asset management HK$'000	Investments HK$'000	Others HK$'000	Total HK$'000
2019						
Reportable segment revenue						
Fee and commission income	166,454	44,898	23,163	—	9,676	244,191
Interest income	610,921	—	—	—	—	610,921
Net investment loss	(16,544)	—	—	(59,136)	—	(75,680)
Segment revenue from external customers	760,831	44,898	23,163	(59,136)	9,676	779,432
Inter-segment revenue	—	1,130	3,286	—	1,331	5,747
Reportable segment revenue	760,831	46,028	26,449	(59,136)	11,007	785,179
Fee and commission income by timing of revenue recognition:						
Point in time	166,454	27,052	4,940	—	2,668	201,114
Over time	—	17,846	18,223	—	7,008	43,077
Fee and commission income	166,454	44,898	23,163	—	9,676	244,191
Reportable segment result	126,912	698	(329)	(115,640)	(130)	11,511
Depreciation and amortisation	39,433	201	298	1,771	737	42,440
Changes in net assets value attributable to other holders of a consolidated investment fund	—	—	—	(6,282)	—	(6,282)
Finance cost	98,588	—	19	13,524	—	112,131
Impairment loss/(reversal of impairment loss)	183,879	938	—	—	(17)	184,800

7 SEGMENT INFORMATION (CONTINUED)

	Brokerage and interest income HK$'000 (restated)	Corporate finance HK$'000	Asset management HK$'000	Investments HK$'000 (restated)	Others HK$'000	Total HK$'000
2018						
Reportable segment revenue						
Fee and commission income	200,868	40,669	24,143	—	11,749	277,429
Interest income	446,973	—	—	—	—	446,973
Net investment loss	—	—	—	(52,092)	—	(52,092)
Segment revenue from external customers	647,841	40,669	24,143	(52,092)	11,749	672,310
Inter-segment revenue	3,652	3,525	7,789	—	4,196	19,162
Reportable segment revenue	651,493	44,194	31,932	(52,092)	15,945	691,472
Fee and commission income by timing of revenue recognition:						
Point in time	200,868	14,890	5,279	—	2,468	223,505
Over time	—	25,779	18,864	—	9,281	53,924
Fee and commission income	200,868	40,669	24,143	—	11,749	277,429
Reportable segment result	170,224	7,988	4,026	(68,247)	596	114,587
Depreciation and amortisation	7,689	374	103	927	795	9,888
Changes in net assets value attributable to other holders of a consolidated investment fund	—	—	—	13,738	—	13,738
Finance cost	48,968	—	—	10,055	—	59,023
Impairment loss/(reversal of impairment loss) on financial instruments	90,308	(507)	—	—	89	89,890

7 SEGMENT INFORMATION (CONTINUED)

The totals presented for the Group's operating segments are reconciled to the Group's key financial figures as presented in the consolidated financial statements as follows:

	2019 HK$'000	2018 HK$'000
Reportable segment revenue	**785,179**	691,472
Elimination of inter-segment revenue	**(5,747)**	(19,162)
Consolidated revenue	**779,432**	672,310
Reportable segment result	**11,511**	114,587
Gain on revaluation of investment property	**500**	1,000
Other operating income	**—**	1,655
Share of results of an associate	**(212)**	—
Share of results of joint ventures	**(2,036)**	1,597
Unallocated corporate expenses	**(6,154)**	(9,049)
Consolidated profit before tax	**3,609**	109,790

Included in unallocated corporate expenses are the following items:

	2019 HK$'000	2018 HK$'000
Payment to certain employees under a phantom share scheme and compensation to three executive directors of the Company	**—**	837
Expenses incurred in connection with the proposed rights issue, which has been terminated on 10 September 2018	**—**	3,690

In accordance with the service agreements of three executive directors, each of them are entitled a lump sum equivalent to their 12 months' salaries and HK$4.0 million compensation upon a change of control of the Company.

Under the phantom share scheme adopted in August 2016, certain employees are entitled an awarded cash payment.

7 SEGMENT INFORMATION (CONTINUED)

Geographical information

The Group's operations are substantially located in Hong Kong and substantiating all non-current assets of the Group are located in Hong Kong. Therefore, no detailed analysis of geographical information is required.

The Group's customers include the following with whom transactions have exceeded 10% of the Groups' revenue:

	2019 HK$'000	2018 HK$'000
Customer A*	**109,379**	—

* Revenue from this customer is attributable to brokerage and interest income segments.

8 FINANCE COST

	2019 HK$'000	2018 HK$'000
Finance charges on obligations under repurchase agreements	**27**	3,456
Interest on bank and other borrowings	**107,493**	55,567
Interest on lease liabilities	**4,611**	—
	112,131	59,023

9 STAFF COST

	2019 HK$'000	2018 HK$'000
Directors' emoluments (note 14)		
— Fees, salaries, allowances and benefits in kind	**11,583**	11,501
— Retirement benefits scheme contributions	**18**	33
	11,601	11,534
Other staff		
— Salaries, allowances and bonuses	**183,444**	146,793
— Employee sales commission	**14,259**	889
— Retirement benefits scheme contributions	**4,657**	4,498
— Other staff benefits	**889**	1,253
	203,249	153,433
	214,850	164,967

10 PROFIT BEFORE TAX

	Notes	2019 HK$'000	2018 HK$'000
Profit before tax is arrived at after charging:			
Depreciation and amortisation			
— Other intangible assets	26	**2,446**	2,421
— Property and equipment	28	**39,994**	7,467
		42,440	9,888
Total minimum lease payments for leases previously classified as operating leases under HKAS 17 (note 15(c))		**—**	39,677
Other items			
— Auditors' remuneration		**3,174**	2,290
— Net losses on disposals of property and equipment		**53**	153
— Expenses relating to short-term leases and other leases with remaining lease term ending on or before 31 December 2019 (note 15(c))		**671**	—
— Direct operating expenses related to investment property		**27**	24

11 TAX (CREDIT)/EXPENSE

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

For the years ended 31 December 2019 and 31 December 2018, Hong Kong profits tax is calculated in accordance with the two-tiered profits tax rates regime.

Tax on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

11 TAX (CREDIT)/EXPENSE (CONTINUED)

	2019 HK$'000	2018 HK$'000
Current tax — Hong Kong profits tax		
— Current year	**42,310**	28,469
— Over provision in prior year	**(4,173)**	(420)
	38,137	28,049
Deferred tax (note 34)	**(39,875)**	(18,434)
Total tax (credit)/expense	**(1,738)**	9,615

Reconciliation between tax (credit)/expense and accounting profit at applicable tax rate is as follows:

	2019 HK$'000	2018 HK$'000
Profit before tax	**3,609**	109,790
Notional tax at Hong Kong profits tax rate of 8.25% on the first HK$2 million profit	**165**	165
Notional tax at Hong Kong profits tax rate of 16.5% on remaining profit	**266**	17,785
Effect of different tax rates of subsidiaries operating in other jurisdictions	**101**	73
Tax effect of non-deductible expenses	**5,046**	2,795
Tax effect of non-taxable income	**(2,420)**	(5,798)
Tax effect of unused tax losses not recognised as deferred tax assets	**1,225**	448
Tax effect of prior years' unrecognised tax losses utilised this year	**(507)**	(178)
Tax effect of prior years' unrecognised tax losses recognised as deferred tax assets	**(789)**	(4,528)
Tax effect of temporary differences	**(652)**	(727)
Over provision in prior year	**(4,173)**	(420)
Tax (credit)/expense	**(1,738)**	9,615

12 EARNINGS PER SHARE

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

Earnings

	2019 HK$'000	2018 HK$'000
For purpose of basic and diluted earnings per share	**5,347**	100,175

Weighted average number of ordinary shares in issue less shares held for Share Award Scheme

	2019	2018
For purpose of basic and diluted earnings per share	**6,163,561,547**	6,214,004,697

Earnings per share for profit attributable to equity holders of the Company for the year

	2019 (HK cents)	2018 (HK cents)
Basic and diluted	**0.087**	1.612

13 DIVIDENDS

The Board resolved not to declare the payment of dividend for the financial year ended 31 December 2019 (2018: Nil).

14 EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Directors' emoluments

The aggregate amounts of emoluments paid and payable to the directors of the Company are as follows:

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Year ended 31 December 2019				
Executive Directors				
Mr. HAN Xiaosheng	—	—	—	—
Mr. ZHANG Bo	—	2,820	18	2,838
Mr. ZHANG Xifang	—	—	—	—
Mr. FENG Henian (note (i))	—	—	—	—
Mr. LIU Hongwei	—	—	—	—
Mr. Kenneth LAM Kin Hing	—	6,824	—	6,824
Non-executive Directors				
Mr. Bernard POULIOT	492	—	—	492
Mr. LIU Bing	—	—	—	—
Mr. ZHAO Yingwei (note (ii))	—	—	—	—
Mr. ZHAO Xiaoxia	—	—	—	—
Independent Non-executive Directors				
Mr. Roy LO Wa Kei	294	—	—	294
Mr. KONG Aiguo	294	—	—	294
Mr. LIU Jipeng	271	—	—	271
Mr. HE Xuehui	294	—	—	294
Mr. HUANG Yajun	294	—	—	294
	1,939	9,644	18	11,601

14 EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

Directors' emoluments (Continued)

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Year ended 31 December 2018				
Executive Directors				
Mr. HAN Xiaosheng	—	—	—	—
Mr. ZHANG Bo	—	2,820	18	2,838
Mr. ZHANG Xifang	—	—	—	—
Mr. FENG Henian (note (i))	—	—	—	—
Mr. LIU Hongwei	—	—	—	—
Mr. Kenneth LAM Kin Hing	—	7,190	15	7,205
Non-executive Directors				
Mr. Bernard POULIOT	492	—	—	492
Mr. LIU Bing	—	—	—	—
Mr. ZHAO Yingwei (note (ii))	—	—	—	—
Mr. ZHAO Xiaoxia	—	—	—	—
Mr. FENG Henian (note (i))	—	—	—	—
Independent Non-executive Directors				
Mr. Roy LO Wa Kei	200	—	—	200
Mr. KONG Aiguo	200	—	—	200
Mr. LIU Jipeng	199	—	—	199
Mr. HE Xuehui	200	—	—	200
Mr. HUANG Yajun	200	—	—	200
	1,491	10,010	33	11,534

Notes:

(i) re-designated from a non-executive director to an executive director with effect from 28 March 2018

(ii) appointed as non-executive director with effect from 28 March 2018

14 EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

Directors' emoluments (Continued)

There was no arrangement under which a director waived or agreed to waive any emoluments in respect of the years ended 31 December 2019 and 2018. No emolument was paid by the Group to the directors as an inducement to join or upon joining the Group, or as compensation for loss of office.

Emoluments of five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2019 included one (2018: one) director whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2018: four) individuals during the year ended 31 December 2019 are as follows:

	2019 HK$'000	2018 HK$'000
Salaries and allowances	18,345	19,764
Retirement benefits scheme contributions	72	72
	18,417	19,836

The emoluments of these remaining four (2018: four) highest paid individuals fell within the following bands:

	Number of individuals	
	2019	2018
HK$3,500,001 — HK$4,000,000	1	—
HK$4,000,001 — HK$4,500,000	1	2
HK$4,500,001 — HK$5,000,000	1	—
HK$5,000,001 — HK$5,500,000	—	1
HK$5,500,001 — HK$6,000,000	1	—
HK$6,000,001 — HK$6,500,000	—	1
	4	4

During the years ended 31 December 2019 and 2018, no emolument was paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

15 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	As at 31 December 2019 HK$'000	As at 31 December 2018 HK$'000
Demand deposits and cash on hand	**182,449**	357,300

Notes:

(a) Demand deposits earn interest at floating rates based on daily bank deposit rates.

(b) Included in cash and cash equivalents of the Group is RMB of HK$9,248,000 (31 December 2018: HK$14,201,000) placed with banks in Mainland China. RMB is not a freely convertible currency. Under the Mainland China's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks that are authorised to conduct foreign exchange business.

(c) As at 31 December 2019, HK$3,828,000 (31 December 2018: HK$35,934,000) of cash and cash equivalents were placed with a bank in which the ultimate controlling shareholder of the Company is also a director of its parent company.

15 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities

	Third party interests in consolidated investment fund HK$'000 Note 4(b)	Obligations under repurchase agreements HK$'000 Note 30	Bank and other borrowings HK$'000 Note 31	Lease liabilities HK$'000 Note 33	Total HK$'000
At 31 December 2018	**50,666**	**34,634**	**2,358,573**	**—**	**2,443,873**
Impact on initial application of HKFRS 16 (Note 3)	—	—	—	109,066	109,066
At 1 January 2019	**50,666**	**34,634**	**2,358,573**	**109,066**	**2,552,939**
Changes from financing cash flows					
— Interest paid for bank and other borrowings	—	—	(113,015)	—	(113,015)
— Interest paid for obligations under repurchase agreements	—	(149)	—	—	(149)
— Payments on redemption of shares by other holders of a consolidated investment fund	(14,107)	—	—	—	(14,107)
— Proceeds from shares issued to other holders of a consolidated investment fund	784	—	—	—	784
— Net repayment of obligations under repurchase agreements	—	(34,779)	—	—	(34,779)
— Capital element of lease rentals paid	—	—	—	(29,998)	(29,998)
— Interest element of lease rentals paid	—	—	—	(4,611)	(4,611)
— Repayment of notes payable	—	—	(50,000)	—	(50,000)
— Net repayment of bank and other borrowings	—	—	(266,022)	—	(266,022)
	(13,323)	(34,928)	(429,037)	(34,609)	(511,897)
Non cash changes					
— Changes in net asset value attributable to other holders of a consolidated investment fund (Note 6)	6,282	—	—	—	6,282
— Increase in lease liabilities from entering into new leases during the year	—	—	—	11,200	11,200
— Interest on lease liabilities (Note 8)	—	—	—	4,611	4,611
— Finance charges on obligations under repurchase agreements (Note 8)	—	27	—	—	27
— Interest on bank and other borrowings (Note 8)	—	—	107,493	—	107,493
— Exchange adjustment	(389)	267	—	—	(122)
	5,893	294	107,493	15,811	129,491
At 31 December 2019	**43,236**	**—**	**2,037,029**	**90,268**	**2,170,533**

15 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities (Continued)

	Third party interests in consolidated investment fund HK$'000 Note 4(b)	Obligations under repurchase agreements HK$'000 Note 30	Bank and other borrowings HK$'000 Note 31	Total HK$'000
At 1 January 2018	53,608	305,708	255,940	615,256
Changes from financing cash flows				
— Interest paid for obligations under repurchase agreements	—	(3,334)	—	(3,334)
— Payments on redemption of shares by other holders of a consolidated investment fund	(13,695)	—	—	(13,695)
— Proceeds from shares issued to other holders of a consolidated investment fund	24,752	—	—	24,752
— Net repayment of obligations under repurchase agreements	—	(271,196)	—	(271,196)
— Proceeds from notes payable	—	—	50,000	50,000
— Net proceeds from bank and other borrowings	—	—	2,052,633	2,052,633
	11,057	(274,530)	2,102,633	1,839,160
Non cash changes				
— Changes in net asset value attributable to other holders of a consolidated investment fund (Note 6)	(13,738)	—	—	(13,738)
— Finance charges on obligations under repurchase agreements (Note 8)	—	3,456	—	3,456
— Exchange adjustment	(261)	—	—	(261)
	(13,999)	3,456	—	(10,543)
At 31 December 2018	50,666	34,634	2,358,573	2,443,873

15 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(c) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2019	2018
	HK$'000	HK$'000
Within operating cash flows (note 10)	**671**	39,677
Within investing cash flows	**—**	—
Within financing cash flows	**34,609**	—
	35,280	39,677

Note:

As explained in the note 3, the adoption of HKFRS 16 introduces a change in classification of cash flows of certain rentals paid on leases. The comparative amounts have not been restated. These amounts relate to the lease rental paid.

16 BANK BALANCES HELD ON BEHALF OF CLIENTS

From the Group's ordinary business of securities, futures and options dealing, it receives and holds money deposited by clients in the course of conducting its regulated activities. These client's monies are maintained in one or more segregated bank accounts and bank time deposits. The Group has recognised the corresponding accounts payable to respective clients. As at 31 December 2019, HK$201,825,000 (31 December 2018: HK$310,767,000) of trust bank balances held on behalf of clients were placed with a bank in which the ultimate controlling shareholder of the Company is also a director of its parent company.

17 FINANCIAL ASSETS HELD FOR TRADING AND MARKET MAKING ACTIVITIES

	Notes	As at 31 December 2019 HK$'000	As at 31 December 2018 HK$'000
Financial assets held for trading and market making activities at fair value through profit or loss			
Listed debt securities		**15,530**	65,226
Listed equity securities	(d)	**592,334**	485,331
Unlisted debt securities	(e)	**761,515**	728,796
Unlisted equity securities	(a)	**233,493**	471,134
Unlisted mutual funds	(b)	**28,100**	7,457
Private equity fund	(c)	**188,022**	228,891
		1,818,994	1,986,835
Analysis of the net amount into current and non-current portions:			
Current		**1,630,972**	1,756,694
Non-current		**188,022**	230,141
		1,818,994	1,986,835

Notes:

(a) The Group had entered into agreements for subscription of shares in two private entities in December 2017. Under the agreements, the Group subscribed 3,529,411 ordinary shares and 4,000,000 ordinary shares of the respective entities for a total consideration of approximately US$60,000,000. Upon the completion of these shares subscriptions in January 2018, the Group's interests in each of these entities are less than 1% respectively and with a total, the fair value of HK$469,884,000 as at 31 December 2018. During the year ended 31 December 2019, one of the entities has been listed and classified as listed equity security. As at 31 December 2019, the fair value of investment in the unlisted equity security was HK$233,493,000 and was pledged for a secured note payables issued by the Group (note 31(d)).

17 FINANCIAL ASSETS HELD FOR TRADING AND MARKET MAKING ACTIVITIES (CONTINUED)

Notes: (Continued)

(b) Pursuant to the subscription agreement, the Group's interest in the above mutual funds are in the form of redeemable shares, which is puttable at the holder's option and entitles the Group to a proportionate stake in the fund's net assets. The mutual funds are managed by an investment manager who is empowered to manage its daily operations and apply various investment strategies to accomplish its investment objectives.

The Group served as an investment manager for the above mutual funds and generated management and performance fee income from managing assets on behalf of investors.

Total net asset value of the above mutual funds of which the Group is the investment manager as at 31 December 2019 was HK$134,821,000 (31 December 2018: HK$116,852,000). The Group's maximum exposure to loss from its interest in the mutual fund is limited to the carrying amount presented above. Change in fair value of the mutual fund is included in the consolidated statement of profit or loss in "Net realised and unrealised gain/(loss) on financial assets measured at fair value through profit or loss" within "Revenue" and the amount attributable to this mutual fund of which the Group is the investment manager represented a gain of HK$1,025,000 (2018: loss of HK$1,774,000).

(c) The Group had committed to invest US$20 million in Oceanwide Pioneer Limited Partnership (the "Fund"), representing 25%* (31 December 2018: 25%*) of the aggregated capital committed by all partners in the Fund as at 31 December 2019. Following the acceptance of the subscription agreement by the general partner, the Group was admitted as a limited partner.

The Fund is a close-ended private equity fund structured as a Cayman Islands exempted limited partnership with an investment objective to achieve long-term capital appreciation through equity and equity-related investments in selected good-quality enterprises and projects as pioneers in the relevant industries. Under the subscription agreement, the limited partners do not have the power to participate in the financial and operating policy decisions of the Fund, whilst the general partner has the rights and power to administer the affairs of the Fund and include all powers statutory and otherwise, which may be possessed under the laws of Cayman Islands. Though the Group had served as an investment manager and generated management fee income from managing assets on behalf of investors, as the Group as an investment manager can be terminated without cause by the general partner, and the Group did not have any control or significant influence over the general partner, the Group did not consolidate or account for the Fund as an associate despite its equity interest of 25%* (31 December 2018: 25%*).

The Fund is controlled by the general partner, which is indirectly owned by the ultimate controlling shareholder of the Group.

Total net asset value of the above private equity fund of which the Group is the investment manager as at 31 December 2019 was HK$746,486,000 (31 December 2018: HK$908,745,000). The Group's maximum exposure to loss from its interest in the private equity fund is limited to the carrying amount presented above. Change in fair value of the private equity fund is included in the consolidated statement of profit or loss in "Net realised and unrealised gain/(loss) on financial assets measured at fair value through profit or loss" within "Revenue" and the amount attributable to the private equity fund of which the Group is the investment manager represented loss of HK$40,869,000 (2018: gain of HK$74,488,000).

(d) The Group invested around HK$390,000,000 in the H shares of a Mainland broker firm listed in Hong Kong in June 2018. As at 31 December 2019, the fair value of this investment was HK$242,809,000 (31 December 2018: HK$300,000,000). Details of the transaction were set out in the Company's announcement dated on 4 June 2018.

(e) Unlisted debt securities of HK$723,773,000 (31 December 2018: HK$712,657,000) were issued by a fellow subsidiary.

* rounded to the nearest one percent

18 FINANCIAL ASSETS NOT HELD FOR TRADING AND MARKET MAKING ACTIVITIES

	Notes	As at 31 December 2019 HK$'000	As at 31 December 2018 HK$'000
Financial assets at amortised cost			
Unlisted debt securities	(a)	**258,102**	389,123
Less: Impairment allowance	(c)	**(106,043)**	(78,408)
		152,059	310,715
Financial assets at fair value through other comprehensive income			
Unlisted equity securities	(b)	**6,073**	6,321
		158,132	317,036
Analysis of the net amount into current and non-current portions:			
Current		**152,059**	262,571
Non-current		**6,073**	54,465
		158,132	317,036

Notes:

(a) Unlisted debt securities of HK$98,720,000 (31 December 2018: HK$229,893,000) were issued by a fellow subsidiary and carry interest at 10% (31 December 2018: 9.5%) per annum and due in June 2020.

18 FINANCIAL ASSETS NOT HELD FOR TRADING AND MARKET MAKING ACTIVITIES (CONTINUED)

Notes: (Continued)

(b) Movement of unlisted equity securities is as follows:

	McMillen Advantage Capital Limited ("MAC") (note (i)) HK$'000	Capital Partners Securities Co., Ltd. ("CPS") (note (ii)) HK$'000	Capital Financial Holding Ltd. ("CFH") (note (ii)) HK$'000	Others HK$'000	Total HK$'000
At 1 January 2018	2,242	9,373	—	—	11,615
Transfer	—	(9,373)	9,373	—	—
Fair value changes recognised in other comprehensive income	(561)	—	(4,733)	—	(5,294)
At 31 December 2018 and 1 January 2019	**1,681**	**—**	**4,640**	**—**	**6,321**
Fair value changes recognised in other comprehensive income	**(168)**	**—**	**(80)**	**78**	**(170)**
Disposal	**—**	**—**	**—**	**(78)**	**(78)**
At 31 December 2019	**1,513**	**—**	**4,560**	**—**	**6,073**

Notes:

(i) MAC is a limited liability company incorporated in Hong Kong, which is controlled by a director of a subsidiary of the Company. The Group had not accounted for MAC as an associate despite its ownership interest because the Group does not have any power to participate in its financial and operating policy decisions nor any right to appoint a director of MAC.

(ii) Upon share transfer on 1 October 2018, CFH, a newly established Company held 100% of CPS and therefore the Group held shares of CFH. There is no gain or loss on the transfer.

(iii) The above financial assets are unlisted equity securities which are not held for trading. Instead, they are held for medium or long-term strategic purpose. The Group has designated these investments in equity securities as at fair value through other comprehensive income as the directors believe that this provides a more meaningful presentation for medium or long-term strategic investments, than reflecting changes in fair value immediately in profit or loss.

(iv) Dividend of HK$84,000 related to investment in CPS was recognised in profit or loss during the year ended 31 December 2018 (note 5(a)).

Notes: (Continued)

(c) Movement in the provision for impairment of financial assets at amortised cost

	HK$'000
At 1 January 2018	3,056
Impairment losses recognised	75,352
At 31 December 2018 and 1 January 2019	**78,408**
Impairment losses recognised	**27,635**
At 31 December 2019	**106,043**

(d) During the year ended 31 December 2019, HK$268,000 (2018: HK$5,348,000) was recognised as realised loss arising from disposal of financial assets measured at amortised cost.

19 DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 December 2019 HK$'000	As at 31 December 2018 HK$'000
Financial assets at fair value through profit or loss		
Derivative	**17,119**	10,000

Note:

The derivative as at 31 December 2019 was entered into with a fellow subsidiary in June 2019.

20 LOANS TO MARGIN CLIENTS

	As at 31 December 2019 HK$'000	As at 31 December 2018 HK$'000
Loans to margin clients		
— Measured at fair value through profit and loss	**1,977,795**	2,810,720

Note:

Margin clients are required to pledge securities collateral to the Group in order to obtain the credit facilities for securities trading. The amount of credit facilities granted to them is determined based on a comprehensive analysis including but not limited to loan-to-market and loan-to-marginable value ratios ("lending ratios"), concentration risk, illiquid collaterals and overall availability of funds. The Group exercises continuous monitoring on outstanding margin loans to see if the actual lending ratios have exceeded the pre-determined levels as a credit risk control mechanism. Any excess in the lending ratios will trigger a margin call which the clients have to make good the shortfall. As at 31 December 2019, the market value of securities pledged by margin clients to the Group as collateral was HK$10,668,974,000 (31 December 2018: HK$10,722,507,000) and the Group is permitted to sell these collaterals if the client fails to fulfil in margin calls. Loans to margin clients are repayable on demand and bear interest at commercial rates (normally at Hong Kong Dollar Prime Rate plus a spread).

21 ADVANCES TO CUSTOMERS FOR MERGER AND ACQUISITION ACTIVITIES

	Note	As at 31 December 2019 HK$'000	As at 31 December 2018 HK$'000
Financial assets measured at amortised cost		**227,529**	—
Less: Impairment allowance	(a)	**(6,128)**	—
		221,401	—
Analysis of net amount into current and non-current portions:			
Current		**54,813**	—
Non-current		**166,588**	—
		221,401	—

Note:

(a) Movement in the provision for impairment of financial assets at amortised cost

	HK$'000
At 1 January 2018, 31 December 2018 and 1 January 2019	—
Impairment losses recognised	6,128
At 31 December 2019	6,128

22 OTHER LOANS

	Notes	As at 31 December 2019 HK$'000	As at 31 December 2018 HK$'000
Other loans			
— Unsecured	(a)	**2,748,743**	1,876,375
— Secured	(a), (b)	**684,147**	749,407
		3,432,890	2,625,782
Less: Impairment allowance	(c)	**(165,799)**	(17,751)
		3,267,091	2,608,031
Analysis of the net amount into current and non-current portions:			
— Current		**3,204,578**	2,570,621
— Non-current		**62,513**	37,410
		3,267,091	2,608,031

Notes:

(a) The loans bear interest at fixed rate ranging from 5.5% to 20.0% (31 December 2018: 5.0% to 9.5%) per annum. HK$1,542,771,000 (31 December 2018: HK$919,152,000) of the carrying amounts of the loans are from fellow subsidiaries, and HK$100,000,000 (31 December 2018: HK$100,257,000) of the carrying amounts of the loan is from a company in which the ultimate controlling shareholder of the Company has shareholding less than 10%.

(b) As at 31 December 2019 and 2018, the collaterals held by the Group for the secured loans mainly include shares of listed companies, shares and assets of private companies.

(c) Movement in the provision for impairment of other loans

	HK$'000
At 1 January 2018	6,406
Impairment losses recognised	11,345
At 31 December 2018 and 1 January 2019	**17,751**
Impairment losses recognised	**148,048**
At 31 December 2019	**165,799**

23 ACCOUNTS RECEIVABLE

	Notes	As at 31 December 2019 HK$'000	As at 31 December 2018 HK$'000
Accounts receivable from dealings in securities, futures and options contracts			
— Brokers and clearing houses	(a)	**475,517**	568,126
— Cash clients	(a)	**10,003**	13,245
— Clients for subscription of securities	(a)	**1,094**	27
Less: Impairment allowance	(c)	**(6,588)**	(5,770)
		480,026	575,628
Accounts receivable from asset management, corporate finance and other businesses			
— Clients	(a)	**26,108**	30,466
Less: Impairment allowance	(c)	**(7,972)**	(5,806)
		18,136	24,660
Net accounts receivable	(b), (d)	**498,162**	600,288

Notes:

(a) Amounts due from brokers, clearing houses and cash clients for the dealings in securities are required to be settled on the settlement dates of their respective transactions (normally two or three business days after the respective trade dates) and the amounts due from clients for subscription of securities are required to be settled upon the allotment of the securities subscribed. Amounts due from brokers and clearing houses for the dealings in futures and options contracts are repayable on demand (except for the required margin deposits for the trading of futures and options contracts). There are no credit terms granted to clients for its asset management, corporate finance and other businesses. The amounts due from cash clients after the settlement dates bear interest at commercial rates (normally at Hong Kong Dollar Prime Rate plus a spread) and the amounts due from clients for subscription of securities as at 31 December 2019 bear interest at a fixed rate of 4.5% (31 December 2018: 2.5%) per annum.

23 ACCOUNTS RECEIVABLE (CONTINUED)

Notes: (Continued)

(b) Included in accounts receivable is the following amounts with related parties:

	As at 31 December 2019 HK$'000	As at 31 December 2018 HK$'000
Fellow subsidiaries	—	2,897
A company in which the ultimate controlling shareholder of the Company had indirect significant influence	—	1,244
	—	4,141

(c) Movement in the impairment allowance of accounts receivable is as follows:

	HK$'000
At 1 January 2018	8,399
Impairment losses recognised	3,177
At 31 December 2018 and 1 January 2019	**11,576**
Impairment losses recognised	**2,989**
Written-off	**(5)**
At 31 December 2019	**14,560**

(d) Ageing analysis of accounts receivable based on due date and net of impairment allowance is as follows:

	As at 31 December 2019 HK$'000	As at 31 December 2018 HK$'000
Repayable on demand	**4,276**	1,524
0–30 days	**489,554**	590,751
31–90 days	**3,230**	3,982
Over 90 days	**1,102**	4,031
Net accounts receivable	**498,162**	600,288

24 INTEREST IN AN ASSOCIATE

	As at 31 December 2019 HK$'000	As at 31 December 2018 HK$'000
Share of net assets	**2,110**	—

Particulars of an associate, which is accounted for using the equity method in the consolidated financial statements, as at 31 December 2019 are as follows:

Name	Country of incorporation	Particulars of paid-up capital	Percentage of interest held by the Group*	Principal activity
Iddy Financial Technologies Limited	Hong Kong	13,873 ordinary shares	17*	Provision of IT software services

The following table illustrates the financial information of the Group's associate, extracted from their unaudited management accounts and reconciliation to the carrying amount recognised in the consolidated statement of financial position:

	2019 HK$'000	2018 HK$'000
Revenue, excluding other revenue	**2,170**	—
Other revenue	**4**	—
Other operating expenses	**(3,329)**	—
Loss from continuing operations and total comprehensive income for the year	**(1,155)**	—

* rounded to the nearest one percent

24 INTEREST IN AN ASSOCIATE (CONTINUED)

	As at 31 December 2019 HK$'000	As at 31 December 2018 HK$'000
Current assets	2,545	—
Non-current assets	329	—
Current liabilities	(89)	—
Non-current liabilities	—	—
Net assets	2,785	—
Percentage of interests held by the Group*	17%	—
Group's share of net assets of an associate	479	—
Goodwill	1,631	—
Carrying amount recognised in the consolidated statement of financial position	2,110	—

No dividend was received from an associate during the current year. The above associate also did not have any financial liabilities other than account and other payables as at 31 December 2019 and did not incur any interest and tax expenses for the current year.

* rounded to the nearest one percent

25 INTERESTS IN JOINT VENTURES

	As at 31 December 2019 HK$'000	As at 31 December 2018 HK$'000
Share of net assets	**38,615**	41,444

Particulars of the joint ventures, which are accounted for using the equity method in the consolidated financial statements, as at 31 December 2019 are as follows:

Name	Country of incorporation	Particulars of paid-up capital	Percentage of interest held by the Group*	Principal activity
Suzhou Gaohua Venture Investment Management Ltd. ("SGVIM")	PRC	Renminbi ("RMB") 7,000,000	73*	Financial advisory consultancy
Suzhou QUAM-SND Venture Capital Enterprise ("SQVCE")	PRC	RMB71,000,000	73*	Financial advisory consultancy

SGVIM and SQVCE were established by the Group with another investor in 2009 and 2010 respectively to expand the Group in RMB-dedicated private equity ventures. Both entities are unlisted corporate entity whose quoted market price is not available. These entities were classified as joint ventures of the Group because the Group does not have control over the significant financial and operating policies of the above entities despite its 73%* ownership interest, as unanimous consent with the minority equity holders is required for any major financial and operating decisions.

* rounded to the nearest one percent

25 INTERESTS IN JOINT VENTURES (CONTINUED)

The following table illustrates the financial information of the Group's joint ventures, extracted from their unaudited management accounts and reconciliation to the carrying amount recognised in the consolidated statement of financial position:

	2019		2018	
	SGVIM	**SQVCE**	SGVIM	SQVCE
	HK$'000	**HK$'000**	HK$'000	HK$'000
Revenue, excluding interest income	**3**	**—**	5	—
Interest income	**1**	**7**	—	10
Other gains less losses	**—**	**856**	—	2,195
Other operating expenses	**(49)**	**(3,612)**	(12)	(5)
Profit/(loss) from continuing operations and total comprehensive income for the year	**(45)**	**(2,749)**	(7)	2,200

	As at 31 December 2019		As at 31 December 2018	
	SGVIM	**SQVCE**	SGVIM	SQVCE
	HK$'000	**HK$'000**	HK$'000	HK$'000
Cash and cash equivalents	**231**	**51,500**	235	51,689
Other current assets	**—**	**1,919**	—	5,579
Current assets	**231**	**53,419**	235	57,268
Non-current assets	**737**	**—**	792	—
Current liabilities	**—**	**(1,390)**	—	(1,414)
Non-current liabilities	**—**	**—**	—	—
Net assets	**968**	**52,029**	1,027	55,854
Percentage of interests held by the Group*	**73%**	**73%**	73%	73%
Carrying amount recognised in the consolidated statement of financial position	**707**	**37,908**	750	40,694

No dividend was received from the joint ventures during the current and previous year. The above joint ventures also did not have any financial liabilities other than account and other payables, as at 31 December 2019 and 31 December 2018 and did not incur any interest and tax expense for the current period and previous year.

* rounded to the nearest one percent

26 GOODWILL AND OTHER INTANGIBLE ASSETS

	As at 31 December 2019 HK$'000	As at 31 December 2018 HK$'000
Goodwill	**14,695**	14,695
Other intangible assets	**4,863**	5,681
	19,558	20,376

Goodwill

	As at 31 December 2019 HK$'000	As at 31 December 2018 HK$'000
At the beginning and the end of the year		
Gross carrying amount	**14,738**	14,738
Accumulated impairment	**(43)**	(43)
Net carrying amount	**14,695**	14,695

The net carrying amount of goodwill of HK$14,695,000 (31 December 2018: HK$14,695,000) relates to the CGU which is principally engaged in the dealing services for securities, futures and options contracts and the securities placing and underwriting services. For the purpose of the annual impairment testing, the recoverable amount was determined based on value-in-use, using a discounted cash flows projection, covering a detailed five-year budget plan with a discount rate of 11% (31 December 2018: 12%).

The key assumptions used in the budget plan are:

(a) revenue will grow by 5% per annum up to financial year 2024; and

(b) gross margin will be maintained at its current level throughout the five-year budget plan.

The Group management's key assumptions have been determined based on past performance and its expectations for the market's development. The discount rate used reflects specific risks relating to the relevant businesses. Based on the above key assumptions and detailed five-year budget plan, the Group's management concluded there was no impairment to goodwill as the carrying amount of the CGU did not exceed its recoverable amount.

26 GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

The Group's management is currently not aware of any foreseeable change in the above key assumptions on which the recoverable amount is based would cause the carrying amount of the CGU to exceed its recoverable amount.

Other intangible assets

	Development costs HK$'000	Film rights HK$'000	Mobile phone and computer applications HK$'000	Corporate membership HK$'000	Trading rights HK$'000	Total HK$'000
At 1 January 2018						
Cost	11,108	1,774	730	—	12,400	26,012
Accumulated amortisation	(6,848)	(633)	(328)	—	(12,400)	(20,209)
Net carrying amount	4,260	1,141	402	—	—	5,803
Year ended 31 December 2018						
Opening net carrying amount	4,260	1,141	402	—	—	5,803
Additions	324	—	1,695	280	—	2,299
Amortisation	(1,622)	(597)	(202)	—	—	(2,421)
Closing net carrying amount	2,962	544	1,895	280	—	5,681
At 31 December 2018						
Cost	11,432	1,774	2,425	280	12,400	28,311
Accumulated amortisation	(8,470)	(1,230)	(530)	—	(12,400)	(22,630)
Net carrying amount	2,962	544	1,895	280	—	5,681
Year ended 31 December 2019						
Opening net carrying amount	**2,962**	**544**	**1,895**	**280**	**—**	**5,681**
Additions	**1,435**	**—**	**193**	**—**	**—**	**1,628**
Amortisation	**(1,409)**	**(541)**	**(496)**	**—**	**—**	**(2,446)**
Closing net carrying amount	**2,988**	**3**	**1,592**	**280**	**—**	**4,863**
At 31 December 2019						
Cost	**12,867**	**1,774**	**2,618**	**280**	**12,400**	**29,939**
Accumulated amortisation	**(9,879)**	**(1,771)**	**(1,026)**	**—**	**(12,400)**	**(25,076)**
Net carrying amount	**2,988**	**3**	**1,592**	**280**	**—**	**4,863**

Development costs represent the in-house developed securities, futures and options settlement systems; and an online trading platform. Trading rights represent the eligibility rights acquired to trade on or through the Stock Exchange and Hong Kong Futures Exchange Limited. Mobile phone and computer applications represent the customer service platform purchased from independent application solution providers. All amortisation is included in "depreciation and amortisation" in the consolidated statement of profit or loss.

27 OTHER ASSETS

Other assets mainly comprise long-term deposits for property and equipment, rental deposits and deposits with the Stock Exchange and clearing houses.

28 PROPERTY AND EQUIPMENT AND INVESTMENT PROPERTY

	Property and equipment						
	Right-of-use assets HK$'000 (Note a)	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicle HK$'000	Subtotal HK$'000	Investment property HK$'000	Total HK$'000
At 1 January 2018							
Cost	—	13,793	56,756	—	70,549	—	70,549
Valuation	—	—	—	—	—	10,200	10,200
Accumulated depreciation	—	(10,069)	(46,997)	—	(57,066)	—	(57,066)
Net carrying amount	—	3,724	9,759	—	13,483	10,200	23,683
For the year ended 31 December 2018							
Opening net carrying amount	—	3,724	9,759	—	13,483	10,200	23,683
Additions	—	8,151	7,310	—	15,461	—	15,461
Disposals	—	—	(182)	—	(182)	—	(182)
Depreciation	—	(3,271)	(4,196)	—	(7,467)	—	(7,467)
Fair value change	—	—	—	—	—	1,000	1,000
Translation differences	—	—	(10)	—	(10)	—	(10)
Closing net carrying amount	—	8,604	12,681	—	21,285	11,200	32,485
At 31 December 2018							
Cost	—	18,624	42,009	—	60,633	—	60,633
Valuation	—	—	—	—	—	11,200	11,200
Accumulated depreciation	—	(10,020)	(29,328)	—	(39,348)	—	(39,348)
Net carrying amount	—	8,604	12,681	—	21,285	11,200	32,485
For the year ended 31 December 2019							
Opening net carrying amount	**—**	**8,604**	**12,681**	**—**	**21,285**	**11,200**	**32,485**
Impact on initial application of HKFRS 16	**108,140**	**—**	**—**	**—**	**108,140**	**—**	**108,140**
Adjusted opening net carrying amount	**108,140**	**8,604**	**12,681**	**—**	**129,425**	**11,200**	**140,625**
Additions	**11,200**	**1,443**	**7,834**	**604**	**21,081**	**—**	**21,081**
Disposals	**—**	**(29)**	**(24)**	**—**	**(53)**	**—**	**(53)**
Depreciation	**(31,963)**	**(2,831)**	**(5,089)**	**(111)**	**(39,994)**	**—**	**(39,994)**
Fair value change	**—**	**—**	**—**	**—**	**—**	**500**	**500**
Translation differences	**16**	**—**	**(7)**	**—**	**9**	**—**	**9**
Closing net carrying amount	**87,393**	**7,187**	**15,395**	**493**	**110,468**	**11,700**	**122,168**
At 31 December 2019							
Cost	**119,341**	**20,011**	**38,675**	**604**	**178,631**	**—**	**178,631**
Valuation	**—**	**—**	**—**	**—**	**—**	**11,700**	**11,700**
Accumulated depreciation	**(31,948)**	**(12,824)**	**(23,280)**	**(111)**	**(68,163)**	**—**	**(68,163)**
Net carrying amount	**87,393**	**7,187**	**15,395**	**493**	**110,468**	**11,700**	**122,168**

28 PROPERTY AND EQUIPMENT AND INVESTMENT PROPERTY (CONTINUED)

Note:

(a) As at 1 January 2019, the net book value of HK$108,140,000 of right-of-use assets represent the properties leased for own use, carried at depreciated cost. During the year, additions to right-of-use assets were HK$11,200,000. This amount primarily related to the capitalised lease payments payable under new tenancy agreements. Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in note 15 and 33, respectively.

The Group has obtained the right to use the properties as its offices through tenancy agreements. The leases typically run for an initial period of 1 to 3 years. Lease payments are usually increased every 3 years to reflect market rentals.

Some leases include an option to renew the lease for an additional period after the end of the contract term. Where practicable, the Group seeks to include such extension options exercisable by the Group to provide operational flexibility. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. If the Group is not reasonably certain to exercise the extension options, the future lease payments during the extension periods are not included in the measurement of lease liabilities.

As at 31 December 2019, the future lease payments during the extension periods are not included in the measurement of lease liabilities as the Group is not reasonably certain to exercise the extension options.

The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 3.

29 ACCOUNTS PAYABLE

	Notes	As at 31 December 2019 HK$'000	As at 31 December 2018 HK$'000
Accounts payable from dealings in securities, futures and options contracts			
— Brokers and clearing house	(a)	**8,336**	30,905
— Cash and margin clients	(a)	**1,644,159**	1,814,183
Accounts payable from other businesses			
— Clients		**12,466**	1,173
	(b), (c)	**1,664,961**	1,846,261

Notes:

(a) Accounts payable to brokers, clearing house and cash clients are repayable on demand up to the settlement dates of their respective transactions (normally two or three business days after the respective trade dates) except for the required margin deposits received from clients for their trading of futures and options contracts. Accounts payable to margin clients are repayable on demand.

(b) No ageing analysis in respect of accounts payable is disclosed as, in the opinion of the Board, the ageing analysis does not give additional value in view of the business nature.

(c) Included in accounts payable were the following amounts with related parties:

	As at 31 December 2019 HK$'000	As at 31 December 2018 HK$'000
Directors of the Company	**11,183**	—
Close family members of directors of the Company	**4,115**	700
	15,298	700

30 OBLIGATIONS UNDER REPURCHASE AGREEMENTS

	As at 31 December 2019 HK$'000	As at 31 December 2018 HK$'000
Analysed by collateral type		
— Debt securities	**—**	34,634

As at 31 December 2018, the Group sold securities under repurchase agreements at purchase prices of approximately US$5,400,000 and the Group agreed to repurchase the securities on the scheduled repurchase dates for considerations equal to the respective purchase price and an amount representing the product of the relevant purchase price and a spread. As the Group retained substantially the risks and rewards of ownership of the transferred securities, these transactions were accounted for as financing arrangements to the Group with the transferred securities as collaterals. The Group continued to recognise the transferred securities and recognised the consideration received on transfer as financial liabilities. The following present the fair value of transferred securities at the reporting date:

	As at 31 December 2019 HK$'000	As at 31 December 2018 HK$'000
Financial assets held for trading and market making activities at fair value through profit or loss		
— Listed debt securities	**—**	41,731

In addition, the repurchase agreements contain clauses which give the buyers a right to require the Group to repurchase the transferred securities before the scheduled repurchase dates. Accordingly, the amounts are classified under current liabilities.

31 BANK AND OTHER BORROWINGS

	Notes	As at 31 December 2019 HK$'000	As at 31 December 2018 HK$'000
Current			
Bank loans			
— Secured	(a), (b)	**1,725,980**	2,163,573
— Unsecured	(c)	**100,350**	145,000
Notes payable			
— Secured	(d)	**98,816**	—
— Unsecured	(e)	**111,883**	—
		2,037,029	2,308,573
Non-current			
Notes payable			
— Unsecured	(e)	**—**	50,000
		—	50,000
		2,037,029	2,358,573
Analysis of the net amount into current and non-current portions			
— Current		**2,037,029**	2,308,573
— Non-current		**—**	50,000
		2,037,029	2,358,573

31 BANK AND OTHER BORROWINGS (CONTINUED)

Notes:

(a) Bank loans of HK$908,070,000 (31 December 2018: HK$1,164,341,000) were guaranteed by the Company and secured by securities collateral pledged to the Group by margin clients and listed equity securities of the Group with market value of HK$2,559,775,000 (31 December 2018: HK$3,037,439,000) and HK$242,809,000 (31 December 2018: Nil) respectively, and bear interest at floating rates ranging from 3.90% to 6.75% (31 December 2018: 3.50% to 4.07%) per annum. Specific written authorisations have been obtained by the Group from the margin clients for such use over the clients' securities.

(b) Bank loans of HK$817,910,000 (31 December 2018: HK$999,232,000) were borrowed from a bank in which the ultimate controlling shareholder of the Company is also a director of its parent company, and were secured by corporate bonds at carrying amounts of HK$820,643,000 as at 31 December 2019 (31 December 2018: HK$810,092,000), certain Company's listed shares held by the immediate controlling shareholder of the Company and certain fellow subsidiary's listed shares held by its immediate controlling shareholder. These bank loans were also guaranteed by the ultimate controlling shareholder and a wholly-owned subsidiary of the Company and bear interest at floating rates of 5.54% (31 December 2018: 5.54%) per annum.

(c) As at 31 December 2019, no bank loans (31 December 2018: HK$80,000,000) were unsecured and guaranteed by the Company and bank loans of HK$100,350,000 (31 December 2018: HK$65,000,000) were unsecured and unguaranteed. These bank loans bear interest at floating rates ranging from 4.30% to 4.96% (31 December 2018: 2.22% to 4.82%).

(d) The notes of HK$98,816,000 (31 December 2018: Nil) was issued in August 2019 and was secured by the unlisted equity security at carrying amounts of HK$233,493,000 as at 31 December 2019. The notes bear interest at 8%.

(e) The notes of HK$111,883,000 (31 December 2018: HK$50,000,000) bear interest ranging from 5.30% to 9.50% (31 December 2018: 6%).

32 CONTRACT LIABILITIES

	As at 31 December 2019 HK$'000	As at 31 December 2018 HK$'000
Contract liabilities	**4,988**	8,886

Movements in contract liabilities

	HK$'000
Balance at 1 January 2018	7,372
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(7,372)
Increase in contract liabilities as a result of advance consideration received from corporate finance contracts	4,099
Increase in contract liabilities as a result of advance consideration received from other contracts	4,787
Balance at 31 December 2018 and 1 January 2019	**8,886**
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(8,183)**
Increase in contract liabilities as a result of advance consideration received from corporate finance contracts	**640**
Increase in contract liabilities as a result of advance consideration received from other contracts	**3,645**
Balance at 31 December 2019	**4,988**

33 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods and at the date of transition to HKFRS16:

	As at 31 December 2019		As at 1 January 2019 (Note)		As at 31 December 2018 (Note)	
	Present value of the minimum lease payments HK$'000	Total minimum lease payments HK$'000 (Note 41)	Present value of the minimum lease payments HK$'000	Total minimum lease payments HK$'000	Present value of the minimum lease payments HK$'000	Total minimum lease payments HK$'000
Within 1 year	31,626	35,088	28,342	32,764	—	—
More than 1 year but less than 5 years	58,642	61,831	80,724	86,971	—	—
	90,268		109,066		—	
		96,919		119,735		—
Less: total future interest expense		(6,651)		(10,669)		—
Present value of lease liabilities		90,268		109,066		—

Note:

The Group has initially applied HKFRS16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Comparative information as at 31 December 2018 has not been restated. Further details on the impact of the transition to HKFRS 16 are set out in note 3.

34 DEFERRED TAX

a. Deferred tax assets and (liabilities) recognised

	Accelerated tax depreciation allowances HK$'000	Impairment of receivables HK$'000	Tax losses HK$'000	Changes in fair value of financial assets measured at fair value through profit or loss HK$'000	Phantom Share Scheme HK$'000	Others HK$'000	Total HK$'000
At 1 January 2018	(1,372)	2,084	5,667	—	1,055	47	7,481
(Debited)/Credited to profit or loss (note 11)	(313)	3,320	2,463	14,066	(1,055)	(47)	18,434
At 31 December 2018 and 1 January 2019	**(1,685)**	**5,404**	**8,130**	**14,066**	**—**	**—**	**25,915**
(Debited)/Credited to profit or loss (note 11)	**(568)**	**25,911**	**308**	**14,224**	**—**	**—**	**39,875**
At 31 December 2019	**(2,253)**	**31,315**	**8,438**	**28,290**	**—**	**—**	**65,790**

b. Deferred tax assets not recognised

The Group has not recognised deferred tax assets in respect of cumulative tax losses of HK$55,999,000 (31 December 2018: HK$54,093,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax legislation.

c. Deferred tax liabilities not recognised

As at 31 December 2019, temporary differences relating to the undistributed profits of subsidiaries amounted to HK$183,000 (31 December 2018: HK$793,000). Deferred tax liabilities have not been recognised in respect of the tax that would be payable on distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that these profits will not be distributed in the foreseeable future.

35 SHARE CAPITAL

	Number of ordinary shares of HK one third of one cent each	HK$'000
Authorised		
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	30,000,000,000	100,000
Issued and fully paid		
At 1 January 2018	6,222,049,220	20,740
Cancellation of share repurchased (note (a))	(25,000,000)	(83)
At 31 December 2018, 1 January 2019 and 31 December 2019	**6,197,049,220**	**20,657**

Notes:

a. During the year ended 31 December 2018, the Company repurchased a total number of 25,000,000 of its own shares on The Stock Exchange of Hong Kong Limited at an aggregate consideration of HK$18,634,000, all of which were then cancelled. The consideration paid was charged against share premium and retained profits, and the nominal value of the shares repurchased of HK$83,000, was transferred to capital redemption reserve.

All issued shares rank pari passu in all respects including all rights as to dividends, voting and return of capital.

36 SHARE AWARD SCHEME

A restricted share award scheme ("Share Award Scheme") was adopted by the Company on 19 August 2010. The purpose of the Share Award Scheme is to recognise and motivate the contribution of certain employees and/or consultants and to provide incentives and help the Group in retaining its existing employees or consultants and recruiting additional employees or consultants and to provide them with a direct economic interest in attaining the long-term business objectives of the Company.

Pursuant to the rules of Share Award Scheme, the Board may, from time to time, at its absolute discretion select the employees and consultants as they deem appropriate for participation in the Share Award Scheme and determines the number of awarded shares to be granted. Existing shares would be purchased by the trustee from the market out of cash contributed by the Group and be held in trust for the relevant selected participants. The awarded shares of the Company will be vested only after satisfactory completion of time-based targets or time-and-performance-based targets.

36 SHARE AWARD SCHEME (CONTINUED)

The Share Award Scheme is subject to the administration of the Board in accordance with the rules of Share Award Scheme. The aggregate number of awarded shares granted by the Board throughout the duration of the Share Award Scheme should not in excess of 10% of the issued share capital of the Company as at the date of its adoption. The maximum number of awarded shares which may be granted to a selected participant under the Share Award Scheme shall not exceed 1% of the issued share capital of the Company as at the date of its adoption. Any grant of the awarded shares to any directors or senior management of the Company must first be approved by the remuneration committee of the Company.

Unless terminated earlier by the Board, the Share Award Scheme shall be valid and effective for a term of 10 years from the date of its adoption. However, the Board has the right to renew the Share Award Scheme up to three times and each time for another 5-year terms.

Movement in the number of shares held for Share Award Scheme and the awarded shares of the Company are as follows:

	Number of shares held for Share Award Scheme	Number of awarded shares
At 1 January 2019	**9,282,002**	**—**
Purchase	**41,890,000**	**—**
At 31 December 2019	**51,172,002**	**—**

	Number of shares held for Share Award Scheme	Number of awarded shares
At 1 January 2018	2,162,002	—
Purchase	7,120,000	—
At 31 December 2018	9,282,002	—

Pursuant to the Share Award Scheme, if there occurs an event of change in control of the Company, all the awarded shares shall immediately vest on the date when such change of control event becomes or is declared unconditional and such date shall be deemed the vesting date. Upon the change of the controlling shareholders as disclosed in the Company's announcement dated 26 January 2017, any unvested awarded shares at that date were vested.

As at 31 December 2019, Nil (31 December 2018: 2,162,002) forfeited shares and 41,890,000 (31 December 2018: 7,120,000) newly purchased shares were held by the trustee under the Share Award Scheme and would be re-granted to eligible employees in future.

During the years ended 31 December 2019 and 2018, no share awards expense was recognised as no awarded shares were vested during the year.

37 NATURE AND PURPOSE OF RESERVES

a. Share premium and contributed surplus

Under the Bermuda Companies Act 1981, when the Company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to the share premium account.

During the year ended 31 December 2019, HK$5,000,000,000 standing to the credit of the share premium account of the Company was transferred to the contributed surplus account of the Company pursuant to the special resolution passed on 24 May 2019.

The Group's contributed surplus as at 31 December 2019 comprises (a) the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Group's reorganisation prior to the listing of the Company's shares over the nominal value of the Company's shares issued in exchange thereof of HK$2,225,000 (2018: HK$2,225,000), and (b) amounts of HK$5,350,355,000 (2018: HK$350,355,000) transferred from share capital and share premium account less amounts distributed as dividends in prior years.

b. Capital redemption reserve

The capital redemption reserve represents the nominal amount of the shares repurchased.

c. Exchange reserve

The exchange reserves mainly comprise the foreign exchange differences arising from the translation of the financial statements of foreign operations, joint ventures and associates and the share of reserves of joint ventures and associates.

d. Investment revaluation reserve (non-recycling)

The investment revaluation reserve (non-recycling) comprises the cumulative net change in the fair value of equity securities designated at FVOCI under HKFRS 9 held at the end of the reporting period (see note 2.15).

e. Property revaluation reserve

The property revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for property and equipment which becomes an investment property because its use has changed as evidenced by end of owner-occupation in note 2.11.

The property revaluation reserve of the Company is distributable to the extent of HK$5,255,000 (31 December 2018: HK$5,255,000).

f. Shareholder's contribution

The shareholder's contribution reserve represents contribution made by shareholders.

g. Shares held for Share Award Scheme

The Shares held for Share Award Scheme have been set up and are dealt with in accordance with the accounting policies adopted for issue of share award respectively in note 2.20.

38 LOANS TO DIRECTORS

Loans to directors disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

Name/Relationship with directors	**Notes**	**At 31 December 2019 Debit/ (Credit) HK$'000**	**Maximum outstanding during the year HK$'000**	**At 1 January 2019 Debit/ (Credit) HK$'000**	**Margin finance facilities approved HK$'000**	**Securities held**
Mr. Kenneth LAM Kin Hing	(a)	**—**	**26,321**	**26,013**	**40,000**	Marketable securities
Mr. Bernard POULIOT	(a)	**83**	**17,541**	**14,493**	**23,000**	Marketable securities
Mr. LIU Jipeng	(a)	**16,196**	**23,730**	**—**	**25,000**	Marketable securities

Name/Relationship with directors	Notes	At 31 December 2018 Debit/ (Credit) HK$'000	Maximum outstanding during the year HK$'000	At 1 January 2018 Debit/ (Credit) HK$'000	Margin finance facilities approved HK$'000	Securities held
Mr. Kenneth LAM Kin Hing	(a)	26,013	26,314	—	60,000	Marketable securities
Mr. Bernard POULIOT	(a)	14,493	22,781	8,761	33,001	Marketable securities

Notes:

(a) The loans granted under margin finance facilities to three (2018: two) directors of the Company are secured by marketable securities collateral, bear interest at Hong Kong Dollar Prime Rate plus a spread and repayable on demand.

(b) The margin loans are measured at fair value through profit or loss, no fair value loss has been made in respect of these loans during the years ended 31 December 2019 and 2018.

39 COMMITMENTS

Operating lease commitments

At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	As at 31 December 2018 HK$'000
Within one year	33,710
In the second to fifth years, inclusive	86,971
After fifth year	—
	120,681

The Group leases a number of properties which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 3). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in note 2.14, and the details regarding the Group's future lease payments are disclosed in note 33.

39 COMMITMENTS (CONTINUED)

Capital commitments

At the reporting date, the Group had the following capital commitments which were contracted, but not provided for:

	As at 31 December 2019 HK$'000	As at 31 December 2018 HK$'000
Capital contributions payable to a private equity fund	**18**	18
Property and equipment	**3,572**	1,406
	3,590	1,424

Loan commitment

At the reporting date, the Group had the following contractual amounts of loan commitment:

	As at 31 December 2019 HK$'000	As at 31 December 2018 HK$'000
Other loan commitment (Note)	**170,000**	—

Note: The Group agreed to make available to the borrower credit loan facilities of a maximum amount up to HK$170,000,000 for the purpose of financing the payment for accepting a listed company's shares tendered under the mandatory unconditional cash offer.

40 RELATED PARTY TRANSACTIONS, CONTINUING CONNECTED TRANSACTIONS AND DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties and connected persons during the current and previous years:

	2019 HK$'000	2018 HK$'000
Part I. Continuing connected transactions with China Oceanwide Group, Oceanwide Holdings Group and Tohigh Group		
(A) Service transactions		
Income from service transactions provided to:		
China Oceanwide Group		
— Arrangement fee income (notes (c), (d))	—	100
— Commission fee income (notes (c), (d))	—	100
— Financing advisory fee income (notes (c), (d))	—	100
Oceanwide Holdings Group		
— Asset management fee income (notes (c), (d))	818	—
— Performance fee income (notes (c), (d))	3,510	—
— Commission fee income (notes (c), (d))	39	6,671
Tohigh Group		
— Arrangement fee income (notes (c), (d))	50	100
— Income from derivative financial instruments (notes (c), (d))	3,338	—
— Handling fee income (notes (c), (d))	66	—
	7,821	7,071
Expenses for service transactions provided by:		
Oceanwide Holdings Group		
— Research fee expense (notes (c), (d))	1,120	1,810
— Advisory fee expense (notes (c), (d))	263	—
— Rebate of asset management fee income (notes (c), (d))	413	—
Tohigh Group		
— Underwriting fee expense (notes (c), (d))	423	—
— Consultancy fee expense (notes (c), (d))	313	—
	2,532	1,810

40 RELATED PARTY TRANSACTIONS, CONTINUING CONNECTED TRANSACTIONS AND DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS (CONTINUED)

	2019 HK$'000	2018 HK$'000
(B) Investment and lending transactions		
Maximum daily amount/outstanding balance from investment and lending transactions provided to:		
China Oceanwide Group		
— Financial assistance (note (c))	300,000	294,099
Oceanwide Holdings Group		
— Financial assistance (note (c))	1,163,941	994,566
— Underwriting (note (c))	—	196,210
Tohigh Group		
— Financial assistance (note (c))	883,741	591,624
— Securities lending (note (c))	68,622	—
	2,416,304	2,076,499
Maximum daily amount/outstanding balance from investment and lending transactions provided by:		
Oceanwide Holdings Group		
— Financial assistance (note (c))	50,000	—
Tohigh Group		
— Financial assistance (note (c))	30,000	—
	80,000	—

40 RELATED PARTY TRANSACTIONS, CONTINUING CONNECTED TRANSACTIONS AND DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS (CONTINUED)

	2019 HK$'000	2018 HK$'000
Part II. Continuing connected transactions from brokerage and interest income business		
(A) Connected dealings services to connected persons:		
Directors of the Company		
— Commission income from securities and futures dealings (notes (a), (d))	**187**	135
— Interest income from margin financing (notes (a), (d))	**1,490**	1,480
Close family members of directors of the Company		
— Commission income from securities and futures dealings (notes (a), (d))	**22**	21
— Interest income from margin financing (notes (a), (d))	**1**	1
Directors of subsidiaries and their close family members and company owned by a director of subsidiary		
— Commission income from securities and futures dealings (note (a))	**21**	166
— Interest income from margin financing (note (a))	**183**	255
	1,904	2,058
(B) Connected margin loans to connected persons:		
Connected persons		
— Maximum daily outstanding balance of connected margin loans (note (a))	**46,478**	51,565
Part III. Continuing connected transactions from asset management business		
Related company — Company indirectly owned by Mr. LU Zhiqiang, the ultimate controlling shareholder of the Company		
— Assets management fee income (notes (b), (d))	**6,304**	9,518
Fellow subsidiary		
— Advisory fee expenses (notes (b), (d))	**976**	4,682
Related company — Subsidiary of China Oceanwide Holdings Group Company Limited, which Mr. LU Zhiqiang is the ultimate controlling shareholder		
— Advisory fee expenses (notes (b), (d))	**3,437**	—

40 RELATED PARTY TRANSACTIONS, CONTINUING CONNECTED TRANSACTIONS AND DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS (CONTINUED)

	2019 HK$'000	2018 HK$'000
Part IV. Other related party transactions		
Related company — Company in which Mr. LU Zhiqiang, the ultimate controlling shareholder of the Company, is also a director of its parent company		
— Interest income (note (e))	2,133	276
Related company — Company in which Mr. LU Zhiqiang, the ultimate controlling shareholder of the Company, had indirect significant influence		
— Interest income (note (f))	588	5,692
— Advisory fee income	—	3,300
Fellow subsidiaries		
— Asset management fee income	3	—
— Performance fee income	699	—
— Interest income (note (g))	206,693	119,906
Related company owned by a director of a subsidiary of the Company		
— Commission income	189	216
— Asset management fee income	2,427	—
Associate		
— Interest income	2	—
	212,734	129,390
Related company — Company in which Mr. LU Zhiqiang, the ultimate controlling shareholder of the Company, is also a director of its parent company		
— Interest expense (note (h))	56,443	26,411
— Custodian fee	369	—
— Research fee expense	—	1,560
— Legal and professional fee expense	—	250
Fellow subsidiaries		
— Interest expense (note (i))	4,072	—
— Rental expenses	18	326
Directors of the Company		
— Motor vehicle expenses	252	252
Associate		
— Consultancy fee	400	—
	61,554	28,799
Related company — Company in which Mr. LU Zhiqiang, the ultimate controlling shareholder of the Company, is also a director of its parent company		
— Accruals and other payables	—	26,412
— Prepayments, deposits and other receivables	255	4
Fellow subsidiaries		
— Prepayments, deposits and other receivables	—	12,085

40 RELATED PARTY TRANSACTIONS, CONTINUING CONNECTED TRANSACTIONS AND DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS (CONTINUED)

Notes:

(a) The income from connected transactions with directors of the Company and the subsidiaries and their close family members was based on the pricing stated in the letters stipulating the applicable service fees and interest rate for dealing services. Details of the annual caps of the connected dealings services and connected margin loans were set out in the Company's circulars dated 26 April 2016 and 20 February 2019. These transactions have been approved in the special general meeting held on 19 May 2016 and 8 March 2019.

(b) The connected transactions from asset management business (including asset management fee income and advisory fee expenses) were based on the relevant management and advisory agreements. Details of the annual caps of the management fee income and advisory fee expenses were set out in the Company's announcement dated 20 September 2017 and 24 May 2019.

(c) The income and expense arising from connected transactions with China Oceanwide Group*, Oceanwide Holdings Group* and Tohigh Group* were charged based on the respective framework services agreement. Details of the annual caps of these income and expense and the maximum daily outstanding balances were set out in the Company's circulars dated 31 October 2017 and 24 September 2019. These transactions have been approved in the special general meeting held on 20 November 2017 and 11 October 2019.

* China Oceanwide Group includes China Oceanwide Holdings Limited and its subsidiaries. Oceanwide Holdings Group includes Oceanwide Holdings Co., Ltd and its subsidiaries, which excludes China Oceanwide Group and the Group. Tohigh Group includes Tohigh Holdings Co., Ltd and its subsidiaries, which excludes China Oceanwide Group, Oceanwide Holdings Group and the Group. The definitions of China Oceanwide Group, Oceanwide Holdings Group and Tohigh Group were set out in the Company's circulars dated 31 October 2017.

(d) The transactions are also related party transactions under HKAS 24 (Revised) — Related Party Disclosures.

(e) Interest income of HK$2,133,000 (31 December 2018: HK$276,000) received/receivable from a related company was in connection with demand and time deposits maintained with it during the year. The carrying amount of deposits with this entity as at 31 December 2019 amounted to HK$3,828,000 (31 December 2018: HK$35,934,000) and was included under "Cash and cash equivalents" (note 15). The deposits are unsecured, interest-bearing at relevant deposit rates and are repayable on demand.

(f) Interest income of HK$588,000 (31 December 2018: HK$5,692,000) receivable from a related company was in connection with the loan advanced to this entity during the period. The carrying amount of loan receivable from this entity as at 31 December 2019 amounted to HK$100,000,000 (31 December 2018: HK$100,257,000) and was included under "Other loans" (note 22). The loan is secured, interest-bearing at 5.5% per annum.

40 RELATED PARTY TRANSACTIONS, CONTINUING CONNECTED TRANSACTIONS AND DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS (CONTINUED)

Notes: (continued)

(g) Interest income of HK$122,864,000 (31 December 2018: HK$62,250,000) was charged based on the loan agreements and received/receivable from fellow subsidiaries. The loans are included in "Other loans" (note 22). The loans are unsecured, interest-bearing at 7.875% to 12% (31 December 2018: 6% to 9.5%) per annum and repayable in 2020 and 2022.

Interest income of HK$82,896,000 (31 December 2018: HK$57,656,000) of unlisted senior notes and unsecured private notes was received/receivable from a fellow subsidiary. The unlisted senior notes and unsecured private notes are included in "Financial assets held for trading and market making activities" (note 17) and "Financial assets not held for trading and market making activities" (note 18) respectively. The unlisted senior notes and unsecured private note are unsecured, interest-bearing at 10.8% and 10% (31 December 2018: 9.25% and 9.5%) per annum respectively and repayable in 2020 and 2021.

Interest income of HK$933,000 (31 December 2018: Nil) was received/receivable from fellow subsidiaries. The loans are included in "Loans to margin clients" (note 20). Loans to margin clients are secured, repayable on demand and bear interest at commercial rates (normally at Hong Kong Dollar Prime Rate plus a spread).

(h) Interest expense of HK$56,443,000 (31 December 2018: HK$26,411,000) paid/payable to a related company was in connection with the loans granted by it during the year. The carrying amount of loans with this entity as at 31 December 2019 amounted to HK$817,910,000 (31 December 2018: HK$999,232,000) and was included under "Bank and other borrowings" (note 31).

(i) Interest expense of HK$4,072,000 (31 December 2018: Nil) was charged based on loan agreement and paid/payable to fellow subsidiaries. The borrowing is included in "Bank and other borrowings" (note 31). The borrowing is unsecured, interest-bearing at 9.5% (31 December 2018: Nil) per annum and repayable in 2020.

Except as disclosed above, no other transactions, arrangements or contracts of significance in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, were entered into or subsisted at any time during financial year.

Compensation of key management personnel

Included in staff costs (note 9) are key management personnel compensation and comprises the following categories:

	2019 HK$'000	2018 HK$'000
Short-term employee benefits	**20,695**	43,782
Post-employment benefits	**54**	214
	20,749	43,996

Note: Key management personnel consists of Chief Executive Officer of the Company and senior management.

41 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include debt and equity investments, other loans, accounts and other receivables, accounts and other payables, obligations under repurchase agreements and bank 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. Management manages and monitors these risk exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(a) Foreign currency risk

Foreign currency risk is the risk of losses due to adverse changes in foreign exchange rates mainly relating to receivables from or payables to clients and foreign brokers and foreign currency denominated investments as well as deposits with banks and borrowings from other financial institutions. To mitigate the foreign currency risk, treasury and settlement divisions work closely to manage and monitor the foreign exchange exposure arising from broking in foreign shares and commodities. The policies to manage foreign currency risk have been followed by the Group since prior periods and are considered to be effective.

The following table summarises the Group's major financial assets and liabilities denominated in currencies other than the functional currency of the entities to which they relate, as at 31 December 2019 and 31 December 2018.

	Express in HK$'000								
	Thai Baht ("THB")	United States dollars ("US$")	Japanese Yen ("JPY")	Singapore dollars ("SGD")	Renminbi ("RMB")	British Pound ("GBP")	Euros ("EUR")	Others	Total
At 31 December 2019									
Financial assets not held for trading and market making activities	—	104,204	4,560	—	—	—	—	—	108,764
Other assets	—	—	—	—	783	—	—	—	783
Financial assets held for trading and market making activities	—	1,489,334	—	—	—	—	—	—	1,489,334
Accounts receivable	2	137,701	7,273	30	5,910	527	1,396	1,215	154,054
Prepayments, deposits and other receivables	—	23,151	—	—	826	—	—	1,442	25,419
Bank balances held on behalf of clients	2,929	233,997	1,621	79	110,202	160	292	3,482	352,762
Cash and cash equivalents	410	44,834	997	268	18,267	1,008	847	2,001	68,632
Accounts payable	(2,929)	(348,783)	(8,855)	(79)	(122,060)	(678)	(1,686)	(4,249)	(489,319)
Accruals and other payables	—	(1,859)	—	(9)	(1,399)	—	(1)	—	(3,268)
Overall net exposure	412	1,682,579	5,596	289	12,529	1,017	848	3,891	1,707,161

41 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk (Continued)

(a) Foreign currency risk (Continued)

	Expressed in HK$'000								
	Thai Baht ("THB")	United States dollars ("US$")	Japanese Yen ("JPY")	Singapore dollars ("SGD")	Renminbi ("RMB")	British Pound ("GBP")	Euros ("EUR")	Others	Total
At 31 December 2018									
Financial assets not held for trading and market making activities	—	133,773	4,640	—	—	—	—	—	138,413
Other assets	—	—	—	—	549	—	—	—	549
Financial asset held for trading and market activities	—	1,669,183	—	—	—	—	—	—	1,669,183
Accounts receivable	2	197,925	41,450	11	19,055	8,740	11,391	1,156	279,730
Prepayments, deposits and other receivables	—	16,070	—	—	326	—	—	—	16,396
Bank balances held on behalf of clients	2,598	199,101	2	65	138,803	20,401	2,773	5,075	368,818
Cash and cash equivalents	182	149,563	38	169	14,201	89	48	164	164,454
Accounts payable	(2,598)	(366,038)	(41,704)	(65)	(180,232)	(29,209)	(14,103)	(5,712)	(639,661)
Obligations under repurchase agreements	—	(34,634)	—	—	—	—	—	—	(34,634)
Accruals and other payables	—	(1,390)	—	(9)	(1,957)	—	(1)	—	(3,357)
Overall net exposure	184	1,963,553	4,426	171	(9,255)	21	108	683	1,959,891

The following table indicates the approximate changes in the Group's profit or loss for the year ended 31 December 2019 and equity in response to reasonably possible changes in foreign exchange rates to which the Group has significant exposure as at the reporting date. A positive number below indicates an increase in profit or a decrease in loss for the year ended 31 December 2019 (and an increase in equity). For a decrease in profit or an increase in loss for the year ended 31 December 2019 (and decrease in equity), the balances below would be negative. As US$ is pegged to HK$, the Group does not expect any significant changes in US$/HK$ exchange rates. No sensitivity analysis in respect of the Group's financial assets and liabilities denominated in US$ is disclosed as in the opinion of the directors, such sensitivity analysis does not give additional value in view of insignificant change in the US$/HK$ exchange rates as at the reporting date.

41 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk (Continued)

(a) Foreign currency risk (Continued)

	Increase in foreign exchange rates		Effect on profit or loss		Effect on equity	
	As at 31 December 2019 %	As at 31 December 2018 %	**As at 31 December 2019 HK$'000**	As at 31 December 2018 HK$'000	**As at 31 December 2019 HK$'000**	As at 31 December 2018 HK$'000
THB	**5**	5	**21**	9	**21**	9
JPY	**5**	5	**52**	(11)	**280**	221
SGD	**5**	5	**14**	9	**14**	9
RMB	**5**	5	**626**	(463)	**626**	(463)
GBP	**5**	5	**51**	1	**51**	1
EUR	**5**	5	**42**	5	**42**	5

Decrease in the above foreign exchange rates at each reporting date would have the equal but opposite effect to the amounts shown above, on the basis that all other variables were held constant.

The sensitivity analysis has been determined by assuming that the changes in foreign exchange rates had occurred at the reporting date and that all other variables were held constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual reporting date. In the management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign currency risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

(b) Price risk

The Group is exposed to equity price risk through its investments in listed debt and equity securities which are classified as financial assets measured at fair value through profit or loss. The directors manage this risk exposure by maintaining a portfolio of investments with different risk and return profiles and will consider hedging the risk exposure should the need arise if necessary. The policies to manage price risk have been followed by the Group since prior periods and are considered to be effective. The Group is not exposed to commodity price risk.

As at 31 December 2019, if debt and equity prices had increased/(decreased) by 10% (31 December 2018: 10%) and all other variables were held constant, profit for the year would increase/(decrease) by approximately HK$60,786,000 (2018: HK$55,056,000) and the equity other than retained profits would remain unchanged (31 December 2018: unchanged).

41 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk (Continued)

(b) Price risk (Continued)

The sensitivity analysis has been determined by assuming that the price change had occurred at the reporting date and has been applied to the Group's investments at that date. In the management's opinion, the sensitivity analysis is unrepresentative of the inherent price risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

(c) Interest rate risk

The Group is exposed to interest rate risk primarily through the impact of interest rate changes on cash and cash equivalents, bank balances held on behalf of clients, margin loans and cash client receivables, obligation under repurchase agreements and bank and other borrowings carrying interests at variable rates.

The following table illustrates the sensitivity of the profit/(loss) for the year to a change in interest rates of +1% and –1% (31 December 2018: +1% and –1%). The calculations are based on the Group's bank balances, loans to margin clients and accounts receivable, obligations under repurchase agreements and bank and other borrowings held at each reporting date. All other variables are held constant. In the management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

	As at 31 December 2019 HK$'000	As at 31 December 2018 HK$'000
If interest rates were 1% (31 December 2018: 1%) higher		
Increase in profit for the year	**5,590**	11,315
If interest rates were 1% (31 December 2018: 1%) lower		
Decrease in profit for the year	**(5,590)**	(11,315)

41 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

The Group's credit risk is primarily attributable to accounts receivable and loans, bonds and notes measured at amortised cost arising when the debtors, including brokers and clients from money lending services, fail to perform their obligations as at the reporting date. The Group's exposure to credit risk arising from cash and cash equivalents and bank balances held on behalf of clients is limited because the counterparties are banks and financial institution with a credit rating, for which the Group considers to have low credit risk.

In order to minimise the credit risk, loan ratios for corporate loans are based on a combination of factors, including indicative acceptable lending rates from the bankers, the quality of the assets and the company represented by the securities, the liquidity of the securities, and the concentration level of securities held. The credit committee meets regularly and prescribes from time to time the lending limits on individual stocks and/or the credit limits for each individual client, taking into account the loan and stock concentration exposures. The credit control department monitors and making margin calls to clients when limits have been exceeded and when concentration risks posed a strategic risk. It also runs stress tests on loan portfolios to determine the impact on the Group's financial position and exposure. In this regard, the directors considers that the Group's credit risk is effectively controlled and significantly reduced.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each counterparties and clients rather than the geographical area or industry in which these parties operate and therefore significant concentrations of credit risk arise primarily when the Group has significant exposure to individual counterparties or clients. The Group's credit risk exposure on accounts receivable is spread over a number of counterparties and clients. The Group's credit risk for loan receivables is concentrated as the amounts are due from 17 clients (31 December 2018: 12 clients).

The Group does not hold any collateral or other credit enhancement to cover its credit risk associated with its financial assets except for margin loans and certain loans. Further quantitative data in respect of the collaterals and the Group's exposure to credit risk arising from accounts receivable, unlisted debt securities and loans is disclosed in notes 18, 21, 22 and 23 to the financial statements, respectively.

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

The following table shows reconciliations from the opening to the closing balance of the impairment allowance by class of financial instruments with significant balances as at reporting date.

Credit risk (Continued)

	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Total HK$'000
Accounts receivable from dealing in securities, futures and option contracts				
Balance at 1 January 2018	283	16	3,931	4,230
Transfer to Stage 3	(7)	(16)	23	—
New financial assets originated or purchased	1,550	164	—	1,714
Financial assets that have been derecognised	—	—	(174)	(174)
Balance at 31 December 2018 and 1 January 2019	1,826	164	3,780	5,770
Transfer to Stage 3	(1,341)	—	1,341	—
Net remeasurement of loss allowance	14	—	1,439	1,453
New financial assets originated or purchased	2	7	31	40
Financial assets that have been derecognised	(484)	(164)	(22)	(670)
Written-off	—	—	(5)	(5)
Balance at 31 December 2019	17	7	6,564	6,588
Financial assets measured at amortised cost				
Balance at 1 January 2018	9,419	—	43	9,462
Transfer to Stage 3	(3,057)	—	3,057	—
Net remeasurement of loss allowance	114	—	71,925	72,039
New financial assets originated or purchased	19,378	—	—	19,378
Financial assets that have been derecognised	(4,677)	—	—	(4,677)
Write-off	—	—	(43)	(43)
Balance at 31 December 2018 and 1 January 2019	21,177	—	74,982	96,159
Transfer to Stage 3	(7,034)	—	7,034	—
Net remeasurement of loss allowance	(768)	—	162,535	161,767
New financial assets originated or purchased	29,260	3,481	—	32,741
Financial assets that have been derecognised	(12,697)	—	—	(12,697)
Balance at 31 December 2019	29,938	3,481	244,551	277,970

41 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

As part of ordinary broking activities, the Group is exposed to liquidity risk arising from the timing differences between settlement with clearing houses or brokers and clients. The Group's operating units are also subject to various liquidity requirements as prescribed by the authorities and financial market regulators. The Group has put in place monitoring systems to ensure it maintains adequate liquid capital to fund its business commitments and to comply with the relevant rules including the Securities and Futures (Financial Resources) Rules. As a further safeguard, the Group has maintained banking facilities to meet contingencies in its operations. The Company will also consider raising fund to meet the business operations growth which require intensive capital buffer.

The liquidity policies have been followed by the Group since prior periods and are considered to be effective in managing liquidity risks.

Analysed below is the Group's remaining contractual maturities for its financial liabilities as at 31 December 2019 and 2018. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on which the Group can be required to pay. "Obligations under repurchase agreements" with a repayment on demand clause are included in the earliest time band regardless of the probability of the counterparties choose to exercise their rights within one year after the reporting date. The maturity analysis for other financial liabilities is prepared based on the scheduled repayment dates.

	Carrying amount HK$'000	Total contractual undiscounted cash flows HK$'000	On demand or within 1 year HK$'000	More than 1 year but less than 5 years HK$'000
At 31 December 2019				
Accounts payable	**1,664,961**	**1,664,961**	**1,664,961**	**—**
Bank and other borrowings	**2,037,029**	**2,065,720**	**2,065,720**	**—**
Lease liabilities (note 33)	**90,268**	**96,919**	**35,088**	**61,831**
Accruals and other payables	**86,629**	**86,629**	**86,629**	**—**
Tax payable	**58,615**	**58,615**	**58,615**	**—**
	3,937,502	**3,972,844**	**3,911,013**	**61,831**
At 31 December 2018				
Accounts payable	1,846,261	1,846,261	1,846,261	—
Obligations under repurchase agreements	34,634	34,779	34,779	—
Bank and other borrowings	2,358,573	2,392,832	2,338,484	54,348
Accruals and other payables	110,122	110,122	110,122	—
Tax payable	22,523	22,523	22,523	—
	4,372,113	4,406,517	4,352,169	54,348

42 FAIR VALUE MEASUREMENT

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets and liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

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 inputs are not available, the Group uses its own internal expertise or engages third party qualified valuers to perform the valuation. Valuation is prepared at each interim and annual reporting date, and is reviewed and approved by the chief financial officer. Discussion of the results with the chief financial officer and the audit committee is held twice a year, to coincide with the reporting dates.

42 FAIR VALUE MEASUREMENT (CONTINUED)

(a) Fair value of financial instruments measured at fair value

The following table presents financial instruments measured at fair value on a recurring basis in the consolidated statement of financial position according to the fair value hierarchy:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
At 31 December 2019				
Financial assets held for trading and market making activities				
— Listed debt securities (note (i))	—	15,530	—	15,530
— Unlisted debt securities (notes (ii), (vi))	—	723,773	37,742	761,515
— Listed equity securities (note (i))	592,135	199	—	592,334
— Unlisted equity securities (note (iii))	—	—	233,493	233,493
— Unlisted mutual funds (note (v))	—	28,100	—	28,100
— Private equity fund (note (iv))	—	—	188,022	188,022
Derivative financial instrument (note (viii))	—	—	17,119	17,119
Loan to margin clients (note (vii))	—	1,977,795	—	1,977,795
Financial assets not held for trading and market making activities				
— Unlisted equity securities (note (ix))	—	—	6,073	6,073
	592,135	2,745,397	482,449	3,819,981
Financial liabilities measured at fair value through profit or loss				
— Accruals and other payables (note (x))	—	43,236	—	43,236

42 FAIR VALUE MEASUREMENT (CONTINUED)

(a) Fair value of financial instruments measured at fair value (Continued)

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
At 31 December 2018				
Financial assets held for trading and market making activities				
— Listed debt securities (note (i))	—	65,226	—	65,226
— Unlisted debt securities (notes (ii), (vi))	—	712,658	16,138	728,796
— Listed equity securities (note (i))	485,067	264	—	485,331
— Unlisted equity securities (note (iii))	—	—	471,134	471,134
— Unlisted mutual fund (note (v))	—	7,457	—	7,457
— Private equity fund (note (iv))	—	—	228,891	228,891
Derivatives financial instrument (note (viii))	—	—	10,000	10,000
Loans to margin clients (note (vii))	—	2,810,720	—	2,810,720
Financial assets measured at fair value through other comprehensive income				
— Unlisted equity securities (note (ix))	—	—	6,321	6,321
	485,067	3,596,325	732,484	4,813,876
Financial liabilities measured at fair value through profit or loss				
— Accruals and other payables (note (x))	—	50,666	—	50,666

There were no transfers between Level 1 and Level 2 during the years ended 31 December 2019 and 2018. For transfers into and out of Level 3 measurements see (xi) below. The Group's policy is to recognise transfers between levels of fair value hierarchy at the date of the event or change in circumstances that caused the transfer.

42 FAIR VALUE MEASUREMENT (CONTINUED)

(a) Fair value of financial instruments measured at fair value (Continued)

Notes:

(i) The fair value of the listed debt and equity securities has been determined by reference to their quoted bid prices at the reporting date and has been translated using the spot foreign currency rates at the end of the reporting period where appropriate.

(ii) The fair value of the unlisted debt securities in level 2 was estimated based on discounted cash flow analysis with discounted rate determined by reference to the listed bonds with similar credit terms and rating. The discount rate used to discount the future payments of the bond, depends on the risk free rate plus credit spread of the issuer which links to its sector and credit rating.

(iii) As at 31 December 2019, the fair value of unlisted equity securities in level 3 was based on option pricing model under equity allocation approach with main inputs, such as 100% equity value of target company through a backsolve analysis, exercise values, expected volatility of 42%, risk free rate of 1.7% and expected time to expiration. As at 31 December 2018, the fair value of the unlisted equity securities has been determined with reference to the price of recent investment valuation technique under market approach.

(iv) The fair value of the private equity fund has been determined with reference to the unadjusted net asset value of the fund.

(v) The fair value of the unlisted mutual funds have been determined with reference to the net asset value of the funds. The underlying investments held by the funds are all listed with unadjusted quoted prices in active markets, with immaterial assets and liabilities with unobservable prices.

(vi) The fair value of the unlisted debt securities in level 3 was based on black-scholes model using discounted cash flows with market observable inputs, such as quoted market price, volatility, and significant unobservable input, i.e. discount rate of 14.4% (2018: 18%) as key parameters.

(vii) The fair value of the margin loans has been determined with reference to the market value of securities pledged by margin clients at the reporting date.

(viii) As at 31 December 2019, valuation technique was applied to predict the paths of underlying stock price through to final maturity date. Volatility was a significant unobservable input used in the valuation, which is calculated by reference to historical stock prices over the period commensurate with remaining tenor of the derivative (also known as "historical volatility"). As at 31 December 2018, the fair value of the derivatives was based on black-scholes model with market observable inputs, such as quoted market price, dividend yield, volatility, foreign exchange rate, and significant unobservable input, i.e. risk free rate of 2.218%, as key parameters.

42 FAIR VALUE MEASUREMENT (CONTINUED)

(a) Fair value of financial instruments measured at fair value (Continued)

Notes: (Continued)

(ix) The fair value of the unlisted equity securities of HK$1,513,000 and HK$4,560,000 have been determined by using the net asset value and discounted cash flow valuation technique respectively.

The discounted cash flow valuations are based on the following significant unobservable inputs:

Significant unobservable inputs	As at 31 December 2019	As at 31 December 2018
Discount for lack of marketability	**25%**	25%
Discount for lack of control	**10%**	10%
Weighted average cost of capital	**11%**	13%
Long-term revenue growth rate	**2%**	3%

Generally, a change in the discount for lack of marketability and control and weighted average cost of capital is accompanied by a directionally opposite change to the fair value measurement whilst a change in the long-term revenue growth rate is accompanied by a directionally similar change to the fair value measurement.

(x) The financial liabilities represent net asset value attributable to third party interest of a fund. The fair value has been determined by reference to the net asset value of the fund. The underlying investments held by the fund are all listed with unadjusted quoted prices in active markets, with immaterial assets and liabilities with unobservable prices.

42 FAIR VALUE MEASUREMENT (CONTINUED)

(a) Fair value of financial instruments measured at fair value (Continued)

Notes: (Continued)

(xi) The movement of the financial instruments at fair value based on significant unobservable inputs (i.e. Level 3) is as follows:

	2019 HK$'000	2018 HK$'000
Financial assets held for trading and market making activities		
At the beginning of the year	**716,163**	88,007
Reclassification to interest in an associate	**(1,875)**	—
Transfer to Level 1	**(234,942)**	—
Purchases	**19,612**	557,975
Fair value changes recognised in profit or loss	**(39,076)**	72,976
Disposals	**(625)**	(2,795)
At the end of the year	**459,257**	716,163
Financial assets not held for trading and market making activities		
At the beginning of the year	**6,321**	11,615
Fair value changes recognised in other comprehensive income (note 18(b))	**(170)**	(5,294)
Disposal (note 18(b))	**(78)**	—
At the end of the year	**6,073**	6,321
Derivative financial instruments		
At the beginning of the year	**10,000**	—
Fair value changes recognised in profit or loss	**10,119**	10,000
Disposals	**(3,000)**	—
At the end of the year	**17,119**	10,000
Total unrealised (loss)/gain recognised in profit or loss for assets held at the end of the reporting period	**(22,821)**	82,976

42 FAIR VALUE MEASUREMENT (CONTINUED)

(b) Fair value of investment property measured at fair value

Investment property represented commercial office premises in Hong Kong and are categorised within Level 2 of fair value hierarchy. There have been no transfers between Levels 1 and Level 2, or transfers into or out of Level 3 in the years ended 31 December 2019 and 2018. The Group's policy is to recognise transfers between levels of fair value hierarchy at the date of the event or change in circumstances that caused the transfer. The fair value of the investment property as at 31 December 2019 and 2018 has been arrived at on the basis of valuation carried out by independent valuers, who holds recognised and relevant professional qualifications and has recent experience in the location and category of the investment property being valued. The fair value has been determined using market comparable approach by reference to transaction price of comparable properties on a price per saleable area basis using market data which is publicly available.

43 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group currently has a legally enforceable right to set off the Continuous Net Settlement ("CNS") money obligations receivable and trade payables with Hong Kong Securities Clearing Company Limited ("HKSCC"), which are included in "accounts receivable", "margin loans" and "accounts payable" as presented in the consolidated statement of financial position, respectively. It intends to settle on a net basis as accounts payable from or accounts payable to the Stock Exchange. The net amount of CNS money obligations receivable or payable with HKSCC and guarantee fund placed in HKSCC do not meet the criteria for offsetting against each other in the financial statements and the Group does not intend to settle the balances on a net basis.

	As at 31 December 2019					
				Related amounts not set off in the consolidated statement of financial position		
	Gross amounts of recognised financial assets HK$'000	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position HK$'000	Net amounts of financial assets presented in the consolidated statement of financial position HK$'000	Financial instruments HK$'000	Cash collateral received HK$'000	Net amount HK$'000
Assets						
Accounts receivable and loans to margin clients	**2,679,060**	**(203,103)**	**2,475,957**	**—**	**—**	**2,475,957**

	As at 31 December 2019					
				Related amounts not set off in the consolidated statement of financial position		
	Gross amounts of recognised financial liabilities HK$'000	Gross amounts of recognised financial assets set off in the consolidated statement of financial position HK$'000	Net amounts of financial liabilities presented in the consolidated statement of financial position HK$'000	Financial instruments HK$'000	Cash collateral pledged HK$'000	Net amount HK$'000
Liabilities						
Accounts payable	**1,868,064**	**(203,103)**	**1,664,961**	**—**	**—**	**1,664,961**

43 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

	As at 31 December 2018					
	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral received	
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets						
Accounts receivable and loans to margin clients	3,567,567	(156,559)	3,411,008	—	—	3,411,008

	As at 31 December 2018					
	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral pledged	
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Liabilities						
Accounts payable	2,002,820	(156,559)	1,846,261	—	—	1,846,261

44 SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and liabilities as recognised at the reporting date may be categorised as follows. See notes 2.15 and 2.21 to the financial statements for explanations about how the category of financial instruments affects their subsequent measurement.

	31 December 2019 HK$'000	31 December 2018 HK$'000
Financial assets		
Financial assets measured at fair value through profit or loss		
— Financial assets held for trading and market making activities	**1,818,994**	1,986,835
— Derivative financial instruments	**17,119**	10,000
— Loans to margin clients	**1,977,795**	2,810,720
Financial assets measured at fair value through other comprehensive income		
— Financial assets not held for trading and market making activities	**6,073**	6,321
Financial assets measured at amortised cost		
— Financial assets not held for trading and market making activities	**152,059**	310,715
— Advances to customers for merger and acquisition activities	**221,401**	—
— Other assets	**19,895**	17,234
— Accounts receivable	**498,162**	600,288
— Other loans	**3,267,091**	2,608,031
— Deposits and other receivables	**49,155**	19,867
— Bank balances held on behalf of clients	**1,253,410**	1,321,371
— Cash and cash equivalents	**182,449**	357,300
	9,463,603	10,048,682
Financial liabilities		
Financial liabilities measured at amortised cost		
— Accounts payable	**1,664,961**	1,846,261
— Obligations under repurchase agreements	**—**	34,634
— Bank and other borrowings	**2,037,029**	2,358,573
— Accruals and other payables	**43,393**	59,456
Financial liabilities measured at fair value through profit or loss		
— Accruals and other payables	**43,236**	50,666
	3,788,619	4,349,590

45 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

Certain subsidiaries of the Company are regulated by the Securities and Futures Commission or Professional Insurance Brokers Association. These subsidiaries are required to maintain certain minimum liquid capital; and net asset value and paid-up capital according to the Securities and Futures Ordinance and the Insurance Companies Ordinance, respectively. Management monitors these subsidiaries' liquid capital or net asset value and paid-up capital to ensure they meet the minimum requirement in accordance with the Securities and Futures (Financial Resources) Rules or the Insurance Companies Ordinance. These externally imposed capital requirements have been complied with by the relevant group entities for the years ended 31 December 2019 and 2018.

The Group monitors its capital using a gearing ratio, which is total debts divided by total equity. For this purpose, total debts include obligations under repurchase agreements, bank and other borrowings and lease liabilities as shown in the consolidated statement of financial position. The Group aims to maintain the gearing ratio at a reasonable level.

The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group recognises right-of-use assets and corresponding lease liabilities for almost all leases previously accounted for as operating leases as from 1 January 2019. This caused a significant increase in the Group's total debt and hence the Group's gearing ratio rose from 41% to 43% on 1 January 2019 when compared to its position as at 31 December 2018.

The gearing ratio as at the reporting date and at the date of transition to HKFRS 16 was as follows:

	As at 31 December 2019 HK$'000	**As at 1 January 2019 HK$'000 (Note)**	As at 31 December 2018 HK$'000 (Note)
Total debt	**2,127,297**	**2,502,273**	2,393,207
Net assets	**5,783,554**	**5,796,614**	5,796,614
Gearing ratio	**37%**	**43%**	41%

Gearing ratio of the Group decreased from 43% as at 1 January 2019 to 37% as at 31 December 2019 as the Group has been reducing the balance of bank and other borrowings.

Note:

The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Under this approach, the comparative information is not restated. See note 3.

46 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	As at 31 December 2019 HK$'000	As at 31 December 2018 HK$'000
ASSETS AND LIABILITIES		
Non-current assets		
Intangible assets	**1,598**	280
Property and equipment	**7,904**	4,956
Investments in subsidiaries	**179,927**	180,734
Financial assets measured at fair value through other comprehensive income	**6,073**	6,321
Deferred tax assets	**3,697**	4,658
Deposits for property and equipment	**—**	913
	199,199	197,862
Current assets		
Loans measured at amortised cost	**118,984**	100,257
Prepayments, deposits and other receivables	**44,730**	3,230
Financial assets measured at fair value through profit or loss	**—**	41,731
Amounts due from subsidiaries	**6,609,097**	6,379,516
Cash and cash equivalents	**7,055**	18,626
	6,779,866	6,543,360
Current liabilities		
Obligations under repurchase agreements	**—**	34,634
Bank and other borrowings	**1,363,490**	1,064,232
Accruals and other payables	**6,585**	31,225
Amounts due to subsidiaries	**17,536**	588
	1,387,611	1,130,679
Net current assets	**5,392,255**	5,412,681
Non-current liabilities		
Notes payable	**—**	50,000
Net assets	**5,591,454**	5,560,543
EQUITY		
Share capital	**20,657**	20,657
Reserves (note)	**5,570,797**	5,539,886
Total equity	**5,591,454**	5,560,543

Approved and authorised for issue by the Board on 20 April 2020.

On behalf of the Board

HAN Xiaosheng
Director

Kenneth LAM Kin Hing
Director

46 STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Investment revaluation reserve HK$'000	Shareholder's contribution HK$'000	Shares held for Share Award Scheme HK$'000	Warrants reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 January 2018	5,135,621	936	401,693	(13,809)	1,811	(905)	—	(49,021)	5,476,326
Impact on initial application of HKFRS 9	—	—	—	—	—	—	—	(1,082)	(1,082)
Adjusted balance at 1 January 2018	5,135,621	936	401,693	(13,809)	1,811	(905)	—	(50,103)	5,475,244
Cancellation of shares repurchased	(18,551)	83	—	—	—	—	—	(83)	(18,551)
Shares purchased for share award scheme	—	—	—	—	—	(4,514)	—	—	(4,514)
Transactions with owners	(18,551)	83	—	—	—	(4,514)	—	(83)	(23,065)
Profit for the year	—	—	—	—	—	—	—	91,716	91,716
Other comprehensive income									
— Changes in fair value of financial assets measured at fair value through other comprehensive income	—	—	—	(5,294)	—	—	—	—	(5,294)
— Capital distribution from financial assets measured at fair value through other comprehensive income, which represents recovery of part of the investment cost	—	—	—	1,285	—	—	—	—	1,285
Total comprehensive income for the year	—	—	—	(4,009)	—	—	—	91,716	87,707
At 31 December 2018	5,117,070	1,019	401,693	(17,818)	1,811	(5,419)	—	41,530	5,539,886

	Share premium HK$'000	**Capital redemption reserve HK$'000**	**Contributed surplus HK$'000**	**Investment revaluation reserve HK$'000**	**Shareholder's contribution HK$'000**	**Shares held for Share Award Scheme HK$'000**	**Warrants reserve HK$'000**	**Retained profits HK$'000**	**Total HK$'000**
At 1 January 2019	**5,117,070**	**1,019**	**401,693**	**(17,818)**	**1,811**	**(5,419)**	**—**	**41,530**	**5,539,886**
Shares purchased for share award scheme	**—**	**—**	**—**	**—**	**—**	**(17,379)**	**—**	**—**	**(17,379)**
Transactions with owners	**—**	**—**	**—**	**—**	**—**	**(17,379)**	**—**	**—**	**(17,379)**
Profit for the year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**48,538**	**48,538**
Other comprehensive income									
— Changes in fair value of financial assets measured at fair value through other comprehensive income	**—**	**—**	**—**	**(248)**	**—**	**—**	**—**	**—**	**(248)**
Total comprehensive income for the year	**—**	**—**	**—**	**(248)**	**—**	**—**	**—**	**48,538**	**48,290**
Transfer from share premium to contributed surplus	**(5,000,000)**	**—**	**5,000,000**	**—**	**—**	**—**	**—**	**—**	**—**
At 31 December 2019	**117,070**	**1,019**	**5,401,693**	**(18,066)**	**1,811**	**(22,798)**	**—**	**90,068**	**5,570,797**

47 PARTICULARS OF THE SUBSIDIARIES OF THE GROUP

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

Name	Former name	Place of incorporation	Particulars of issued capital	Percentage of interests		Principal activities and place of operations
				Held by the Company	Held by the subsidiaries	
China Tonghai Asset Management Limited	Oceanwide Asset Management Limited	Hong Kong	Ordinary shares of HK$20,000,000	100	—	Investment adviser and asset management/Hong Kong
China Tonghai Asset Management (BVI) Ltd.	Oceanwide Asset Management (BVI) Ltd.	BVI	5,000 ordinary shares of US$1 each	—	100	Provision of fund management services/ Hong Kong
China Tonghai Capital (Holdings) Limited	Oceanwide Financial (Holdings) Limited	Hong Kong	Ordinary shares of HK$78,260,002	100	—	Investment holding and import/export trading liaison/Hong Kong
China Tonghai Capital Limited	Oceanwide Capital Limited	Hong Kong	Ordinary shares of HK$84,000,000	—	100	Corporate finance and investment adviser/Hong Kong
China Tonghai Finance Limited	Oceanwide Finance Limited	Hong Kong	Ordinary shares of HK$54,200,000	—	100	Finance and money lending/ Hong Kong
China Tonghai Private Equity Limited	Oceanwide Financial Private Equity Limited	Hong Kong	Ordinary shares of HK$1,500,000	100	—	Investment holding/ Hong Kong
China Tonghai Securities Limited	Oceanwide Securities Company Limited	Hong Kong	Ordinary shares of HK$2,170,000,000	—	100	Securities dealing and futures and options broking/Hong Kong
China Tonghai Ventures (BVI) Limited	Oceanwide Ventures (BVI) Limited	BVI	1 ordinary share of US$1	—	100	Fund investments/Hong Kong
China Tonghai Ventures (HK) Limited	Oceanwide Financial Ventures (HK) Limited	Hong Kong	Ordinary share of HK$6,000,000	—	100	Investment holding/ Hong Kong
China Tonghai Communications Limited	Oceanwide Financial Media (Holdings) Limited and China Tonghai Financial Media (Holdings) Limited	Hong Kong	Ordinary shares of HK$76,520,664	100	—	Investment holding/ Hong Kong
China Tonghai Financial Media Limited	Oceanwide Financial Media Limited	Hong Kong	Ordinary shares of HK$6,000,000	—	100	Website management and other related services/ Hong Kong
Oceanwide Greater China UCITS Fund	Quam Greater China UCITS Fund	Luxembourg	N/A	—	81	Investment in securities/ Hong Kong

The above table lists the material subsidiaries of the Company which, in the opinion of the directors, principally contribute the results for the year or hold a substantial portion of assets or liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

(Expressed in Hong Kong dollars unless otherwise indicated)

48 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2019

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, which are not yet effective for the year ended 31 December 2019 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, *Definition of a business*	1 January 2020
Amendments to HKAS 1 and HKAS 8, *Definition of material*	1 January 2020

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

49 EVENT AFTER THE REPORTING PERIOD

Since early 2020, the outbreak of Novel Coronavirus raised the uncertainty towards the business environment and operations of the Group. Hang Seng Index has dropped sharply from its recent high on 17 January 2020 to 16 April 2020 indicating a decline in market sentiment, a significant drop in fair value of the underlying securities related to loans to margin clients may therefore be resulted. The Group will closely monitor the impacts and devise the contingency measures accordingly. If necessary, the Group will promptly carry out measures to mitigate the potential impacts. The Group will continue to review the contingency measures and evaluate risk management effectiveness. In view of the rapid spread of Novel Coronavirus, it is not appropriate to estimate the potential impacts on the Group's financial performance at present stage due to the possible significant fluctuations.

50 RECLASSIFICATION

Certain comparative figures have been reclassified to conform to the current year presentation.

Five-Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements, and reclassified as appropriate, is set out below.

	Twelve months ended 31 December 2019 HK$'000	Twelve months ended 31 December 2018 HK$'000	Nine months from 1 April 2017 to 31 December 2017 HK$'000	Twelve months ended 31 March 2017 HK$'000	Twelve months ended 31 March 2016 HK$'000
RESULTS					
Revenue	**779,432**	672,310	352,155	350,346	533,444
	779,432	672,310	352,155	350,346	533,444
Other income/(loss)	**(2,275)**	23,261	(403)	3,394	10,729
Direct cost	**(160,196)**	(181,304)	(136,505)	(167,932)	(244,155)
Staff cost	**(214,850)**	(164,967)	(98,006)	(155,237)	(151,413)
Depreciation and amortisation	**(42,440)**	(9,888)	(6,654)	(9,013)	(7,132)
Impairment loss	**(184,800)**	(89,890)	(3,148)	(5,302)	(1,956)
Other operating expenses	**(56,883)**	(82,306)	(53,413)	(61,277)	(83,611)
Finance cost	**(112,131)**	(59,023)	(10,170)	(16,149)	(20,334)
Share of results of associate	**(212)**	—	5,263	383	—
Share of results of joint ventures	**(2,036)**	1,597	(1,930)	1,695	1,156
Profit/(loss) before tax	**3,609**	109,790	47,189	(59,092)	36,728
Tax credit/(expense)	**1,738**	(9,615)	(3,904)	1,145	(12,040)
Profit/(loss) for the year attributable to the equity holders of the Company	**5,347**	100,175	43,285	(57,947)	24,688

Five-Year Financial Summary

	As at 31 December 2019 HK$'000	As at 31 December 2018 HK$'000	As at 31 December 2017 HK$'000	As at 31 March 2017 HK$'000	As at 31 March 2016 HK$'000
ASSETS AND LIABILITIES					
Total assets	**9,726,044**	10,177,613	8,601,804	3,403,502	3,247,156
Total liabilities	**(3,942,490)**	(4,380,999)	(2,864,381)	(2,836,987)	(2,639,115)
	5,783,554	5,796,614	5,737,423	566,515	608,041

Notes to the five year summary:

1. As a result of the adoption of HKFRS 16, Leases, with effect from 1 January 2019, the Group has changed its accounting policies in respect of the lessee accounting model. In accordance with the transitional provisions of the standard, the changes in accounting policies were adopted by way of opening balance adjustments to recognise right-of-use assets and lease liabilities as at 1 January 2019. After initial recognition of these assets and liabilities, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liabilities, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Figures in years earlier than 2019 are stated in accordance with the policies applicable in those years.

2. As a result of the adoption of HKFRS 15, Revenue from contracts with customers, with effect from 1 January 2018, the Group has changed its accounting policies in respect of revenue recognition. In accordance with the transitional provisions of the standard, the changes in accounting policies were adopted by way of opening balance adjustments to equity as at 1 January 2018. Figures in years earlier than 2018 are stated in accordance with the policies applicable in those years.

3. The Group adopted HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation, from 1 January 2018. As a result, the Group has changed its accounting policies in relation to financial instruments. As allowed by HKFRS 9, the Group has not restated information relating to prior years. Differences in the carrying amounts of the financial assets resulting from the adoption of HKFRS 9 were recognised in retained earnings and reserves at 1 January 2018. There was no difference in the carrying amounts of the financial liabilities. Prior to 1 January 2018, figures were stated in accordance with the policies applicable in those years.

中國通海國際金融有限公司
CHINA TONGHAI INTERNATIONAL FINANCIAL LIMITED

18/F and 19/F, China Building, 29 Queen's Road Central, Hong Kong
香港中環皇后大道中29號華人行18樓及19樓
Tel 電話: (852) 2217-2888
Fax 傳真: (852) 3905-8731
Website 網址: www.tonghaifinancial.com