DT CAPITAL

# DT CAPITAL LIMITED
# 鼎 立 資 本 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 356

# ANNUAL REPORT 2019

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# CORPORATE INFORMATION

## Board of Directors

**Executive Directors**

Mr. Leung King Yue, Alex
Mr. Leong Chi Wai
Mr. Lewis Chan

**Non-executive Directors**

Ms. Chan Pui Kwan *(Chairman)*
Ms. Li Peng

**Independent non-executive Directors**

Mr. Chen Yeung Tak (Appointed on 19 July 2019)
Mr. Ruan Zhi (Appointed on 19 July 2019)
Mr. Jochum Siebren Haakma
Mr. Kwok Ming Fai (Resigned on 19 July 2019)
Mr. Lo Chi Ming (Resigned on 19 July 2019)

**Audit Committee**

Mr. Chen Yeung Tak
*(Chairman of Audit Committee)*
(Appointed on 19 July 2019)
Mr. Ruan Zhi (Appointed on 19 July 2019)
Mr. Jochum Siebren Haakma
Mr. Kwok Ming Fai (Resigned on 19 July 2019)
Mr. Lo Chi Ming (Resigned on 19 July 2019)

**Remuneration Committee**

Mr. Chen Yeung Tak
*(Chairman of Remuneration Committee)*
(Appointed on 19 July 2019)
Mr. Ruan Zhi (Appointed on 19 July 2019)
Mr. Jochum Siebren Haakma
Mr. Leung King Yue, Alex
Mr. Kwok Ming Fai (Resigned on 19 July 2019)
Mr. Lo Chi Ming (Resigned on 19 July 2019)

**Nomination Committee**

Mr. Ruan Zhi
*(Chairman of Nomination Committee)*
(Appointed on 19 July 2019)
Mr. Chen Yeung Tak (Appointed on 19 July 2019)
Mr. Jochum Siebren Haakma
Mr. Kwok Ming Fai (Resigned on 19 July 2019)
Mr. Lo Chi Ming (Resigned on 19 July 2019)

**Company Secretary**

Mr. Ho Kim Fung (Appointed on 16 May 2019)
Mr. Lee Tak Shing (Resigned on 16 May 2019)

**Authorized Representatives**

Ms. Chan Pui Kwan
Mr. Lee Tak Shing

## Auditors

BDO Limited

## Investment Manager

Hua Yu Investment Management Limited
(Resigned on 31 October 2019)

## Principal Bankers

DBS Bank (Hong Kong) Limited
Industrial and Commercial Bank of China (Asia) Limited
Luso International Banking Limited

## Registered Office

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

## Head Office and Principal Place of Business

Room 6703, 67th Floor, The Center
99 Queen Road Central, Central
Hong Kong

## Principal Registrar

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road
George Town
Grand Cayman KY1-1110
Cayman Islands

## Hong Kong Branch Share Registrar

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

## Stock Code

Hong Kong Stock Exchange: 356

## Company Website Address

Http://www.dt-capitalhk.com

# MANAGEMENT DISCUSSION AND ANALYSIS

## Business Review

For the year ended 31 December 2019, the Group recorded loss attributable to equity holders of approximately HK$25.8 million (2018: HK$45.2 million). The loss per share was HK$0.0113 (2018: HK$0.0198). Decrease in loss in 2019 was mainly caused by an decrease in the unrealised loss on listed and unlisted securities approximately HK$19.4 million compared with 2018. In addition, there were no bank interest expenses in 2019 and 2018.

The Company has further invested approximately HK$12.8 million to an associate, Purple Link Investment Limited ("Purple Link"), for South Point project on 31 December 2019. The total amount due from Purple Link was approximately HK$22.4 million and approximately HK$9.6 million has been impaired in 2018 together with approximately HK$0.8 million share of post-acquisition profits on the associate. In 2018, the Company found that the construction had not fully completed and remaining interior construction work has been suspended since October 2018. The Thailand developer could not provide any further concrete action plan and there was no immediate evidence to support the Thailand developer has the ability to refund the investment cost to Purple Link. The Company assessed that the investment agreement had been defaulted. After the default, the Board has been discussing with management of Purple Link and was seeking for alternative plans for Purple Link to fund and complete the project. Upon further discussion with relevant parties during the year, the primary construction and design contractor has undertaken to complete the construction of South Point project within 12 months once the further construction cost of approximately THB 350 million is made available. The further construction cost is financed by the Company (THB 50 million), one existing Purple Link's shareholder (THB 50 million), one new investor (THB 100 million) and one Thailand bank (THB 150 million). According to the action plan, the South Point project will complete in December 2020 and the gross amount approximately THB 704 million was expected to be refunded to Purple Link in or before June 2021. Purple link shall then repay the shareholder loans to its shareholders with interest. As disclosed in Note 19 on the consolidated financial statements, after the financial year end, in March 2020, upon further review by the Company of the investment prospect, the Company disposed of the investment in and shareholder's loan to Purple Link at book value to an independent third party to minimise the risk of the Company.

Hua Yu Investment Management Limited, the Company's investment Manager, has been resigned on 31 October 2019.

The stock market was fluctuating in 2019 that led to the Group's unrealized fair value loss on listed securities of approximately HK$14.74 million (2018: HK$22.37 million) and realized gain on listed securities of approximately HK$0.33 million (2018: HK$5.24 million).

The performance of investments were affected by the major factors as follows:

Economic, Social and Political – Economic, Social and Political affected the stock market and caused its fluctuation, such as trade war between U.S. with China volatile, "yellow vests" demonstration in France and "Coronavirus" and "Fugitive Offenders Ordinance" event in Hong Kong.

Liquidity – Liquidity affected the Group short term strategy to balance in investing listed and unlisted securities and maintaining the cash position.

The Group strategy was to maintain strong cash balance to prepare for stock market fluctuation in 2019. Therefore, the Group had no new investment plan in 2019. The Group short term strategy is changed from time to time to reflect the market and economic situation and long term strategy is balanced in investing listed and unlisted securities to increase shareholder's returns.

The proceeds of approximately HK$35 million from the Placing on 28 December 2017 has changed its usage as disclosed in the announcement of the Company on 13 December 2019. The Board resolved to reallocate the sum of approximately HK$17.5 million for general working capital to meet the operating expenses in Hong Kong and the remaining sum of approximately HK$17.5 million shall be used for investment in potential projects in the People's Republic of China or relating to technology business as originally planned, and/or for such other business opportunities as may be identified by the Company as suitable. The approximately HK$35 million were not utilised as at the date of this report and has been kept in the Company's bank accounts.

The delay in making the investment and applying the proceeds was due to the reason that the Company has been taking a more prudent approach in studying investment opportunities and making new investment with the function of the investment manager suspended since 9 November 2018. The Company was in the course of actively reviewing the intended investment opportunities again and targeted to confirm and implement such investment opportunity. However, the Company remains prudent and conservative in making new investments given the global social and economic unrest in the year of 2019 and the deteriorating investment environment.

The Company will take a most prudent approach to study investment opportunities and expect Placing fund approximately HK$5 million that will be used in new investment in 2020. If the economic, social and political situation are bad in 2020, the expected investment plan will be delayed. Although, the Placing fund has been raising since 28 December 2017 but risk management is most important issue to consider when the new investment is made.

## Prospects

Trade policy uncertainty, geopolitical tensions, and idiosyncratic stress in key emerging market economies continued to weigh on global economic activity – especially manufacturing and trade – in the second half of 2019. Intensifying social unrest in several countries posed new challenges, as did weather-related disasters – from hurricanes in the Caribbean, to drought and bushfires in Australia, floods in eastern Africa, and drought in southern Africa.

Despite these headwinds, some indications emerged toward year-end that global growth may be bottoming out. Moreover, monetary policy easing continued into the second half of 2019 in several economies. Adding to the substantial support the easing provided earlier in 2019, its lagged effects should help global activity recover in the middle of 2020.

Economic activity in Hong Kong SAR weakened significantly in 2019 as rising trade tensions between the U.S. and China and heightened uncertainty took a toll on exports and investment while private consumption and visitor arrivals have declined due to the social unrest that started over the summer. As the cyclical downturn continues, GDP is expected to contract by 1.9 percent in 2019. Growth is projected to rise to 0.2 percent in 2020, led by private consumption, but the pace of recovery over the medium term is expected to be slower than in previous recoveries as increased trade barriers and disruptions to global supply chains would be a drag on trade-related activities.

Risks to outlook are tilted to the downside. On the external side, further escalation of trade tensions between the U.S. and China and a significant slowdown of Mainland China as well as additional barriers, including potential restrictions by the U.S. against China in technology and the financial sectors, could negatively affect growth in Hong Kong SAR. On the domestic side, a deterioration of the sociopolitical situation and delays in addressing structural challenges of insufficient housing supply and high income inequality could further weaken economic activity and negatively affect the city's competitiveness in the long term. A significant slowdown of the economy could trigger an adverse feedback loop between house prices, the real economy and the financial sector. Coronavirus event is important issue in 2020.

With so many unpredictable factors, we believe the key to success is in managing risk successfully through diversification and due diligence. In 2020, we will continue our creative yet careful approach to new investments and portfolio management – we will explore new potential areas of investment while exercising due caution where necessary.

Apart from trading securities, the Management will continue to increase shareholder's returns, by exploring various sectors and regions with the aim of finding additional favorable investments that are undervalued and have sustainable income streams.

## Financial Review

### Financial Resources and Liquidity

As at 31 December 2019, the total equity of the Group amounted to approximately HK$156.59 million (31 December 2018: HK$182.40 million).

As at 31 December 2019, the Group maintained a cash position, bank balances and cash amounting to approximately HK$35.65 million (31 December 2018: HK$46.99 million).

The Group's net financial asset investments of approximately HK$105.66 million as at 31 December 2019 (31 December 2018: HK$132.05 million).

### Gearing Ratio

The Group's total borrowings comprising the lease liabilities and current other payables and accruals, amounted to approximately HK$5.71 million as at 31 December 2019 (31 December 2018: HK$0.51 million).

The Group's gearing ratio calculated on the basis of total borrowings over the shareholders' equity of the Company was approximately 3.65% as at 31 December 2019 (31 December 2018: 0.28%).

### Final Dividend

The Board has resolved not to recommend any payment of final dividend for the year ended 31 December 2019 (2018: Nil).

### Capital Structure

There was no change to the Group's capital structure for the year ended 31 December 2019.

### Financial Commitment, Capital Commitment and Contingent Liabilities

As at 31 December 2019, the Group has financial commitment HK$4.08 million and no material capital commitment and no contingent liabilities.

### Exposure to Fluctuations in Exchange Rates and Related Hedges

The Group's assets and liabilities are majority denominated in Hong Kong Dollars. Exposure to foreign currency exchange rates arises out of the Group's oversea investment, Thai baht. The Group at present does not have any contracts to hedge against its foreign exchange risks.

### Share Options

The Company has not adopted any share option scheme.

### Employees and Remuneration Policies

As at 31 December 2019, the Group employed a total of 6 employees (2018: 6) including the executive directors of the Company. The remuneration packages consist of basic salary, mandatory provident fund, medical insurance, and other benefits considered as appropriate. Remuneration packages are generally structured by reference to market terms, individual qualification and performance. They are under periodic review based on individual merit and other market factors.

### Appreciation

On behalf of the Board, I would like to take this opportunity to express my appreciation to the staff and management team of the Group for their contribution in 2019 and would like to give my sincere gratitude to the shareholders for their continual support.

By Order of the Board
**Chan Pui Kwan**
*Chairman*
Hong Kong, 31 March 2020

# BIOGRAPHICAL DETAILS OF DIRECTORS

## Executive Directors

**Mr. Leung King Yue, Alex ("Mr. Leung")**

Mr. Leung, aged 42, has over 20 years of experience in financial services sector, mainly in compliance and asset management. Mr. Leung was a Responsible Officer of an asset management company, namely JK Capital Management Limited.

Mr. Leung graduated from University of Melbourne in Australia in 1999 with a bachelor degree in Commerce specializing in Economics and Finance. He was a Chartered Financial Analyst. Mr. Leung was licensed under the SFO as a Responsible Officer to carry out Type 1 (Dealing in Securities), Type 4 (Advising on Securities), Type 6 (Advising on Corporate Finance) and Type 9 (Asset Management) regulated activities.

**Mr. Leong Chi Wai ("Mr. Leong")**

Mr. Leong, aged 44, has over 20 years of experience in corporate finance, asset management, direct investments and property investments and developments. He is also licensed under the Estate Agents Authority. Mr. Leong is a director and Responsible Officer of Hua Yu Investment Management Limited, the investment manager of the Company since March 2009 to 31 October 2019.

Mr. Leong graduated from the University of Hong Kong with a Bachelor degree in Business Administration (Accounting and Finance). He is licensed under the SFO to carry out Type 4 (Advising on Securities), Type 6 (Advising on Corporate Finance) and Type 9 (Asset Management) as a representative since 2003 and as a Responsible Officer since May 2008 to present. He was also licensed to carry out Type 1 (Dealing in Securities) from May 2008 to February 2010.

**Mr. Lewis Chan ("Mr. Chan")**

Mr. Chan, aged 49, has over 20 years of experience in asset management and investment research. He is the Managing Partner at MaunaKai Capital Partners (Hong Kong) Limited since 2004. Mr. Chan is also a co-founder of Symbior Energy, an alternative energy incubation company. He is currently serving as a non-executive director at D&G Technology Holding Company Limited (stock code: 1301) and an independent non-executive director at Yuk Wing Group Holdings Limited from 2016 to 20 April 2019 (stock code: 1536), both listed on Hong Kong stock exchange. Mr. Chan was formerly assistant professor of finance during 2000 to 2004 and adjunct associate professor of finance from 2004 to 2006 at Hong Kong University of Science and Technology. He was also an advisor during 2009 to 2013 to North Yard Economics, a non-profit consultancy to developing countries.

Mr. Chan was a winner of the Fama-DFA Prize of the Best Papers published in 2003 in the Journal of Financial Economics. He is a research fellow at The China Center for Financial Research at Tsinghua University, and a member of the Admissions, Budgets and Allocations Committee, the Community Chest of Hong Kong. Mr. Chan received his Ph.D. in Economics from Harvard University, a Master degree in economics from Columbia University and a Bachelor of Arts degree in economics from the University of Chicago. He is licensed under the SFO as responsible officer to carry out Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities.

## Non-Executive Directors

**Ms. Chan Pui Kwan ("Ms. Chan")**

Ms. Chan, aged 53, started her career as a corporate banker. Born in Hong Kong, spent her youth and received education in the Netherlands, Ms. Chan returned to her birthplace and started her career in early 90's. She had worked in several prominent European banks, including Rabobank, ABN AMRO, Fortis and established the European desk for these banks to provide support to European companies expanding into China.

In 2002, Ms. Chan started her own company SINOVA to provide advice & support to investors for both inbound and outbound investments. The company employed over 40 professionals with offices in three countries. In 2010, Dutch based financial group ANT acquired SINOVA and Ms. Chan remained as Chief Executive Officer of SINOVA till September 2012.

She is the founder and Chief Executive Officer of Delta-Think (HK) Ltd, which provides business strategy advisory advices to corporations for business expansion in public and private sectors.

Ms. Chan is active in the community services and holds advisory positions in various institutions. At present, she is one of the General Committee members of the Hong Kong General Chamber of Commerce as well as Chairman of Women Executive Club and Vice Chairman of Europe Committee of the Hong Kong General Chamber of Commerce. In addition, she is an Adviser for Les Beatitudes (愛連心) which is a social enterprise that supports underprivileged women who want to work in a more flexible arrangement while taking home with some earnings.

As recognition of her achievements, Ms. Chan has received numerous awards in China, Hong Kong and the Netherlands, amongst which she was selected as one of "China's 100 Outstanding Female Entrepreneurs" ("中國百名傑出女企業家") in 2010.

Ms. Chan has grown up from a multi-cultural background and speaks several European languages. She graduated from Rotterdam Business School with a bachelor degree in banking and insurance in 1991.

She is licensed under the SFO as a representative of Hua Yu Investment Management Limited to carry out Type 6 (Advising on Corporate Finance) and Type 9 (Asset Management) regulated activities since 2015.

Ms. Chan is currently serving as an independent non-executive director at JBB Builders International Limited since May 2019 (Stock code: 1903).

**Ms. Li Peng ("Ms. Li")**

Ms. Li, aged 39, obtained a master degree in law from Liaoning University in 2007 and a bachelor degree in business management from Hebei University of Science and Technology in 2002. Ms. Li is a practicing solicitor in the People's Republic of China and is qualified as an arbitrator of Langfang Arbitration Commission. Ms. Li, currently holding the positions of Supervisor at Yingchuan Law Firm in Heibei Province, China and Head of the Yingchuan Lawyers Group in Heibei Province, China, specializes in legal matters concerning intellectual property rights, civil and commercial cases, and real estate among her other areas of expertise. Ms. Li is also conversant with corporate management and has committed herself to research on legal risk control in commercial activities associated with trademark law, corporate law, contract law, land management law, construction engineering, and labor contract law. Ms. Li's other major public appointments and recognition include but without limitation, being a member of the Langfang City Governmental Advisory Committee on Legal System, a member of the Political Consultative Conference of Guangyang District, Langfang City, and a specially designated supervisory officer for the Langfang City Association of Consumers, and a long-standing legal advisor for several government agencies in Langfang City.

## Independent Non-Executive Directors

**Mr. Jochum Siebren Haakma ("Mr. Haakma")**

Mr. Haakma, aged 70, a lawyer and former career diplomat and an expert in the field of Trade and investment Promotion, was from 1978 assigned to a number of Dutch Embassies abroad (Rome, Lusaka, Bonn), in 1986 as Commercial and Economic Counsellor to The Netherlands Embassy in Jakarta and in 1989 in the private sector as Director of the Indonesian Netherlands Association (de facto' Ind.-NL C.O.C) in Jakarta.

From 1993-1997, Mr. Haakma was the Managing Director of the Centre for the Promotion of Imports from Developing Countries (CBI) in Rotterdam, which is an Agency under the Ministry of Foreign Affairs of the Netherlands. In this function he acted as permanent Vice-Chairman of the FORUM of the European Trade Promotion Organisations. He was also member of the European Commission and The International Trade Centre (ITC, UNCTAD/WTO) in Geneva.

In 1995 he followed a post-doctorate course at Harvard Business School.

From 1997 until 2002 he served as Consul-General in Hong Kong/Macao and from 2002 until 2006 as Consul-General in Shanghai. In 2006 he was appointed Managing Director of the Netherlands Foreign Investment Agency (NFIA) under the Ministry of Economic Affairs in The Netherlands, responsible for attracting investments to the Netherlands with an international network of 24 NFIA offices around the world.

In September 2007 he moved to the private sector and was appointed Global Executive Director Business Development of the TMF Group BV in Amsterdam, where he is responsible for the Business Development and Branding of TMF Group on a global scale. TMF Group helps global companies expand and invest seamlessly across international borders. Its expert accountants and legal, HR and payroll professionals are located around the world, helping clients to operate their corporate structures, finance vehicles and investment funds in different geographic locations. With operations in more than 85 countries and with HQ in Amsterdam providing outsourced compliance services, TMF Group is the global expert that understands local needs.

Concurrently he is the Chairman of the Board of the NCH (Netherlands Council for Trade Promotion), Chairman of the Netherlands China Business Council, former Chairman of the China Group of the HFC (Holland Financial Centre) and President of the Europe Council of NCH. Furthermore, he is the Vice President of the Board of the AmCham Netherlands, member of the Board of Ambassadors of Hemingway, non-executive director with Amesto Global LLC, Chairman of the board of The EU-China Business Association (EUCBA), member of the International Steering Committee of Nyenrode University, Advisory Board Member of ChinaLux, and Advisory Member of a number of China related institutions (Young Dragon Business Club, Cathay Pacific Trader Awards). For many years he wrote a monthly column about cultural differences in the China Times and is former Chief Advisor Public Affairs European Region for Huawei Technologies Co Ltd.

Mr. Haakma is founder & honorary member for life of the Dutch CEO lunch in Shanghai and honorary member for life of the Foreign Correspondents Club (FCC) in Hong Kong.

Mr. Haakma is founder and owner of Haakma Consultancy since 2016.

In 2012 he received an honorary Doctorate Degree of the European University in Barcelona, Spain. Mr. Haakma was speaker at the International Capital Conference (ICC) in Beijing in 2016 to 2019.

Mr. Haakma was appointed as independent non-executive director of the Company on 7 July 2014.

**Mr. Chen Yeung Tak ("Mr. Chen")**

Mr. Chen Yeung Tak, aged 35, obtained a Bachelor of Arts in Accountancy from The Hong Kong Polytechnic University in December 2006. Mr. Chen has been a member of the Hong Kong Institute of Certified Public Accountants since January 2011.

Mr. Chen has over 13 years of experience in auditing, accounting and financial management, treasury, internal control, corporate governance and company secretarial matters. Mr. Chen worked in international accounting firms and PYI Corporation Limited (stock code: 0498) from October 2012 to February 2015 with his last position as an accounting manager. Mr. Chen is currently the financial controller and company secretary of Kingland Group Holdings Limited (Stock code: 1751). Mr. Chen is also the independent non-executive director of Gain Plus Holdings Limited since January 2018 (Stock code: 9900) and the independent non-executive director of AV Promotions Holding Limited since December 2017 (Stock code: 8419).

Mr. Chen was appointed as independent non-executive director of the Company on 19 July 2019.

**Mr. Ruan Zhi ("Mr. Ruan")**

Mr. Ruan Zhi, aged 49, graduated from Chengdu University of Science and Technology in 1991 and obtained a Master's degree of Business Administration from University of Ballarat in 2003. He was one of the founders of Gemdale Corporation, a listed company (600383). He served as the general manager, deputy general manager of South China region, and operations director of East China region of Gemdale Corporation Building Materials Company from 1992 to 2006. He served as the general manager of CITIC Shenzhen Group Real Estate Company, a subsidiary of CITIC which is the biggest central enterprise in PRC, and the general manager of CITIC Sichuan Holding Company in 2006. He served as managing director of Hong Kong Kun Tai International Investment Limited from 2007 to 2012. He is an independent investor and also the managing director of Shenzhen Zhize Dongfang Commercial Management Company Limited since 2012.

Mr. Ruan was appointed as independent non-executive director of the Company on 19 July 2019.

# REPORT OF THE DIRECTORS

The board of directors (the "Board") has pleasure in presenting their report and the audited consolidated financial statements for the year ended 31 December 2019.

## Principal Activities and Business Review

The principal activities of the Company and its subsidiaries during the year were investment holding. Discussion and analysis as required by Schedule 5 to the Hong Kong Companies Ordinance are set out on pages 4 to 7 and pages 21 to 24. This discussion forms part of the report of the directors.

## Segmental Information

The Group's revenue and contribution to operating results were all derived from investments in listed and unlisted companies in Hong Kong.

## Property, Plant and Equipment

Details of the movements in the property, plant and equipment during the year are set out in note 17 on the consolidated financial statements.

## Subsidiaries

Details of the Company's subsidiaries at 31 December 2019 are set out in note 18 on the consolidated financial statements.

## Share Option

The Company has not adopted any share option scheme.

## Directors' Remuneration

The Directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Board with reference to Directors' duties, responsibilities and performance and the results of the Group. In addition, the Directors' remuneration is reviewed by the Remuneration Committee annually.

## Results and Appropriations

The results of the Group for the year ended 31 December 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on page 40.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2019. No interim dividend was declared during the year. (2018: Nil).

## Share Capital

Details of the movements in the Company's share capital during the year are set out in note 25 on the consolidated financial statements. As at 31 December 2019, the Company has an authorized share capital of HK$40,000,000 divided into 4,000,000,000 shares of HK$0.01 each.

## Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out below. This summary does not from part of the audited financial statements.

### Results

| | **1/1/2019 – 31/12/2019 HK$** | 1/1/2018 – 31/12/2018 HK$ | 1/1/2017 – 31/12/2017 HK$ | 1/1/2016 – 31/12/2016 HK$ | 1/1/2015 – 31/12/2015 HK$ |
|---|---|---|---|---|---|
| Revenue | **2,169,604** | 4,577,037 | 2,553,650 | 1,081,046 | 628,748 |
| (Loss)/profit before taxation | **(26,302,496)** | (43,645,346) | 8,035,081 | 5,207,002 | 1,582,664 |
| Taxation | **493,459** | (1,554,832) | – | – | – |
| Net (loss)/profit attributable to shareholders | **(25,809,037)** | (45,200,178) | 8,035,081 | 5,207,002 | 1,582,664 |

### Assets and Liabilities

| | **31/12/2019 HK$** | 31/12/2018 HK$ | 31/12/2017 HK$ | 31/12/2016 HK$ | 31/12/2015 HK$ |
|---|---|---|---|---|---|
| Total assets | **165,080,003** | 184,467,603 | 218,715,914 | 170,001,003 | 152,569,248 |
| Total liabilities | **(8,487,722)** | (2,066,285) | (2,625,508) | (3,634,983) | (1,211,692) |
| Net assets | **156,592,281** | 182,401,318 | 216,090,406 | 166,366,020 | 151,357,556 |

## Reserves

Movements in the reserves of the Group and the Company during the year are set out in note 27 and 31(b) on the consolidated financial statements.

The Company's reserves available for distribution represent the share premium and retained profits under the Companies Law of the Cayman Islands. The share premium of the Company is available for paying dividends to shareholders subject to the provisions of its Memorandum and Articles of Association and provided that immediately following the distribution of dividend the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Company's Articles of Association, dividends can be distributed out of the share premium and retained profits of the Company which in aggregate amounted to approximately HK$129,458,000 (2018: HK$159,888,000) as at 31 December 2019.

## Major Customers and Suppliers

A substantial portion of the Group's income is derived from the Group's investments and the disclosure of information regarding customers would not be meaningful. The Group has no major suppliers requiring disclosure.

## Purchase, Sale or Redemption of the Company's Listed Shares

There was no purchase, sale or redemption of the Company's shares by the Company or any of its subsidiaries for the year ended 31 December 2019.

## Investment Policies

The Company has adopted an investment policy, which has not been changed since its adoption in 2014 upon resumption of trading on the Stock Exchange. Summarized below are the investment objectives, investment policies and investment restrictions of the Company:

### I. Investment Objectives

The Company is an investment company incorporated in the Cayman Islands with the primary objective of achieving short to medium term (i.e. less than one year to five years) capital appreciation by investing in listed and unlisted companies in Hong Kong and the PRC. The Company also intends to invest in unlisted companies with the potential to seek a listing on the Hong Kong Stock Exchange and Clearing Limited or any overseas stock exchanges.

### II. Investment Policies

A substantial portion of the Company's assets will be invested in equity securities, convertible notes, preference shares, options, warrants, futures contracts and debt securities issued by listed and unlisted companies in Hong Kong and the PRC, or such other types of investments in accordance with the investment objectives and policies and restrictions adopted by the Company from time to time and the requirements of the Memorandum, the Articles, the Listing Rules and the Investment Management Agreement.

The Board and the Investment Manager would seek to identify investments where there is a certain degree of synergy with other investee companies and where cooperation between such companies would be of mutual benefit to each other.

The Company's investments are intended to be held for short to medium term capital appreciation. There is no present intention to realise any of such investments in any specific period or by any specific date. Nevertheless, the directors will from time to time realise investments where they believe the realization would be in the best interests of the Company.

### III. Investment Restrictions

Under the Articles and the Listing Rules relating to the listing of investment companies, certain restrictions on investments are imposed on the Company.

The Company will not 1) own or control more than 30% of the voting rights in any one company or body, 2) exceed 20% of the net asset value at the time when such investment is made, 3) buy or sell commodities, commodity contracts or precious metals and 4) invest more than 50% of its assets outside Hong Kong and the PRC.

The Company has to comply with investment restrictions 1 and 2 above at all times, which are set out in the Articles and cannot be changed while it remains listed as an investment company under Chapter 21 of the Listing Rules.

Investment restrictions 3 and 4 cannot be changed for at least 3 years from the date of the Prospectus without the approval of the Shareholders by way of an ordinary resolution, and there has not been any change of the investment policy as set out in the prospectus of the Company dated 27 May 2002.

## Directors

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

### Executive Directors

Mr. Leung King Yue, Alex
Mr. Leong Chi Wai
Mr. Lewis Chan

### Non-executive Directors

Ms. Chan Pui Kwan *(Chairman)*
Ms. Li Peng

### Independent Non-executive Directors

Mr. Chen Yeung Tak (Appointed on 19 July 2019)
Mr. Ruan Zhi (Appointed on 19 July 2019)
Mr. Jochum Siebren Haakma
Mr. Kwok Ming Fai (Resigned on 19 July 2019)
Mr. Lo Chi Ming (Resigned on 19 July 2019)

In accordance with Article 88 of the Company's Articles of Association, Ms. Li Peng, Mr. Leong Chi Wai, Mr. Lewis Chan, Mr. Chen Yeung Tak and Mr. Ruan Zhi shall retire by rotation from office and, being eligible, offer themselves for re-election. All other directors continue in office.

The term of office of each of the non-executive directors and independent non-executive directors lasts until his/her retirement by rotation once every three years in accordance with the Company's Articles of Association.

The Company received confirmation of independence in respect of the year ended 31 December 2019 from each of the independent non-executive directors pursuant to Rule 3.13 of the Listing Rules. Up to and as at the date of this report, the Company still considers the independent non-executive directors to be independent.

## Directors' Service Contracts

None of the directors who are proposed for re-election at the forthcoming Annual General Meeting has a service contract which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

## Permitted Indemnity Provision

During the year, the Company has arranged directors' and officers' liabilities insurance cover to indemnify the directors against claims, costs, charges and expenses arising out of the Group's business and activities.

## Directors' Interests in Transaction, Arrangement or Contract

In the opinion of the Board, save as disclosed below, there were no transaction, arrangement or contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any director of the Company or and entity connected with a director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or Any Associated Corporation

As at 31 December 2019, the interests and short positions of the directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "SEHK") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the directors and the chief executive of the Company were deemed or taken to have under such provisions of the SFO) or which were required to be and were recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") in the Listing Rules were as follows:

### Long position in shares of the Company

| | Number of shares | | | | | |
|---|---|---|---|---|---|---|
| Name of director | Personal interests | Family interests (interest of spouse) | Corporate interests | Other interests (interest in controlled corporation) | Total | Percentage of issued share capital |
| Chan Pui Kwan *(Note 1)* | – | – | – | 254,500,000 *(Note 1)* | 254,500,000 | 11.16% |

*Note:*

1. Fame Image Limited is beneficially and ultimately owned as to 70% by Ms. Chan Pui Kwan and 30% by Wu Weihong, Tony.

   As at 31 December 2019, Ms. Chan Pui Kwan, is interested in 70% of the share capital of Fame Image Limited, which then owned 50% of the share capital of Sharp Years Limited, which in turn is holding 254,500,000 shares of the Company. Accordingly, she is deemed to be interested in 254,500,000 shares of the Company, representing approximately 11.16% of the entire issued share capital of the Company. Ms. Chan Pui Kwan was appointed as Director with effect from 7 July 2014.

Save as disclosed above, at no time during the year ended 31 December 2019 was the Company, its subsidiaries, or its associates a party to any arrangement to enable the directors or chief executives of the Company, or their spouses or children under the age of 18, to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or its associated corporation.

Save as disclosed above, none of the directors or the chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares of equity derivatives or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## Substantial Shareholder's Interests and Short Positions in the Shares and Underlying Shares of the Company

As at 31 December 2019, the following persons or corporations, other than the interest disclosed above in respect of the directors, interested in 5% or more in the shares and underlying shares of the Company have been notified to the Company and recorded in the register of substantial shareholders' interests in shares and short positions required to be kept under Section 336 of Part XV of the SFO:

### Long positions in Shares of the Company

| Name of shareholders | Number of issued ordinary shares held | Approximate percentage of total issued ordinary shares |
|---|---|---|
| P.B. Global Asset Management Limited *(Note 1)* | 504,410,000 | 22.13% |
| Vibrant Noble Limited *(Note 2)* | 379,900,000 | 16.67% |
| Sharp Years Limited *(Note 3)* | 254,500,000 | 11.16% |
| Long Surplus International Limited *(Note 3)* | 254,500,000 | 11.16% |
| Fame Image Limited *(Note 3)* | 254,500,000 | 11.16% |
| Ho Hoi Yee, Wisery *(Note 3)* | 254,500,000 | 11.16% |
| Lai Tsui Har *(Note 3)* | 254,500,000 | 11.16% |
| Wu Weihong, Tony *(Note 3)* | 254,500,000 | 11.16% |

*Notes:*

1. P.B. Global Asset Management Limited is an investment manager. P.B. Capital Advanced Fund SPC – P.B. Capital Advanced Fund 2 Segregated Portfolio beneficially owned the Shares.

2. Vibrant Noble Limited is wholly-owned by Mr. Qian Jun.

3. Sharp Years Limited is owned as to 50% by Long Surplus International Limited and 50% by Fame Image Limited respectively. Long Surplus International Limited is beneficially and ultimately owned as to 66.67% by Ms. Ho Hoi Yee, Wisery and 33.33% by Ms. Lai Tsui Har. Fame Image Limited is beneficially and ultimately owned as to 70% by Ms. Chan Pui Kwan, a non-executive Director and 30% by Mr. Wu Weihong, Tony.

Save as disclosed above, as at 31 December 2019, the Directors are not aware of any other persons who have interests or short positions in the shares, underlying shares of equity derivatives or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be disclosed to the Company pursuant to Part XV of the SFO.

## Directors' Interest in Competing Business

None of the Directors is interested in any business apart from the Group's interests, which competes or is likely to compete, either directly or indirectly with the Group's business.

## Connected Transactions and Continuing Connected Transactions

During the year, the connected transactions and continuing connected transactions undertaken by the Group are included in the transactions set out in note 29 on the consolidated financial statements, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

The independent non-executive directors have reviewed the continuing connected transactions as disclosed above and have confirmed that the continuing connected transactions have been entered into:

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

ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from (as appropriate) 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.

The auditors of the Company have reviewed the continuing connected transactions during the year as disclosed above and confirmed that these transactions:

i) were approved by the Board;

ii) where applicable, were in accordance with the pricing policies of the Company;

iii) had been entered into in accordance with the relevant agreements governing the transactions; and

iv) have not exceeded the caps stated in the relevant announcement.

## Management Contracts

Details of significant management contracts in relation to the Company's business are included in note 29 on the consolidated financial statements.

Save as disclosed above, no other 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.

## Pre-Emptive Rights

There are no provisions for pre-emptive rights which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders under the Company's Memorandum and Articles of Association and the Companies Laws of the Cayman Islands.

## Audit Committee

The Company has established an audit committee (the "Audit Committee") according to "A Guide for the Effective Audit Committees" published by the Hong Kong Institute of Certified Public Accountants and the terms of reference adopted in compliance with the CG Code. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The Audit Committee had also reviewed the annual results of the Group for the year ended 31 December 2019 in conjunction with the Company's external auditors.

## Model Code for Securities Transactions by Directors

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the period.

## Relationships with Stakeholders

Our Group understands that it is important to maintain good relationship with business partners and bank enterprises to achieve its long-term goals. Accordingly, our senior management have kept good communication, promptly exchanged ideas and shared business update with them when appropriate. During the year, there was no material and significant dispute between our Group and its business partners or bank enterprises.

## Compliance with laws and regulations

The Company operates in Hong Kong and is governed by the regulatory requirements set by the Hong Kong Listing Rules, and other relevant laws and regulations in Hong Kong. Its compliance obligations are guided by comprehensive policies and procedures covering ethics, business conduct and anti-corruption.

The directors of the Company confirmed that the Company has complied with the regulatory requirements set by the Hong Kong Listing Rules and other relevant laws and regulations in Hong Kong.

## Principal risks and uncertainties

Major events affecting either economic or political stability could pose as risks and uncertainties for the Company. Economic events could include recessions that would have an impact on the Company's revenue, operating costs and profitability.

Political risk includes changes in the regulatory environment in which the Company operates.

The directors of the Company are continuously vigilant towards changes in general economic and political situations and constantly seeking to identify new and emerging risks at the earliest opportunity in order to mitigate risks and uncertainties.

## Sufficiency of Public Float

According to the information that is publicly available to the Company and within the knowledge of the Board, the percentage of the Company's shares which are in the hands of the public exceeds 25% of the Company's total number of issued shares.

## Auditors

Messrs. BDO Limited acted as auditors of the Company for the year ended 31 December 2019 and Li, Tang. Chen & Co. acted as auditors of the Company for the year ended 31 December 2015, 2016, 2017 and 2018.

Messrs. BDO Limited retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board
**Chan Pui Kwan**
*Chairman*

Hong Kong, 31 March 2020

DT Capital Limited (the "Company") is an investment company that holds and maintains a diversified portfolio of listed and unlisted companies. As an investment company, the Company does not actively participate in the operation of its subsidiaries, but actively optimizes its portfolio composition to simultaneously maximize shareholder return and enable the development of sustainable corporations. By striking a balance between the interests of shareholders and the community, the Company continues to fulfill its corporate social responsibility.

## Standard of Employment

The Company has and continues to comply with the applicable employment-related laws and regulations currently in force in Hong Kong. It does not employ anyone less than 18 years of age. To all its employees, it provides rights and benefits which are at least or more than those required statutorily. Monthly salary payments are made on time according to respective employment contract, and the Company's contributions to the defined contribution retirement scheme it operated under the Mandatory Provident Fund Scheme are made by each monthly contribution day.

## Working Conditions

The Company strongly believes and recognizes that having a positive environment is conducive to motivated employees. It is committed to complying with the laws relating to anti-discrimination and equal opportunities promotion. It also strives to provide a pleasant, safe and healthy workplace for its employees to encourage the development of stronger interpersonal bond.

## Employee Care, Development and Training

The Company strives to provide a fair and respectful working environment for its employees. Its policies and guidelines on recruitment and promotion are formulated based on the principles that

- the Company is an equal opportunity employer;
- the Company is against any act of discrimination on the basis of gender, age, race, etc.; and
- the Company makes decisions relating to the engagement and promotion of employees based on employees/candidate performance.

## Remuneration, Working Hours, Leaves and Other Fringe Benefits

- Remuneration and benefit packages are determined with reference to the position, skills, capability and performance of employees;
- Remuneration is adjusted based on local applicable regulations on minimum wages;
- Working hours, leaves and other fringe benefits are in line with industry practice and/or (if applicable) adjusted based on experience, qualifications and seniority of employees; and
- An equitable reward system is in place.

During the year under review, there was no material breach of applicable laws and/or regulations by the Company.

The Company supports and encourages its employees to develop and enhance their professional knowledge and skills to cope with the evolving market environment and compliance level. On top of on-the-job training, the Company actively encourages and provides opportunities for its employees to take external professional training to strengthen work-related expertise. We adopt a five-day work week and encourage our employees to have a good balance among health, work and social or family activities.

## Compliance with Laws and Regulations

The Company has established policies and procedures on compliance with laws and regulations, and its employees are required to adhere to high standards of business and professional and ethical conduct. The Company's policy requires its employees to fully comply with all applicable laws and regulations.

## Anti-Corruption

The Company is committed to ensuring that no bribes, payment or advantages are solicited from or given or offered to any persons, whether in the public or private sector, for any purpose, which can ensure the strict adherence to the Prevention of Bribery Ordinance. The Company regards honesty, integrity and fair play as the core values that must be upheld by its employees at all times.

During the reporting period, the Company had no legal cases regarding corrupt practices brought against the Company or its employees.

## Emissions and Use of Resources

The Company's operation is mainly office-based and the Company is committed to minimizing the impact of businesses on the environment through adopting eco-friendly measures at the office. For example, employees are encouraged to reduce paper consumption by double-sided printing, print in black and white, reusing papers printed on one side and E-storage of documents.

In terms of energy saving measures, there are a number of good practices as follows:

- Employees are reminded to switch off lights and air-conditioning in the meeting room and the computer at the workstation when not in use;
- Room temperature is maintained at suitable levels whenever possible to save energy;
- Water consumption of the Company is minimal. Employee are encouraged not to waste water; and
- Conference calls instead of face-to-face meetings are arranged where possible.

The Company is dedicated to maintaining the measures above while continuing to explore other eco-friendly initiatives.

## Environmental Performance

The Group believed that the environmental protection as an important component to form a part of our corporate responsibility and are therefore committed to promoting environmental protection activities.

In accordance with the ESG Reporting Guide set out of the Hong Kong Stock Exchange, our environmental performance of "Emissions and Use of Resource" during the reporting period are tabulated as below:

### Use of Resource

| Resource type | Total Consumption | | Consumption per person | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| Electricity (kWh) | **9,106** | 7,149 | **1,518** | 1,192 |
| Paper (kg) | **100** | 100 | **17** | 17 |

### Greenhouse gas Emission

| Greenhouse gas indicators | Major sources | $CO_2$ emitted (kg) | | Emitted per person (kg) | |
|---|---|---|---|---|---|
| | | **2019** | 2018 | **2019** | 2018 |
| Scope 1<br>Direct emissions | Nil | **–** | – | **–** | – |
| Scope 2<br>Energy indirect emissions | Electricity | **7,285** | 5,648 | **1,214** | 941 |
| Scope 3<br>Other indirect emissions | Paper | **480** | 480 | **80** | 80 |
| Total $CO_2$ emission equivalents | | **7,765** | 6,128 | **1,294** | 1,021 |

### Electricity

The electricity consumed by the Group was mainly used in the office during its normal business operation and supplied by The Hong Kong Electric Co., Ltd. During the year, the Group has consumed 9,106 kWh (2018: 7,149 kWh) of electricity with monthly average usage of 759 kWh (2018: 596 kWh) and 1,518 kWh (2018: 1,192 kWh) per person, which producing $CO_2$ equivalent emissions of approximately 7,285 kg (2018: 5,648 kg). These consumption of the electricity was mainly attributable by the use of computer and light in the office. The electricity for using air-condition was included in the building management fee.

### Water

The water was included in the building management fee. Water consumption by the Group for the year involved mainly bottled drinking water uses at its offices premises and the Group's business operations do not require any other water usage. During the year, The Group's office utilized a total of approximately 48 bottles (2018: 48 bottles) of drinking water with total of 907 Liter (2018: 907 Liter), an average 4 bottles drinking water per month.

**Paper**

The Company encourages employees to reduce paper consumption by using double-sided printing, print in black and white, reusing papers printed on one side and E-storage of documents. During the year, the Group used a total of approximately 100 kg (2018: 100 kg) of paper in its normal office operations for printing documents and total $CO_2$ equivalent emissions for the paper used was approximately 480 kg (2018: 480 kg).

## Relationship with Shareholders

The Board takes its fiduciary role seriously and is committed to maintaining a high standard of business integrity and transparency in its business practice. To understand its major stakeholders' needs and expectations, the Company has designated an open channel of communication with its shareholders (the "Shareholders") and an email account is dedicated to communication with stakeholders on the Company website.

## Community

The Company is fully aware of the importance of interacting with the wider community in fulfilling corporate social responsibility. In this aspect, the Company and its Investment Manager seek out suitable partners that support community and environmental programs which align with the Company's missions and values.

The Company believes the best way to serve the community is to drive positive impact through its investment portfolio. To create shared values with the community and stakeholders, the Company will continue to consider ESG factors in selecting future investment projects.

The Board of directors of the Company (the "Board") understands that sound corporate governance practices is fundamental to maintaining and promoting the confidence of shareholders of the Company (the "Shareholder").

The Board is committed to maintaining and ensuring a high standard of corporate governance. The Board will review the corporate governance practices of the Company and its subsidiaries (the "Group") from time to time to ensure that they reflect the latest development and meet the expectations of the Shareholders.

## Corporate Governance Code Compliance

The Board has applied the principles and complied with the code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") for the year ended 31 December 2019, save and except for the deviations of the following:

CG Code provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend general meeting and develop a balanced understanding of the views of shareholders. One non-executive Director was unable to attend the annual general meeting of the Company held on 31 May 2019 due to their other business engagements.

Apart from the above-mentioned deviations, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting those in the code provision. The practice of the corporate governance of the Company will be reviewed and updated from time to time in order to comply with the requirement of the Listing Rules.

## Directors' Securities Transactions

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transaction by the directors (the "Model Code"), Having made specific enquiry of all directors, the Company confirmed that all directors have complied with the required standards as set out in the Model Code during the year.

## Corporate Governance Principles and Practices

### The Board

The Board's primary responsibilities are to formulate the Company's long-term corporate strategy, to oversee the management of the Group, to evaluate the performance of the Group and to assess the achievement of targets periodically set by the Board.

In addition, the Board has also established Board Committees and has delegated to these Board Committees various responsibilities set out in their terms of reference respectively.

## Board Composition

The Board currently comprises eight directors ("Directors") in total, with three Executive Directors ("ED"), two Non-Executive Directors ("NED") and three Independent Non-Executive Directors ("INEDs"). The composition of the Board during the year and up to the date of the report is set out as follows:

| | |
|---|---|
| EDs: | Mr. Leung King Yue, Alex |
| | Mr. Lewis Chan |
| | Mr. Leong Chi Wai |
| NED: | Ms. Chan Pui Kwan (Chairman) |
| | Ms. Li Peng |
| INEDs: | Mr. Chen Yeung Tak (Appointed on 19 July 2019) |
| | Mr. Ruan Zhi (Appointed on 19 July 2019) |
| | Mr. Jochum Siebren Haakma |
| | Mr. Kwok Ming Fai (Resigned on 19 July 2019) |
| | Mr. Lo Chi Ming (Resigned on 19 July 2019) |

The names and biographical details of each director are disclosed on pages 8 to 11 of this annual report. All Directors have confirmed that they have taken an active interest in the Company's affairs and obtained a general understanding of its business.

## Chairman and Chief Executive Officer

Code Provision A.2.1 stipulates that the roles of Chairman and Chief Executive should be separate and should not be performed by the same individual. Ms. Chan Pui Kwan acted as the Chairman of the Board. The Company does not have the title of "Chief Executive" but instead, its duties are performed by the executive Director.

The Chairman focus on overall corporate development and strategic direction of the Group and oversees the efficient functioning of the Board. The executive Directors are responsible for all daily management including planning and developing the Group's strategy. Such division of responsibilities helps to reinforce their independence and to ensure a balance of power and authority. The Company shall ensure and facilitate each Director to take an active interest in the affairs of the Group so that each Director could make positive contribution to the Group.

## Independent Non-Executive Directors

The board spectrum of background of the INEDs is valuable on the diversified perspectives of the Board. The INEDs bring a wide range of business, legal and financial expertise, experiences and independent judgement to the Board.

During the year of 2019, the Board at all times met the requirements of Rule 3.10(1) and Rule 3.10(2) of the Listing Rules relating to the appointment of at least three INEDs with at least one INED possessing appropriate professional qualifications, or accounting or related financial management expertise. In compliance with Rule 3.10A of the Listing Rules, INEDs represented at least one-third of the Board throughout the year ended 31 December 2019.

The Company has received a written annual confirmation from each INED of his independence pursuant to the requirements of Rule 3.13 of the Listing Rules, which confirmed to the Company that he has met the independence guidelines set out in the Listing Rules. And the Company also considers that they are independent.

### Board Diversity Policy

The Company adopted a Board diversity policy which became effective in September 2013. The Company seeks to achieve board diversity through the consideration of a number of factors in the Board members' selection process, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments are based on merits, and the selection of candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

### Nomination Policy

The Nomination Committee shall nominate suitable candidates to the Board for it to consider to appoint as director to fill casual vacancies and consider of directors to be re-appointed at an annual general meeting.

The factors listed below would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate.

a. Reputation for integrity

b. Accomplishment and experience in the investment industry, in particular, in assets management, regulated license person and related investment experience

c. Commitment in respect of available time and relevant interest

d. Diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service

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

Proposed candidates will be asked to submit the necessary personal information in a prescribed form, together with their written consent to be appointed as a directors and to the public disclosure of their personal data on any documents or the relevant websites for the purpose of or in relation to their standing for election as a directors.

### Dividend Policy

The Company may declare and distribute dividends to the shareholders, provided that the Group records a profit after tax and that the declaration and distribution of dividends does not affect the normal operations of the Group.

In deciding whether to propose a dividend and in determining the dividend amount the Board shall take into account, inter alia:

(i) the general financial condition of the Group;

(ii) capital and debt level of the Group;

(iii) future cash requirements and availability for business operations, business strategies and future development needs;

(iv) the general market conditions;

(v) any restrictions on payment of dividends that may be imposed by the Group's lenders; and any other factors that the Board deems appropriate.

The payment of the dividend by the Company is also subject to any restrictions under the Company Law of the Cayman Islands and Articles of Association of the Company.

### Directors' Continuous Professional Development

Each newly appointed Director receives an induction package from the Company's legal advisor on the first occasion of his/her appointment. This induction package is a comprehensive, formal and tailored induction the responsibilities and on-going obligations to be observed by a director pursuant to the Companies Ordinance, Listing Rules and Securities and Futures Ordinance.

During the year, all the Directors had received training/briefing which covered topics in Directors' duties and liabilities, continuing obligations of a listed company, corporate governance and compliance issues after their appointments. Besides, the Company will arrange and fund suitable training for Directors in order to develop and refresh their knowledge and skills.

### Function

The overall management of the Group's operation is vested in the Board. The Board takes overall responsibility to oversee all major matters of the Group, including the formulation and approval of all policy matters, overall strategic development of the Group, monitoring and controlling the Group's operation and financial performance, internal control and risk management systems, and monitoring of the performance of the senior management. The Board has to make decisions objectively in the interests of the Company and its Shareholders as a whole. The Board has established procedures to enable Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances at the Company's expense.

The day-to-day management, administration and operation of the Group are delegated to the senior management of the Group. The delegated functions and work tasks are periodically reviewed. Pursuant to the levels of authority approved by the Board, the senior management executes day-to-day operations unless the subject matter exceeds the authority granted by the Board or relates to any matters specifically reserved to the Board, they would seek approval from the Board.

### Board Meetings/General meetings

The Board meets regularly to discuss the investment strategy as well as operation and financial performance of the Group, and to review and approve the Group's annual and interim results and other ad hoc matters. Notice, agenda and Board papers of Board and committee meetings are served to all Directors prior to the meeting in accordance with the Company's Articles of Association and the CG Code requirement (except under emergency situation). Extraordinary and Annual General Meeting schedules and draft agenda are made available to the Directors in advance. Details of individual attendance of Directors at the meetings of the Board, Remuneration Committee, Audit Committee, Nomination Committee and Annual General Meeting are set out in the table below:

| | Number of meetings attended/Number of meetings held | | | | |
|---|---|---|---|---|---|
| | Board Meeting | Remuneration Committee Meeting | Audit Committee Meeting | Nomination Committee Meeting | Annual General Meeting |
| **Executive Directors** | | | | | |
| Mr. Leung King Yue, Alex | 12/12 | 2/2 | | 2/2 | 1/1 |
| Mr. Lewis Chan | 8/12 | | | | 1/1 |
| Mr. Leung Chi Wai | 10/12 | | | | 1/1 |
| **Non-executive Directors** | | | | | |
| Ms. Chan Pui Kwan | 12/12 | | | | 1/1 |
| Ms. Li Peng | 8/12 | | | | 0/1 |
| **Independent non-executive Directors** | | | | | |
| Mr. Chen Yeung Tak (Appointed on 19 July 2019) | 1/12 | 1/2 | 2/4 | 1/2 | 0/1 |
| Mr. Ruan Zhi (Appointed on 19 July 2019) | 0/12 | 1/2 | 2/4 | 1/2 | 0/1 |
| Mr. Jochum Siebren Haakma | 1/12 | 1/2 | 4/4 | 1/2 | 1/1 |
| Mr. Kwok Ming Fai (Resigned on 19 July 2019) | 0/12 | 1/2 | 2/4 | 1/2 | 1/1 |
| Mr. Lo Chi Ming (Resigned on 19 July 2019) | 1/12 | 1/2 | 2/4 | 1/2 | 1/1 |

### Board Committees

The Board has established (i) Remuneration Committee; (ii) Nomination Committee; and (iii) Audit Committee, with defined terms of reference. The terms of reference of the Board committees which explain their respective roles and the authority delegated to them by the Board are posted on the websites of The Hong Kong Exchange and Clearing Limited ("HKEx") and the Company. The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice and other assistance in appropriate circumstances, at the Company's expenses.

### Remuneration Committee

The current Remuneration Committee comprises of one executive director, Mr. Leung King Yue, Alex and three independent non-executive directors, Mr. Chen Yeung Tak and Mr. Ruan Zhi and Mr. Jochum Siebren Haakma. It is chaired by Mr. Chen Yeung Tak.

The Remuneration Committee has adopted the operation model where it performs to make recommendations to the Board on the Company's policy and structure for all Director's and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy.

The Remuneration Committee's responsibilities are to review and consider Company's policy for remuneration of Directors and senior management, to determine remuneration packages of executive Directors including benefits in kind, pension rights and compensation payments, and to recommend to the Board remuneration of independent non-executive Directors.

Set out below is the summary of work of the Remuneration Committee done in 2019:

– to review and make recommendations to the board on remuneration package for the EDs, NEDs and the INEDs;

– to explore the feasibility in setting up a share option scheme in the foreseeable future; and

– to ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration.

During the year ended 31 December 2019, the Remuneration Committee had held 2 meetings and the Remuneration Committee has reviewed the share option scheme and remuneration policy and structure relating to Directors and senior management of the Group.

### Audit Committee

The current Audit Committee comprises of three independent non-executive Directors, namely, Mr. Chen Yeung Tak, Mr. Ruan Zhi and Mr. Jochum Siebren Haakma. It is chaired by Mr. Chen Yeung Tak. It reports directly to the Board and reviews matters within the scope of audit, such as financial statements and internal controls, to protect the interests of the Company's shareholders.

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

– to review and monitor the integrity of the Group's financial statements, annual report and interim report, and to review significant financial reporting judgements contained therein;

– to review the Group's financial and accounting policies and practices;

– to review the financial controls, internal control and risk management systems;

- to be primarily responsible for making recommendation to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;

- to report to the Board on the matters set out in the code provision relating to Audit Committee as set out in the CG Code; and

- to review the Company's policies and practices on corporate governance and training and continuous professional development of Directors and senior management.

During the year ended 31 December 2019, the Audit Committee had held 4 meetings and the Audit Committee reviewed the interim and annual results, and the interim and annual reports; met with external auditor to ensure appropriate accounting principles and practices adopted by the Group; and assisted the Board in meeting its responsibilities for maintaining an effective system of internal control and risk management.

### Nomination Committee

The current Nomination Committee comprises of one executive director and three independent non-executive Directors. They are Mr. Leung King Yue, Alex, Mr. Chen Yeung Tak, Mr. Ruan Zhi and Mr. Jochum Siebren Haakma. The Nomination Committee is chaired by Mr. Ruan Zhi.

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

- to review the structure, size, composition and diversity (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

- to identify individuals suitably qualified to become board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

- to assess the independence of independent non-executive Directors;

- to make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors; and

- to do any such things to enable the Nomination Committee to discharge its powers and functions conferred on it by the Board.

During the year ended 31 December 2019, the Nomination Committee had held 2 meetings and the Nomination Committee has reviewed the structure, size and composition of the Board, and the independence of independent non-executive Directors.

**Corporate Governance Function**

The Board is responsible for performing the corporate governance duties of the Company, including:

i. to develop and review the Group's policies and practices on corporate governance;

ii. to review and monitor the training and continuous professional development of the Directors and senior management;

iii. to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements; and

iv. to review the Group's compliance with the CG Code and disclosure in this Corporate Governance Report.

## Responsibilities in Preparing the Financial Statements

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2019.

The statement of the external auditor of the Company about their reporting responsibilities on the financial statements is set out in the "Independence Auditor's Report" on pages 36 to 39.

## Internal Control and Risk Management

The Company places great importance on internal control and risk management.

The Company was engaged external independent CPA to evaluate the effectiveness of the internal control regarding the compliance with the Listing Rules. During the year, based on the above evaluation, the Company complied with the code provisions on internal controls as stipulated in the CG Code. The Board has conducted a review of the internal control and risk management system of the Group and considered that the internal control and risk management system of the Group has been implemented effectively. There has no significant areas of improvement which are required to be brought to the attention to the members of the Audit Committee are revealed.

The Group's internal control system is designed to provide reasonable assurance against material misstatement or loss; to manage rather than completely eliminate the risk of system failure; and to assist in the achievement of the Group's agreed objectives and goals.

The Group's risk management system is designed to manage the risk associated with its business and operations; to identify the risk that could affect the achievement of business objective; to analyze the likelihood and impact of risks and evaluate the risk portfolio accordingly; and to ensure effective communication to the Board and on-going monitor the residual risk.

The Board, either directly or through its committees, sets objectives, performance targets and policies for management of key risks facing the Company. These include strategic planning, political and regulatory, acquisitions, investments, expenditure control, treasury and environment.

The Audit Committee has reviewed the internal control and risk management system and discussed the assessment bases with the management, and concurred that the Company has set up an effective internal control and risk management system to safeguard the assets of the Group.

## Internal control policy of the Company

The Company has adopted an internal control and risk management guidelines, which sets out the elements of internal control and risk assessment elements for the management of the Company to follow. It also set out the control activities which the Company shall implement.

The Company has also established the investment committee, which comprises our Director Ms. Chan Pui Kwan. The Investment Committee, prior to approving any investment decision, will monitor and evaluate if the investment decision has any Listing Rules implications and compliance with the investment policy.

During the year ended 31 December 2019, the Directors consider that:

1. The Company has compiled with the provisions of Chapter 14 of the Listing Rules which are applicable to the Company as stated in Rule 21.13 of the Listing Rules;

2. Investments were made by the Company within the investment objectives, policies and restrictions of the Company as set out in its investment policy;

3. Sufficient disclosure were made by the Company in accordance with the requirements under the Listing Rules and the Code on Takeovers and Mergers;

4. Save as disclosed in the announcement of the Company dated 9 November 2018 concerning the temporary halt of the provision of advisory services by the Investment Manager, the Company has compiled with Rule 21.04(1); and

5. The Company could identify potential conflict of interests and resolve the same when making investment decision.

## Listing Rules Compliance

Throughout the year, the Group has fully complied with the Listing Rules requirements. Financial Reports, announcements and circulars have been prepared and published in accordance with the requirements of the Listing Rules.

## Auditor’s Remuneration

Audit Committee of the Company reviews the terms of appointment of the external auditor each year. The review includes their independence, the scope of their audit, their audit fees, and the scope and professional fees for any non-audit services.

For the year ended 31 December 2019, services provided to the Company by its external auditor and the respective fees paid were:

| | **2019**<br>HK$ |
|---|---|
| Audit services | 350,000 |
| Non-audit services | 110,000 |
| | 460,000 |

## Company Secretary

Mr. Ho Kim Fung (“Mr. Ho”) is the Company Secretary of the Company. Mr. Ho is appointed by the Board and is an employee of the Company. He has day-to-day knowledge of the Group’s affairs.

He coordinates and supplies of information to the Board and also ensures that board policy and procedures are followed for all board meetings. He is also responsible for advising the Board on corporate governance and the implementation of the CG Code. He has taken no less than 15 hours of the relevant professional training during the year ended 31 December 2019.

## Communication with Shareholders

The Board recognizes the importance of good communication with Shareholders and highly respects the Shareholders’ right to express their view and appreciates their suggestions to the Company.

The Company uses a number of formal communication channels to deliver the information to Shareholders in a timely manner for assuring the Shareholders are kept well informed of the Company’s key business imperatives. These include general meetings, interim and annual reports, various announcements and circulars. The Company’s website offers a communication channel between the Company and the Shareholders as the website be updated with published information of the Group.

## Voting by Poll

Procedure for voting by poll has been included in all circulars accompanying notice convening general meeting and has been read out by the chairman at general meeting.

The voting procedures for demanding a poll by shareholders were written in the 2019 annual general meeting (the "AGM") circular, and the voting procedures were explained in the AGM.

## Investor Relations

The Company shall, for the purpose to keep its shareholders duly informed of their rights, publish from time to time the updated Articles of Association of the Company in a consolidated form on the Company's website and the HKEx's website.

During the year 2019, there had been no significant change in the Company's constitutional documents.

## Procedures for Requisitioning an Extraordinary General Meeting

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Articles of Association of the Company or the Cayman Islands Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised). However, according to the Articles of Association of the Company, any one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company carrying the right to vote at general meetings of the Company, by written requisition to the board or the company secretary of the Company at the principal place of business in Hong Kong, to request to convene an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within 2 months after deposit of such requisition. Any general meeting at which the passing of a special resolution is to be considered shall be called by not less than 21 clear days' notice, whilst others may be called by not less than 14 clear days' notice. If within 21 days of such deposit the Board fails to proceed to convene such meeting the shareholder(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the shareholder (s) as a result of the failure of the Board shall be reimbursed to the shareholder(s) by the Company.

## Procedures for Sending Enquiries to the Board

Shareholders may send written enquires to the Company, for the attention of Company Secretary, by fax (852) 27786178 or mail to Room 6703, 67th Floor, The Center, 99 Queen Road Central, Central, Hong Kong. The Company Secretary forwards communications relating to matters within the Board's purview to the Board and communications relating to ordinary business matters, such as suggestions, and inquiries to the executive Directors of the Company.

On behalf of the Board
**Chan Pui Kwan**
*Chairman*

Hong Kong, 31 March 2020

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**INDEPENDENT AUDITOR'S REPORT**
**TO THE SHAREHOLDERS OF DT CAPITAL LIMITED**
*(incorporated in the Cayman Islands with limited liability)*

## Opinion

We have audited the consolidated financial statements of DT Capital Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 40 to 98, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

## Basis for Opinion

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

## Key Audit Matters

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

### Valuation of unlisted financial assets at fair value through profit or loss

Refer to note 21 on the consolidated financial statements.

Valuations of financial assets at fair value through profit or loss ("FVPL") amounted to HK$105,655,428 as at 31 December 2019 which included unlisted equity and debt securities and derivative financial instruments carried at fair value of HK$13,784,840.

The valuations of financial assets at FVPL relating to unlisted equity securities have been determined by management with assistance of an independent firm of professional valuers. Such valuations involve the determination of the valuation models and the selection of different inputs and the assumptions made in the valuation model by management and the independent firm of professional valuers. Any changes in valuation models adopted and inputs and assumptions applied could lead to significant changes in amounts reported as fair value in the consolidated financial statements.

We identified there valuation of financial assets at FVPL relating to these unlisted investments as a key audit matter because the valuation of financial instruments without a quoted price is a complex area and involves a higher degree of estimation, uncertainty and judgment. These financial instruments are material to the Group.

Our procedures to assess the valuation of financial assets at FVPL relating to unlisted equity securities included:

– Assessing the scope, expertise and independence of the independent firm of professional valuer appointed by the Group;

– Obtaining supporting evidence for the significant judgements and estimates of valuation and key inputs used in the valuation model;

– Assessing the valuation methodology applied on the financial instruments;

– Challenging the reasonableness of key assumptions in the valuation based on our knowledge; and

– Reconciling input data used in the valuation to supporting evidence.

## Other Information in the Annual Report

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

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

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

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

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

## 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. Our report is made solely to you, as a body, in accordance with the terms of our engagement. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

## Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those statements on 29 March 2019.

**BDO Limited**
*Certified Public Accountants*
**Chan Wing Fai**
Practising Certificate Number P05443
Hong Kong

31 March 2020

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 31 December 2019

| | Note | 2019<br>HK$ | 2018<br>HK$ |
|---|---|---|---|
| Gross proceeds from disposal of equity securities and debt securities | | **15,037,075** | 53,868,295 |
| **Revenue** | *9* | **2,169,604** | 4,577,037 |
| Other revenue | *10* | **164,478** | 551,814 |
| Fair value loss on financial assets at fair value through profit or loss | *11* | **(17,301,696)** | (30,850,678) |
| Share of result of an associate | | **–** | (104,028) |
| Impairment loss on interest in an associate | | **–** | (10,422,498) |
| Administrative and other expenses | | **(11,221,413)** | (7,396,993) |
| Finance cost | *12* | **(113,469)** | – |
| **Loss before taxation** | *13* | **(26,302,496)** | (43,645,346) |
| Income tax credit/(expense) | *15(a)* | **493,459** | (1,554,832) |
| **Loss for the year and total comprehensive loss attributable to equity holders of the Company** | | **(25,809,037)** | (45,200,178) |
| **Loss per share** | | | |
| Basic and diluted | *16* | **(0.0113)** | (0.0198) |
| **Dividend** | | **Nil** | Nil |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

| | Note | 2019<br>HK$ | 2018<br>HK$ |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | *17* | **264,097** | 80,620 |
| Right-of-use assets | *26* | **6,589,024** | – |
| Interest in an associate | *19* | **7** | – |
| Deposit | *20* | **1,029,194** | – |
| Amount due from an investee | *22* | **2,230,000** | – |
| | | **10,112,322** | 80,620 |
| **Current assets** | | | |
| Other receivables, deposits and prepayments | *20* | **13,658,467** | 2,749,840 |
| Financial assets at fair value through profit or loss | *21* | **105,655,428** | 132,052,762 |
| Amount due from an investee | *22* | **–** | 2,590,000 |
| Cash and bank balances | *23* | **35,653,786** | 46,994,381 |
| | | **154,967,681** | 184,386,983 |
| **Current liabilities** | | | |
| Other payables and accruals | *24* | **519,364** | 511,453 |
| Lease liabilities | *26* | **3,129,070** | – |
| | | **3,648,434** | 511,453 |
| **Net current assets** | | **151,319,247** | 183,875,530 |
| **Total assets less current liabilities** | | **161,431,569** | 183,956,150 |
| **Non-current liabilities** | | | |
| Other payables and accruals | *24* | **1,715,865** | – |
| Lease liabilities | *26* | **2,062,050** | – |
| Deferred taxation | *15(b)* | **1,061,373** | 1,554,832 |
| | | **4,839,288** | 1,554,832 |
| **Net assets** | | **156,592,281** | 182,401,318 |
| **Capital and reserves** | | | |
| Share capital | *25* | **22,794,000** | 22,794,000 |
| Reserves | *27* | **133,798,281** | 159,607,318 |
| **Total equity** | | **156,592,281** | 182,401,318 |
| **Net asset value per share** | *28* | **0.07** | 0.08 |

The consolidated financial statements on pages 40 to 98 were approved and authorised for issue by the board of directors on 31 March 2020.

| **Leung King Yue, Alex**<br>*Executive Director* | **Lewis Chan**<br>*Executive Director* |
|---|---|

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 December 2019

| | Share capital HK$ | Share premium HK$ | Investment valuation reserve (recycling) HK$ | Accumulated losses HK$ | Total HK$ |
|---|---|---|---|---|---|
| Balance as at 31 December 2017 | 22,794,000 | 262,926,160 | 15,780,167 | (85,409,921) | 216,090,406 |
| Impact on initial application of HKFRS 9 *(note)* | – | – | (15,780,167) | 27,291,257 | 11,511,090 |
| Adjusted balance as at 1 January 2018 | 22,794,000 | 262,926,160 | – | (58,118,664) | 227,601,496 |
| Loss for the year and total comprehensive loss for the year | – | – | – | (45,200,178) | (45,200,178) |
| Balance as at 31 December 2018 and 1 January 2019 | 22,794,000 | 262,926,160 | – | (103,318,842) | 182,401,318 |
| Loss for the year and total comprehensive loss for the year | – | – | – | (25,809,037) | (25,809,037) |
| Balance as at 31 December 2019 | 22,794,000 | 262,926,160 | – | (129,127,879) | 156,592,281 |

*Note*: The Group has adopted HKFRS 9 as at 1 January 2018. Certain financial assets had been reclassified from available-for-sales financial assets to financial assets at fair value through profit or loss ("FVPL"). A net gain on remeasurement of HK$11,511,090 was recognised.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended 31 December 2019

| | *Note* | **2019 HK$** | 2018 HK$ |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Loss before taxation | | **(26,302,496)** | (43,645,346) |
| Adjustments for: | | | |
| Interest income | *10* | **(164,478)** | (472,911) |
| Finance cost | *12* | **113,469** | – |
| Depreciation of property, plant and equipment | *13* | **55,203** | 49,934 |
| Depreciation of right-of-use assets | *13* | **1,973,614** | – |
| Fair value loss on financial assets at fair value through profit or loss | *11* | **17,301,696** | 30,850,678 |
| Share of results of an associate | | **–** | 104,028 |
| Exchange gain on amount due from an associate | | **–** | (78,424) |
| Impairment losses on amount due from an investee | | **360,000** | – |
| Impairment losses on amount due from an associate | | **–** | 10,422,498 |
| **Operating loss before changes in working capital** | | **(6,662,992)** | (2,769,543) |
| Decrease in other receivables, deposits and prepayments | | **868,412** | 37,718,969 |
| Increase in amount due from an investee | | **–** | (2,590,000) |
| Increase/(decrease) in other payables and accruals | | **7,911** | (2,114,055) |
| Decrease/(increase) in financial assets at fair value through profit or loss | | **9,095,638** | (30,313,833) |
| **Cash generated from/(used in) operations** | | **3,308,967** | (68,462) |
| Interest received | | **164,478** | 472,911 |
| **Net cash generated from operating activities** | | **3,473,445** | 404,449 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Purchases of property, plant and equipment | | **(238,680)** | – |
| Investment in an associate | | **(7)** | – |
| Increase in other receivables | | **(12,819,993)** | – |
| Receipt upon redemption of financial assets at amortised cost | | **–** | 5,000,000 |
| **Net cash (used in)/generated from investing activities** | | **(13,058,680)** | 5,000,000 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Payment of principal portion of the lease liabilities | | **(1,641,891)** | – |
| Interest paid | | **(113,469)** | – |
| **Net cash used in financing activities** | | **(1,755,360)** | – |

| | *Note* | **2019 HK$** | 2018 HK$ |
|---|---|---|---|
| **NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS** | | **(11,340,595)** | 5,404,449 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | | **46,994,381** | 41,589,932 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | | **35,653,786** | 46,994,381 |
| **ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS** | | | |
| Cash and bank balances | *23* | **35,653,786** | 46,994,381 |

## 1. General

DT Capital Limited ("the Company") is a public limited company incorporated in the Cayman Islands with its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company in Hong Kong is Room 6703, 67/F, The Center, 99 Queen's Road Central, Central, Hong Kong.

The Company and its subsidiaries ("the Group") engage in investment holding and trading of securities.

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

## 2. Change in Accounting Policies

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued certain new and revised Hong Kong Financial Reporting Standards ("HKFRSs") that are first effective for the current accounting period of the Group as discussed below. Details of the changes in accounting policies resulting from initial application of these standards, amendments and interpretations that are relevant to the Group are discussed as below.

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

The impact of the adoption of HKFRS 16 Leases has been summarised in below. The other new or amended HKFRSs that are effective from 1 January 2019 did not have any significant impact on the Group's accounting policies.

## 2. Change in Accounting Policies (Continued)

### a) Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases ("HKAS 17"), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to sections (b) to (e) of this note.

The Group has applied HKFRS 16 using the modified retrospective approach and recognised all the cumulative effect of initially applying HKFRS 16, if any, as an adjustment to the opening balance at the date of initial application. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The following tables summarised the impact of transition to HKFRS 16 on consolidated statement of financial position as of 31 December 2018 to that of 1 January 2019 as follows:

| | HK$ |
|---|---|
| *Consolidated statement of financial position as at 1 January 2019* | |
| Right-of-use assets | 292,429 |
| Other receivables, deposits and prepayments | (13,762) |
| Lease liabilities (non-current) | 31,445 |
| Lease liabilities (current) | 247,222 |

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 at the end of 31 December 2018 could be reconciled to the lease liabilities at the date of initial application recognised in the consolidated statement of financial position as at 1 January 2019:

| | HK$ |
|---|---|
| *Reconciliation of operating lease commitment to lease liabilities* | |
| Operating lease commitment as of 31 December 2018 | 302,060 |
| Less: future interest expenses | (23,393) |
| Total lease liabilities as of 1 January 2019 | 278,667 |

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the consolidated statement of financial position as at 1 January 2019 is 5.25%.

## 2. Change in Accounting Policies (Continued)

### b) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee applies the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Group has elected not to separate non-lease components and account for all each lease component and any associated non-lease components as a single lease component for all leases.

### c) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the consolidated statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term no more than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

## 2. Change in Accounting Policies (Continued)

### c) **Accounting as a lessee** (Continued)

***Right-of-use asset***

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

***Lease liability***

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

## 2. Change in Accounting Policies (Continued)

### d) Transition

As mentioned above, the Group has applied HKFRS 16 using the modified retrospective approach and recognised all the cumulative effect of initially applying HKFRS 16, if any, as an adjustment to the opening balance at the date of initial application (1 January 2019). The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of 1 January 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 January 2019.

The Group has elected to recognise all the right-of-use assets at 1 January 2019 for leases previously classified as operating leases under HKAS 17 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 the leases, discounted using the lessee's incremental borrowing rate at the date of initial application. For all these right-of-use assets, the Group has applied HKAS 36 Impairment of Assets at 1 January 2019 to assess if there was any impairment as on that date.

The Group has also applied the follow practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 January 2019) and accounted for those leases as short-term leases; (iii) exclude the initial direct costs from the measurement of the right-of-use asset at 1 January 2019 and (iv) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int4.

## 3. New/Revised HKFRSs that have been Issued but are not yet Effective

The following new/revised HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

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

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

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

3 The amendments were originally intended to be effective for periods beginning on or after 1 January 2018. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

These new standards, amendments to standards and interpretations issued but not effective are not likely to have a significant impact on the consolidated financial statements.

## 4. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented.

### a) Basis of preparation

The consolidated financial statements have been prepared in accordance with HKFRSs which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRS") issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange. The consolidated financial statements have been prepared under the historical cost convention except that certain financial assets are measured at fair value.

### b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2019. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

## 4. Summary of Significant Accounting Policies (Continued)

### c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the assets to working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul cost, is normally charged to the profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, the expenditure is capitalised as an additional cost of the asset.

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives using the straight-line method, at the following rate per annum:

| | |
|---|---|
| Leasehold improvements | 20% |
| Computer equipment | 20% |
| Furniture and fixtures | 20% |
| Office equipment | 20% |

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continuing use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is recognised in profit or loss in the year in which the item is derecognised.

### d) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

## 4. Summary of Significant Accounting Policies (Continued)

### e) Associates

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the profit or loss, whereas the Group's share of the post-acquisition post-tax items of the associates' other comprehensive income is recognised as other comprehensive income in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to have significant influence over an associate, it is accounted for as disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

## 4. Summary of Significant Accounting Policies (Continued)

### f) Financial instruments

***Investments and other financial assets***

*Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and FVPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at FVPL, transaction costs.

In order for a financial asset to be classified and measured at amortised cost it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

*Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

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

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

## 4. Summary of Significant Accounting Policies (Continued)

### f) **Financial instruments** (Continued)

***Investments and other financial assets*** (Continued)

*Subsequent measurement* (Continued)

Financial assets at FVPL

Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the profit or loss.

Dividends on equity investments classified as financial assets at fair value profit or loss are also recognised as revenue in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at FVPL. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the FVPL category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at FVPL.

## 4. Summary of Significant Accounting Policies (Continued)

### f) **Financial instruments** (Continued)

***Investments and other financial assets*** (Continued)

*Impairment of financial assets*

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not measured at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

***General approach***

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

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

The Group considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

## 4. Summary of Significant Accounting Policies (Continued)

### f) **Financial instruments** (Continued)

***General approach*** (Continued)

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs.

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

### g) **Impairment of non-financial assets**

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that assets may impaired or an impairment charge previously recognised no longer exists or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is the higher of its fair value less costs of disposal and value in use. An impairment charge is recognised in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

An impairment charge is recognised if there has been a change in the estimates used to determine the recoverable amount and which results in an increase in the recoverable amount. A reversal of impairment charges is limited to the asset's carrying amount that would have been determined had no impairment charge been recognised in prior periods. Reversals of impairment charges are credited to profit or loss in the period in which the reversals are recognised.

### h) **Cash and cash equivalents**

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

## 4. Summary of Significant Accounting Policies (Continued)

### i) Foreign currency translation

***i) Functional and presentation currency***

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

***ii) Transactions and balances***

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

### j) Taxation

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

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

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

## 4. Summary of Significant Accounting Policies (Continued)

### j) Taxation (Continued)

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case, the deferred tax is also recognised in other comprehensive income or directly in equity, respectively.

### k) Provisions and contingent liabilities

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

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

### l) Revenue recognition

i) Sales of investments in equity and debt securities are recognised at the point in time when the risks and rewards of ownership are transferred and title has passed.

ii) Interest income is recognised as it accrues using the effective interest method.

iii) Dividend income from equity securities is recognised when the shareholders' rights to receive payment have been established.

## 4. Summary of Significant Accounting Policies (Continued)

### m) A Leasing (accounting policies applied from 1 January 2019)

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group does not have such leases during the year.

***Right-of-use asset***

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

***Lease liability***

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

### m) B Leasing (accounting policies applied until 31 December 2018)

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

## 4. Summary of Significant Accounting Policies (Continued)

### n) Related parties

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

   i) has control or joint control over the Group;

   ii) has significant influence over the Group; or

   iii) is a member of the key management personnel of the Group or 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 (which means that each parent, subsidiary and fellow subsidiary is related to the others).

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

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

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

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

   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 to the parent of the Group.

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

i) that person's children and spouse or domestic partner;

ii) children of that person's spouse or domestic partner; and

iii) dependents of that person or that person's spouse or domestic partner.

## 4. Summary of Significant Accounting Policies (Continued)

### o) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

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

### p) Employees benefits

***Pension obligations***

The Group participates a defined contribution mandatory provident fund scheme (the "MPF Scheme") which is available to all employees. Contributions to the MPF Scheme by the Group and its employees are calculated based on a percentage of employees' relevant income. The Group's contributions to the fund are incurred as expenses and the assets of the MPF Scheme are held separately from those of the Group in an independently administrated fund.

Payments to the Group's MPF Scheme are charged as expenses as they fall due.

## 5. Critical Accounting Estimates and Judgments

Estimates and judgments 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.

The Group makes estimates and assumption 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:

**Valuation of financial instruments classified as level 3 in the fair value hierarchy**

The Group holds financial instruments that are not traded or quoted in active markets. The Group uses its judgment to select the appropriate methods and make assumptions based on market conditions existing at the end of each reporting period to estimate the fair value of such financial instruments and classifies them as level 3 in the fair value hierarchy. Although best estimate is used in estimating fair value, there are inherent limitations in any valuation technique. Estimated fair value may differ from the value that would have been used if a readily available market existed.

**Impairment of interest in an associate**

The Group assesses impairment of interest in an associate at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amounts of the assets are determined. Estimation of future cash flows calculations performed in assessing recoverable amounts incorporate a number of key estimates and assumptions about future events, which are subject to uncertainty and might materially differ from the actual results. In making these key estimates and judgements, the management takes into consideration assumptions that are mainly based on market condition existing at the reporting date, appropriate market and discount rates and what information it can obtain from the associate. These estimates are regularly compared to actual market data and actual transactions entered into by the Group.

## 6. Capital Risk Management

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

The capital structure of the Group consists of equity reserves attributable to equity holders of the Company, comprising issued share capital, share premium and accumulated losses.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends and new share issues.

| | **31 December** | |
|---|---|---|
| | **2019** | 2018 |
| | **HK$** | HK$ |
| Total debts | **5,710,484** | 511,453 |
| Total equity | **156,592,281** | 182,401,318 |
| Gearing ratio | **3.65%** | 0.28% |

## 7. Financial Instruments by Category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

**Financial assets**

| | **Financial assets at amortised cost** | **Financial assets at FVPL** | **Total** |
|---|---|---|---|
| | HK$ | HK$ | HK$ |
| 31 December 2019 | | | |
| Other receivables and deposits | 14,220,311 | – | 14,220,311 |
| Financial assets at FVPL | – | 105,655,428 | 105,655,428 |
| Amount due from an investee | 2,230,000 | – | 2,230,000 |
| Cash and bank balances | 35,653,786 | – | 35,653,786 |
| | 52,104,097 | 105,655,428 | 157,759,525 |

## 7. Financial Instruments by Category (Continued)

**Financial liabilities**

| | Financial liabilities at amortised cost |
|---|---|
| | HK$ |
| 31 December 2019 | |
| Other payables and accruals | 519,364 |
| Lease liabilities | 5,191,120 |
| | 5,710,484 |

**Financial assets**

| | Financial assets at amortised cost | Financial assets at FVPL | Total |
|---|---|---|---|
| | HK$ | HK$ | HK$ |
| 31 December 2018 | | | |
| Other receivables and deposits | 2,422,687 | – | 2,422,687 |
| Financial assets at FVPL | – | 132,052,762 | 132,052,762 |
| Amount due from an investee | 2,590,000 | – | 2,590,000 |
| Cash and bank balances | 46,994,381 | – | 46,994,381 |
| | 52,007,068 | 132,052,762 | 184,059,830 |

**Financial liabilities**

| | Financial liabilities at amortised cost |
|---|---|
| | HK$ |
| 31 December 2018 | |
| Other payables and accruals | 511,453 |

## 8. Financial Risk Management Objectives and Policies

### a) Financial risk factors

The Group's major financial instruments comprise amount due from an associate and investee, other receivables and deposits, financial assets at FVPL, cash and bank balances, lease liabilities and other payables and accruals.

The Group's activities expose it to a variety of financial risks: equity price risk, credit risk, liquidity risk, interest rate risk and foreign currency risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

#### *i) Equity price risk*

The Group is exposed to equity securities which are classified in the consolidated statement of financial position as financial assets at FVPL. These are susceptible to equity price risk arising from uncertainties about the future prices of the instruments. The Group's equity price risk is managed through diversification of the investment portfolio ratios by exposures.

The following table demonstrates the sensitivity to every 5% change in the fair values of the listed equity securities, with all other variables held constant, based on their carrying amounts at the end of the reporting period.

| | **Increase/ (decrease) in fair value** | **Decrease/ (increase) in loss before taxation** | **Increase/ (decrease) in equity** |
|---|---|---|---|
| | % | HK$ | HK$ |
| **2019** | | | |
| Investments listed in Hong Kong: | | | |
| – Financial assets at FVPL | **5** | **4,594,000** | **3,836,000** |
| | **(5)** | **(4,594,000)** | **(3,836,000)** |
| **2018** | | | |
| Investments listed in Hong Kong: | | | |
| – Financial assets at FVPL | 5 | 5,769,000 | 4,817,000 |
| | (5) | (5,769,000) | (4,817,000) |

Concentration of equity price risk may arise if the Group has a significant investment in a single equity investment. At the end of the reporting period, the Group has a certain concentration risk in five (2018: five) equity investment which account for more than 5% of the total assets of the Group.

## 8. Financial Risk Management Objectives and Policies (Continued)

### a) **Financial risk factors** (Continued)

#### i) ***Equity price risk*** (Continued)

| | % of total assets of the Group | |
|---|---|---|
| | **2019** | 2018 |
| Upbest Group Limited | **20.89%** | 19.26% |
| Kwong Man Kee Group Limited | **9.07%** | 8.77% |
| Gemilang International Limited | **6.94%** | 7.75% |
| i-Control Holdings Limited | **6.31%** | N/A |
| Diamond Motto Limited | **5.24%** | 6.32% |
| Yi Hua Holdings Limited | **N/A** | 8.89% |

#### ii) ***Credit risk***

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Group by failing to discharge an obligation.

The Group is exposed to the risk of credit-related losses that can occur as a result of a counterparty or issuer being unable or unwilling to honor its contractual obligations. These credit exposures exist within financing relationships and other transactions.

It is the Group's policy to enter into financial instruments with reputable counterparties.

The Group limits its exposure to credit risk by transacting the majority of its securities and contractual commitment activities with broker-dealers, banks and regulated exchanges with high credit ratings and which the Group considers to be well established. All transactions in listed securities are settled/paid for upon delivery using approved and reputable brokers. The risk of default is considered minimal, as delivery of securities sold is only made when the broker has received payment. Payment is made on a purchase only the securities have been received by broker. The Group reviews and monitors the credit concentration of investments on a regular basis.

The credit risk on liquid funds is limited because the counterparties are banks or financial institutions with high credit ratings.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, The Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information.

At the end of the reporting period, the maximum exposure to credit risk in respect of the amount due from an investee was HK$2,230,000 (2018: HK$2,590,000) and amount due from an associate was HK$12,819,993 (2018: Nil) which represented the maximum amount the Group could be loss if the balance cannot be returned. A HK$360,000 expected credit loss is recognised after the Directors determines the credit risk exposure during the year ended 31 December 2019.

## 8. Financial Risk Management Objectives and Policies (Continued)

### a) **Financial risk factors** (Continued)

#### ***iii) Liquidity risk***

The Group invests in both listed and unlisted securities which are designated as financial assets at FVPL. Those listed securities are considered readily realisable as they are listed in regulated stock exchanges. Those unlisted securities may not be traded in an organised public market and may be illiquid. As a result, the Group may not be able to liquidate quickly its investments in these instruments at an amount close to their fair value in order to meet its liquidity requirements or to respond to specific events such as deterioration in the creditworthiness of any particular issuer. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of credit facilities and the ability to close out market positions.

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

| | Carrying amount at 31 December HK$ | Total contractual undiscounted cash flow HK$ | Within 1 year or on demand HK$ | More than 1 year but not more than 2 year HK$ |
|---|---|---|---|---|
| **2019** | | | | |
| **Non-derivative financial liabilities** | | | | |
| Other payables and accruals | **519,364** | **519,364** | **519,364** | **–** |
| Lease liabilities | **5,191,120** | **5,429,467** | **3,330,307** | **2,099,160** |
| | 5,710,484 | 5,948,831 | 3,849,671 | 2,099,160 |
| **2018** | | | | |
| **Non-derivative financial liabilities** | | | | |
| Other payables and accruals | 511,453 | 511,453 | 511,453 | – |

# 8. Financial Risk Management Objectives and Policies (Continued)

## a) **Financial risk factors** (Continued)

### *iv) Interest rate risk*

Other than the lease liabilities bearing fixed interest rate, the Group has no other interest-bearing financial liabilities at the end of the reporting period. The Group only exposes to changes in interest rates to their interest-bearing short-term bank deposits.

Due to the fact that the changes in interest rates would have no material impact on the results of the Group and accordingly, the sensitivity analysis in respect of changes in interest rate is not presented.

### *v) Foreign currency risk*

The Group is mainly exposed to foreign exchange risk arising from Hong Kong dollars against Thai Baht. This foreign exchange risk arises from future commercial transactions or recognised assets and liabilities denominated in a currency that is not the entity's functional currency of Hong Kong dollars. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and it has not hedged its foreign exchange risk.

Due to the fact that the changes in foreign exchange rates would have no material impact on the results of the Group and accordingly, the sensitivity analysis in respect of changes in foreign exchange rate is not presented.

## b) Fair values

### *i) Fair value hierarchy*

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, 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 or 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.

## 8. Financial Risk Management Objectives and Policies (Continued)

### b) **Fair values** (Continued)

#### *i)* ***Fair value hierarchy*** (Continued)

| | Fair value measurements as at 31 December 2019 categorised into | | | Fair value at 31 December 2019 |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | |
| | **HK$** | **HK$** | **HK$** | **HK$** |
| **Financial assets at FVPL** | | | | |
| Listed equity securities | **91,870,588** | **–** | **–** | **91,870,588** |
| Unlisted equity securities | **–** | **–** | **5,130,840** | **5,130,840** |
| Unlisted equity securities with a put option | **–** | **–** | **8,654,000** | **8,654,000** |
| | **91,870,588** | **–** | **13,784,840** | **105,655,428** |

| | Fair value measurements as at 31 December 2018 categorised into | | | Fair value at 31 December 2018 |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | |
| | HK$ | HK$ | HK$ | HK$ |
| **Financial assets at FVPL** | | | | |
| Listed equity securities | 115,379,762 | – | – | 115,379,762 |
| Unlisted equity securities | – | – | 4,097,000 | 4,097,000 |
| Unlisted equity securities with a put option | – | – | 11,667,000 | 11,667,000 |
| Unlisted debt securities with early redemption option | – | – | 909,000 | 909,000 |
| | 115,379,762 | – | 16,673,000 | 132,052,762 |

The fair value of financial instruments traded in active markets is based on quoted market prices for identical instruments at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in Level 1. The Group adopted HKFRS 13 and use closing price as the valuation basis for listed equity investments.

# 8. Financial Risk Management Objectives and Policies (Continued)

## b) **Fair values** (Continued)

### i) ***Fair value hierarchy*** (Continued)

Unlisted equity and debt securities are stated at their fair value, which are determined by reference to the valuation in accordance with generally accepted valuation methodologies.

The valuation techniques and inputs used in the fair value measurements within Level 3 is as follows:

| Financial assets | 31 December 2019 HK$ | 31 December 2018 HK$ | Fair value heartily | Valuation technique and key inputs | Significant unobservable inputs in 2019 | Significant unobservable inputs in 2018 | Relationship of unobservable inputs to fair value |
|---|---|---|---|---|---|---|---|
| Unlisted equity securities | 5,130,840 | 4,097,000 | Level 3 | Market approach | Price-to-earnings ("P/E") multiples: 24.55x | P/E multiples: 10.34x | The higher the multiple, the higher the fair value |
| | | | | | Enterprise value-to-sales ("EV/S") multiples: 0.84x | EV/S multiples: 1.10x | The higher the multiple, the higher the fair value |
| | | | | | Discount of lack of marketability ("DLOM"): 31% | DLOM: 31% | The higher the discount rate, the lower the fair value |
| Unlisted equity securities with a put option | 8,654,000 | 11,667,000 | Level 3 | Market approach | P/E multiples: 13.75x | P/E multiples: 9.07x | The higher the multiple, the higher the fair value |
| | | | | | EV/EBITDA: 6.55x | EV/EBITDA: 6.17x | The higher the multiple, the higher the fair value |
| | | | | | EV/S multiple: 0.55x | EV/S multiple: N/A | The higher the multiple, the higher the fair value |
| | | | | | DLOM: 31% | DLOM: 31% | The higher the discount rate, the lower the fair value |
| | | | | Binominal pricing model | Risk-free interest rate: 1.75% | Risk-free interest rate: 1.75% | The higher the interest rate, the lower the fair value |
| | | | | | Volatility: 57% | Volatility: 45% | The higher the volatility, the higher the fair value |

# 8. Financial Risk Management Objectives and Policies (Continued)

## b) **Fair values** (Continued)

### i) ***Fair value hierarchy*** (Continued)

The valuation techniques and inputs used in the fair value measurements within Level 3 is as follows: (Continued)

| Financial assets | 31 December 2019 HK$ | 31 December 2018 HK$ | Fair value heartily | Valuation technique and key inputs | Significant unobservable inputs in 2019 | Significant unobservable inputs in 2018 | Relationship of unobservable inputs to fair value |
|---|---|---|---|---|---|---|---|
| Unlisted debt securities with early redemption option | – | 909,000 | Level 3 | Income approach | N/A *(Note)* | Discount rate adjusted with estimated credit rating and default risk: 20.6% | The higher the discount rate, the lower the fair value |
| | | | | Binomial pricing model | | Life of option: 0.32 years | The longer the life, the higher the fair value |
| | | | | | | Discount rate: 5% | The higher the discount rate, the lower the fair value |

*Note:* The unlisted debt securities with early redemption option had been written off during the year ended 31 December 2019 as there was no realistic prospect of recovery.

During the year ended 31 December 2019, there is no transfer between levels of fair value hierarchy.

As of 1 January 2018, certain investment in listed equity investments were reclassified from available-for-sale financial assets to FVPL. The Group intends to hold these investments for trading purpose. Under HKFRS 9, the Group has designated these investments at the date of initial application as measured at FVPL. As a result, financial assets with a fair value of HK$23,397,000 were reclassified from available-for-sale financial assets on 1 January 2018.

During the year ended 31 December 2018, there were no transfer of fair value measurements between Level 1 and Level 2. There was transfer of fair value measurements into Level 3 for financial assets at FVPL and the movements in fair value measurements in Level 3 are as follows:

| | **2019 HK$** | 2018 HK$ |
|---|---|---|
| At 1 January | **16,673,000** | 5,250,000 |
| Reclassification upon initial application of HKFRS 9 | **–** | 23,397,000 |
| Additions | **–** | 7,000,000 |
| Redemption of unlisted debt securities | **–** | (5,250,000) |
| Realised loss on unlisted debt securities | **(909,000)** | – |
| Unrealised loss on unlisted equity and debt securities | **(1,979,160)** | (13,724,000) |
| At 31 December | **13,784,840** | 16,673,000 |

## 8. Financial Risk Management Objectives and Policies (Continued)

### b) Fair values (Continued)

#### *ii) Fair values of financial instruments carried at other than fair value*

The carrying amounts of the Group's other financial instruments carried at costs are not materially different from their fair values as at 31 December 2019 and 31 December 2018.

## 9. Revenue

| | 2019<br>HK$ | 2018<br>HK$ |
|---|---|---|
| Dividend income from listed equity securities | **2,169,604** | 2,910,370 |
| Dividend income from unlisted equity securities | **–** | 1,666,667 |
| | **2,169,604** | 4,577,037 |

No analysis of the Group's revenue and contribution to operating profit for the current and prior years set out by principal activities and geographical markets is provided. It is because the Group has only one single business segment, investment holding, and all the consolidated revenue and the consolidated results of the Group are attributable to performance of the markets in Hong Kong.

No information about major customers has been disclosed as a substantial portion of the Group's income is derived from the Group's investments in listed equity securities and unlisted equity securities and the disclosure of information regarding customers would not be meaningful.

## 10. Other Revenue

| | 2019<br>HK$ | 2018<br>HK$ |
|---|---|---|
| Other revenue | | |
| Interest income | **164,478** | 428,189 |
| Interest income on financial assets measured at amortised cost | **–** | 44,722 |
| Sundry income | **–** | 844 |
| Exchange gain | **–** | 78,059 |
| | **164,478** | 551,814 |

## 11. Fair Value Loss on Financial Assets at Fair Value Through Profit or Loss

| | 2019<br>HK$ | 2018<br>HK$ |
|---|---|---|
| Realised | | |
| – from listed shares in Hong Kong | **325,658** | 5,241,685 |
| – from unlisted investment | **(909,000)** | – |
| | **(583,342)** | 5,241,685 |
| Unrealised | | |
| – from listed shares in Hong Kong | **(14,739,194)** | (22,368,363) |
| – from unlisted investments | **(1,979,160)** | (13,724,000) |
| | **(16,718,354)** | (36,092,363) |
| | **(17,301,696)** | (30,850,678) |

## 12. Finance Cost

| | 2019<br>HK$ | 2018<br>HK$ |
|---|---|---|
| Interest on lease liabilities | **113,469** | – |

## 13. Loss Before Taxation

Loss before taxation has been arrived at after charging:

| | 2019<br>HK$ | 2018<br>HK$ |
|---|---|---|
| Auditor's remuneration | **350,000** | 245,000 |
| Depreciation of property, plant and equipment | **55,203** | 49,934 |
| Depreciation of right-of-use assets | **1,973,614** | – |
| Impairment loss on amount due from an investee | **360,000** | – |
| Investment management fee paid to an investment manager | **1,501,767** | 2,561,996 |
| Staff cost (including directors' remuneration): | | |
| – Salaries, bonuses and allowances | **2,925,219** | 2,658,330 |
| – Contribution on defined contribution mandatory provident fund scheme | **102,567** | 96,850 |

## 14. Directors' and Senior Management's Emoluments

a) The remuneration of the directors for the year ended 31 December 2019 is disclosed as follows:

| | Fees HK$ | Basic salaries, housing benefits, other allowances and benefits in kind HK$ | Retirement benefits contributions HK$ | Discretionary bonuses and/or performance-related bonuses HK$ | Compensation for loss of office HK$ | Inducement for joining the Group HK$ | Total HK$ |
|---|---|---|---|---|---|---|---|
| **Executive directors:** | | | | | | | |
| Leung King Yue, Alex | 360,000 | – | 18,000 | – | – | – | 378,000 |
| Lewis Chan | 240,000 | – | 12,000 | – | – | – | 252,000 |
| Leong Chi Wai | 240,000 | – | 12,000 | – | – | – | 252,000 |
| **Non-executive directors:** | | | | | | | |
| Chan Pui Kwan | 180,000 | – | 9,000 | – | – | – | 189,000 |
| Li Peng | 180,000 | – | – | – | – | – | 180,000 |
| **Independent non-executive directors:** | | | | | | | |
| Kwok Ming Fai* | 66,400 | – | – | – | – | – | 66,400 |
| Chen Yeung Tak** | 81,411 | – | – | – | – | – | 81,411 |
| Ruan Zhi** | 54,274 | – | – | – | – | – | 54,274 |
| Lo Chi Ming* | 66,400 | – | – | – | – | – | 66,400 |
| Jochum Siebren Haakma | 100,000 | – | – | – | – | – | 100,000 |
| | 1,568,485 | – | 51,000 | – | – | – | 1,619,485 |

## 14. Directors' and Senior Management's Emoluments (Continued)

a) The remuneration of the directors for the year ended 31 December 2018 is disclosed as follows:

| | Fees HK$ | Basic salaries, housing benefits, other allowances and benefits in kind HK$ | Retirement benefits contributions HK$ | Discretionary bonuses and/or performance-related bonuses HK$ | Compensation for loss of office HK$ | Inducement for joining the Group HK$ | Total HK$ |
|---|---|---|---|---|---|---|---|
| **Executive directors:** | | | | | | | |
| Leung King Yue, Alex | 360,000 | – | 18,000 | – | – | – | 378,000 |
| Lewis Chan | 240,000 | – | 12,000 | – | – | – | 252,000 |
| Leong Chi Wai | 240,000 | – | 12,000 | – | – | – | 252,000 |
| **Non-executive directors:** | | | | | | | |
| Chan Pui Kwan | 180,000 | – | 9,000 | – | – | – | 189,000 |
| Li Peng | 176,130 | – | – | – | – | – | 176,130 |
| **Independent non-executive directors:** | | | | | | | |
| Kwok Ming Fai* | 100,000 | – | – | – | – | – | 100,000 |
| Lo Chi Ming* | 100,000 | – | – | – | – | – | 100,000 |
| Jochum Siebren Haakma | 100,000 | – | – | – | – | – | 100,000 |
| | 1,496,130 | – | 51,000 | – | – | – | 1,547,130 |

* Mr. Kwok Ming Fai and Mr. Lo Chi Ming have resigned from the Board from 19 July 2019.

** Mr. Chen Yeung Tak and Mr. Ruan Zhi have been appointed as independent non-executive director with effect from 19 July 2019.

No directors waived or agreed to waive any remuneration during the year ended 31 December 2019 (2018: Nil).

b) Details of emoluments of the five highest paid individuals (including directors and other employees) are:

| | **2019 HK$** | 2018 HK$ |
|---|---|---|
| Fees | **600,000** | 840,000 |
| Salaries and other benefits | **1,356,734** | 982,200 |
| Retirement benefits contributions | **81,567** | 78,000 |
| | **2,038,301** | 1,900,200 |

## 14. Directors' and Senior Management's Emoluments (Continued)

b) Details of emoluments of the five highest paid individuals (including directors and other employees) are: (Continued)

Two (2018: Three) of the five highest paid individuals were directors of the Company, whose emoluments are included in Note 14(a).

Analysis of the emoluments of the five highest paid individuals (including directors and other employees) by number of individuals and emolument ranges is as follows:

| | **2019 No. of individuals** | 2018 No. of individuals |
|---|---|---|
| Nil to HK$1,000,000 | **5** | 5 |

## 15. Income Tax (Credit)/Expense

a) The amount of taxation in the consolidated statement of profit or loss and other comprehensive income represents:

| | **2019 HK$** | 2018 HK$ |
|---|---|---|
| Deferred tax (credit)/expense | **(493,459)** | 1,554,832 |

No provision for Hong Kong profits tax has been made in these consolidated financial statements as the tax losses brought forward by the Company and its subsidiaries from prior years exceed the estimated assessable profits for the years ended 31 December 2019 and 31 December 2018.

## 15. Income Tax (Credit)/Expense (Continued)

b) Deferred tax liabilities recognised are analysed as follows:

| | **Tax losses** HK$ | **Unrealised gain on financial assets at FVPL** HK$ | **Total** HK$ |
|---|---|---|---|
| At 1 January 2018 | – | – | – |
| (Credit)/charge for the year | (482,382) | 2,037,214 | 1,554,832 |
| At 31 December 2018 and 1 January 2019 | (482,382) | 2,037,214 | 1,554,832 |
| Credit for the year | – | (493,459) | (493,459) |
| At 31 December 2019 | (482,382) | 1,543,755 | 1,061,373 |

c) Reconciliation between income tax (credit)/expense and the loss before taxation per consolidated statement of profit or loss and other comprehensive income at the statutory income tax rate is set out below:

| | **2019** **HK$** | 2018 HK$ |
|---|---|---|
| Loss before taxation | **(26,302,496)** | (43,645,346) |
| Tax at the statutory income tax rate of 16.5% (2018: 16.5%) | **(4,339,912)** | (7,201,481) |
| Tax effect of profit not subject to taxation | **(400,020)** | (807,836) |
| Tax effect of non-deductible expenses | **18,523** | 4,012,980 |
| Tax effect on previously recognised temporary different recorded in current year | **–** | 2,620,875 |
| Tax effect on unrecognised temporary differences | **2,348,495** | 3,113,574 |
| Tax effect of unused tax losses not recognised | **1,883,685** | 296,268 |
| Tax effect of utilisation of tax losses previously not recognised | **(4,230)** | – |
| Tax effect on previously unrecognised tax loss recorded in current year | **–** | (479,548) |
| Income tax (credit)/expense | **(493,459)** | 1,554,832 |

## 15. Income Tax (Credit)/Expense (Continued)

d) Deferred tax asset has not been recognised in respect of the following items:

| | **2019** | 2018 |
|---|---|---|
| | **HK$** | HK$ |
| Tax losses carried forward | **5,695,513** | 5,385,025 |
| Decelerated tax depreciation | **4,167** | 361 |
| Unrealised loss on financial assets at FVPL | **2,576,908** | 721,861 |
| Deferred tax asset | **8,276,588** | 6,107,247 |

At the end of the reporting period, the Group had unutilised tax losses of approximately HK$34,518,000 (2018: HK$32,637,000) available for offsetting against future taxable profit.

No deferred tax asset has been recognised in respect of the above items due to the unpredictability of future profit streams. The tax losses and other deductible temporary difference do not expire under current tax legislation.

In prior years, the Company had claimed tax loss approximate but partly disallowed by the Inland Revenue Department of Hong Kong in 2017. The Company had lodged an objection to the tax loss assessment of the Inland Revenue Department of Hong Kong. On 2 December 2019, the Company received the statement of loss from Inland Revenue Department of Hong Kong and stated that the tax loss carry forward amounted to HK$25,406,310 for the year of assessment 2018/19. No further challenge was received from the Inland Revenue Department up to the date of this report. The directors believe that no furthermore provision should made in the consolidated financial statements for the year ended 31 December 2019.

## 16. Loss Per Share

The basic loss per share is based on the Group's loss attributable to equity holders of the Company of HK$25,809,037 (2018: HK$45,200,178) and the weighted average number of 2,279,400,000 (2018: 2,279,400,000) ordinary shares in issue during the year.

The Company has no dilutive potential ordinary shares.

## 17. Property, Plant and Equipment

| | Leasehold improvements HK$ | Computer equipment HK$ | Furniture and fixtures HK$ | Office equipment HK$ | Total HK$ |
|---|---|---|---|---|---|
| As at 1 January 2018 | | | | | |
| Cost | 125,890 | 89,693 | 30,200 | 57,964 | 303,747 |
| Accumulated depreciation | (44,061) | (53,767) | (19,127) | (56,238) | (173,193) |
| Net book value | 81,829 | 35,926 | 11,073 | 1,726 | 130,554 |
| Net book value as at 1 January 2018 | 81,829 | 35,926 | 11,073 | 1,726 | 130,554 |
| Depreciation | (25,178) | (17,939) | (6,040) | (777) | (49,934) |
| Net book value as at 31 December 2018 | 56,651 | 17,987 | 5,033 | 949 | 80,620 |
| As at 31 December 2018 | | | | | |
| Cost | 125,890 | 89,693 | 30,200 | 57,964 | 303,747 |
| Accumulated depreciation | (69,239) | (71,706) | (25,167) | (57,015) | (223,127) |
| Net book value | 56,651 | 17,987 | 5,033 | 949 | 80,620 |
| Net book value as at 1 January 2019 | **56,651** | **17,987** | **5,033** | **949** | **80,620** |
| Additions | **–** | **124,100** | **114,580** | **–** | **238,680** |
| Depreciation | **(25,178)** | **(22,304)** | **(6,943)** | **(778)** | **(55,203)** |
| Net book value as at 31 December 2019 | **31,473** | **119,783** | **112,670** | **171** | **264,097** |
| As at 31 December 2019 | | | | | |
| Cost | **125,890** | **213,793** | **144,780** | **3,888** | **488,351** |
| Accumulated depreciation | **(94,417)** | **(94,010)** | **(32,110)** | **(3,717)** | **(224,254)** |
| Net book value | **31,473** | **119,783** | **112,670** | **171** | **264,097** |

## 18. Particular of Subsidiaries

Particulars of subsidiaries as at 31 December 2019 are as follows:

| Name of subsidiary | Place of incorporation | Issued and fully paid ordinary share capital | Percentage of equity interest held Directly % | Indirectly % | Principal activity |
|---|---|---|---|---|---|
| Equity Merit International Limited | British Virgin Islands | US$1 | 100 | – | Trading of securities |
| Rainbow Ocean Investments Limited | British Virgin Islands | US$2 | 100 | – | Investment holding |
| Peak Star Group Limited | British Virgin Islands | US$1 | 100 | – | Investment in unlisted debt securities |
| Genius Pro Asia Limited | British Virgin Islands | US$1 | 100 | – | Investment holding |
| United Solutions International Limited | British Virgin Islands | US$1 | 100 | – | Investment in listed equity securities |
| Nova System International Limited | British Virgin Islands | US$1 | 100 | – | Investment in unlisted equity securities |
| Super Bloom Investments Limited | Hong Kong | HK$1 | – | 100 | Investment in unlisted equity securities |
| Venture Glory Enterprises Limited | British Virgin Islands | US$1 | 100 | – | Investment in listed equity securities |
| Key Summit Enterprises Limited | British Virgin Islands | US$1 | 100 | – | Investment in unlisted equity securities |
| Wealth Champion Group Limited | Hong Kong | HK$1 | 100 | – | Provision of management services |
| Royal Money International Limited | Hong Kong | HK$1 | 100 | – | Provision of management services |
| Rich Way Asia Corporation | British Virgin Islands | US$1 | 100 | – | Dormant |

All subsidiaries operate in Hong Kong.

## 19. Interest in an Associate

| | **2019** | 2018 |
|---|---|---|
| | **HK$** | HK$ |
| Unlisted investments at cost | **12** | 5 |
| Share of post-acquisition profits, net of dividends received | **808,207** | 808,207 |
| | **808,219** | 808,212 |
| Amount due from an associate | **9,614,286** | 9,614,286 |
| | **10,422,505** | 10,422,498 |
| Impairment loss | **(10,422,498)** | (10,422,498) |
| | **7** | – |

During the year ended 31 December 2018, the Group performed impairment review for its investment in an associate, namely Purple Link Investment Limited ("Purple Link"). The sole business of Purple Link was investment in a real estate development project in Thailand amounted to approximately HK$41 million. The investment was wholly financed by shareholder loans from its shareholders. The Group holds 25% equity interest in Purple Link and had contributed approximately HK$10.4 million to the associate.

Investment agreement had been signed between Purple Link and a Thailand real estate developer in 2013. The investment agreement set out that Purple Link would finance the construction of several property units and it would yield profits once these units are completed and sold. The Thailand developer should be responsible for the construction and management of the project. Pursuant to the terms of several supplementary agreements signed between the parties, the project was expected to be completed in 2018 and Purple Link should receive the return in August 2018 from the Thailand developer. Unfortunately, by September 2018 there remained no return from the Thailand developer to Purple Link and upon subsequent site inspection in Thailand, it was found that the construction had not been fully completed and the remaining interior construction work had been suspended since October 2018. The Thailand developer could not provide any further concrete action plan and there was no immediate evidence to support that the Thailand developer has the ability to refund the investment cost to Purple Link. The Group assessed that the investment agreement had been defaulted. Without the return from the investment in Thailand, and having considered the project was not promising, the management assessed to fully impair the interest in the associate for the year ended 31 December 2018.

## 19. Interest in an Associate (Continued)

Notwithstanding the above, the Group had been seeking for alternative plans for Purple Link to fund and complete the project with a view to recovering the expected return to Purple Link. After several discussions with the relevant parties during the year ended 31 December 2019, the Group had decided and further invested approximately HK$12.8 million to Purple Link (which was classified as an other receivable in the balance sheet as at 31 December 2019), expecting that the project will be completed in December 2020. Subsequent to the balance sheet date, however, the COVID-19 outbreak has dealt a big blow on the global investment environment. Upon further review of the investment prospect by management, the Group has decided and, on 26 March 2020, entered into a sale and purchase agreement with an independent third party to dispose of its entire interest in Purple Link for a cash consideration of HK$13,086,000, through the disposal of 100% interest in Rainbow Ocean Investments Limited, a subsidiary of the Group holding the interest in Purple Link. The transaction was completed on the same date.

a) The amount due from an associate before impairment loss denominated in a currency other than the functional currency of the relevant group entity, Hong Kong dollars:

| | **2019** | 2018 |
|---|---|---|
| Thai Baht | **THB39,211,926** | THB39,211,926 |

The amount is unsecured, interest-free and repayable upon resolution of the directors of the associate. No imputation of interests has been accrued on this balance due to the related party nature of these instruments.

b) Details of the Group's interest in its associate which is unlisted and its quoted market price is not available are as follows:

| **Name of associate** | **Particulars of issued shares held** | **Form of business structure** | **Place of incorporation** | **Percentage of effective interest attributable to the Group** % | **Principal activity** |
|---|---|---|---|---|---|
| Purple Link Investment Limited | 12 ordinary shares | Incorporated | Hong Kong | 25 | Property investment in Thailand |

The Group's interest in an associate is accounted for using the equity method in these consolidated financial statements.

## 19. Interest in an Associate (Continued)

c) Summarised financial information of the associate, adjusted for any difference in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

| | 2019<br>HK$ | 2018<br>HK$ |
|---|---|---|
| **Summarised statement of financial position** | | |
| Current assets | **94,208,893** | 41,811,184 |
| Non-current assets | **–** | – |
| Current liabilities | **(94,028,256)** | (38,578,337) |
| Non-current liabilities | **–** | – |
| Equity | **180,636** | 3,232,847 |
| **Summarised statement of profit or loss and other comprehensive income** | | |
| Revenue | **115,139** | 3 |
| Loss after tax | **(3,052,239)** | (416,111) |
| Other comprehensive loss | **–** | – |
| Total comprehensive loss | **(3,052,239)** | (416,111) |
| Dividends received from associate | **–** | – |
| **Reconciled to the Group's interest in the associate** | | |
| Net assets of the associate | **180,636** | 3,232,847 |
| Group's effective interest | **25%** | 25% |
| Group's share of net assets of the associate | **45,159** | 808,212 |

## 20. Other Receivables, Deposits and Prepayments

| | **2019** | 2018 |
|---|---|---|
| | **HK$** | HK$ |
| Non-current: | | |
| Deposit | **1,029,194** | – |
| Current: | | |
| Other receivables | **13,110,842** | 2,349,812 |
| Deposits | **80,275** | 72,875 |
| Prepayments | **467,350** | 327,153 |
| | **13,658,467** | 2,749,840 |

As at 31 December 2019, included in other receivables is an amount due from an associate of HK$12,819,993 which is subsequently settled in March 2020.

## 21. Financial Assets at Fair Value Through Profit or Loss

| | **2019** | 2018 |
|---|---|---|
| | **HK$** | HK$ |
| Equity securities listed in Hong Kong at fair value (note 21(a)) | **91,870,588** | 115,379,762 |
| Unlisted equity securities at fair value (note 21(b)) | **13,784,840** | 15,764,000 |
| Unlisted debt securities at fair value (note 21(c)) | **–** | 909,000 |
| | **13,784,840** | 16,673,000 |
| | **105,655,428** | 132,052,762 |

## 21. Financial Assets at Fair Value Through Profit or Loss (Continued)

a) Details of the listed equity securities are as follows:

| Name of investee | Fair value | | Unrealised gain/(loss) for the year | | % of total assets of the Group | | Net assets attributable to the Group | |
|---|---|---|---|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 | **2019** | 2018 | **2019** | 2018 |
| | **HK$** | HK$ | **HK$** | HK$ | | | **HK$** | HK$ |
| UBA Investments Limited | **546,324** | 650,412 | **(396,753)** | (113,359) | **0.33%** | 0.35% | **1,029,185** | 1,050,358 |
| Upbest Group Limited | **34,492,320** | 35,524,560 | **(89,503)** | (3,356,033) | **20.89%** | 19.26% | **33,154,311** | 31,898,252 |
| Bank of China Limited | **599,400** | 449,540 | **(23,541)** | (34,210) | **0.36%** | 0.24% | **4,538,094** | 2,924,580 |
| Tencent Holdings Limited | **–** | 690,800 | **10,308** | (10,308) | **–** | 0.37% | **–** | 85,224 |
| China Construction Bank Corporation Limited | **–** | – | **–** | (7,128) | **–** | – | **–** | – |
| China Mobile Limited | **–** | – | **–** | (13,112) | **–** | – | **–** | – |
| Ausupreme International Holdings Limited | **2,803,600** | 2,520,500 | **577,740** | (101,937) | **1.70%** | 1.37% | **1,510,571** | 1,602,309 |
| Gemilang International Limited | **11,450,237** | 14,302,500 | **(3,288,354)** | (5,606,946) | **6.94%** | 7.75% | **4,511,527** | 3,754,264 |
| Kwong Man Kee Group Limited | **14,980,500** | 16,178,940 | **(1,198,440)** | 1,283,749 | **9.07%** | 8.77% | **3,978,899** | 3,954,479 |
| Tech Pro Technology Development Limited | **510,000** | 510,000 | **–** | (510,000) | **0.31%** | 0.28% | **1,760,531** | 1,762,773 |
| PCCW Limited | **1,014,200** | 1,010,240 | **21,500** | 4,063 | **0.61%** | 0.55% | **442,813** | 496,044 |
| Cathay Pacific Airways Limited | **345,600** | 334,200 | **11,400** | (64,273) | **0.21%** | 0.18% | **478,715** | 487,584 |
| Standard Chartered Plc | **–** | – | **–** | (9,002) | **–** | – | **–** | – |
| I-Control Holdings Limited | **10,423,400** | 8,307,000 | **1,865,621** | (1,404,187) | **6.31%** | 4.50% | **3,829,886** | 3,732,335 |
| Bank of Communication Company Limited | **2,105,200** | 6,629,350 | **(259,118)** | (75,534) | **1.28%** | 3.59% | **9,802,321** | 24,673,279 |
| China Literature Limited | **–** | 36,300 | **46,489** | (47,050) | **–** | 0.02% | **–** | 20,517 |
| Great Eagle Holdings Limited | **525,000** | 670,000 | **(145,000)** | (106,835) | **0.32%** | 0.36% | **1,945,929** | 1,985,346 |
| Ping An Insurance (Group) Company Limited | **–** | – | **–** | (1,407) | **–** | – | **–** | – |
| Power Assets Holdings Limited | **2,166,000** | 2,016,500 | **95,276** | (445,082) | **1.31%** | 1.09% | **1,522,164** | 1,448,561 |
| Shen You Holdings Limited | **–** | – | **–** | (19,203) | **–** | – | **–** | – |
| Wing On Company International Limited | **–** | – | **–** | (287) | **–** | – | **–** | – |
| Chi Ho Development Holdings Limited | **–** | 1,440,000 | **(1,243,417)** | (2,102,500) | **–** | 0.78% | **–** | 46,958 |
| Yi Hua Holdings Limited | **4,900,000** | 16,400,000 | **(11,500,000)** | (8,775,885) | **2.97%** | 8.89% | **(9,882,398)** | 3,445,917 |
| AIA Group Limited | **–** | 65,000 | **(5,569)** | 5,569 | **–** | 0.04% | **–** | 25,192 |
| A.Plus Group | **–** | 79,000 | **(5,834)** | 5,834 | **–** | 0.04% | **–** | 38,135 |
| Winto Group (Holdings) Limited | **–** | 2,040,000 | **386,585** | (386,585) | **–** | 1.11% | **–** | 190,728 |
| MTR Corporation Limited | **4,236,186** | 4,573,200 | **494,959** | (354,886) | **2.57%** | 2.48% | **2,790,545** | 3,262,426 |
| Hong Kong Exchange and Clearing Limited | **54,901** | 951,720 | **120,143** | (121,829) | **0.03%** | 0.52% | **7,600** | 136,780 |
| Kwoon Chung Bus Holdings Limited | **235,200** | – | **(136,926)** | – | **0.14%** | – | **379,260** | – |
| Huaneng Power International Inc | **378,240** | – | **(71,230)** | – | **0.23%** | – | **2,530,078** | – |
| Modern Living Investments Holdings Limited | **104,280** | – | **(5,530)** | – | **0.06%** | – | **92,204** | – |
| | **91,870,588** | 115,379,762 | **(14,739,194)** | (22,368,363) | | | | |

## 21. Financial Assets at Fair Value Through Profit or Loss (Continued)

b) Details of the unlisted equity securities are as follows:

| Name of investee | Proportion of share capital owned | Fair value | | Unrealised gain/(loss) for the year | | % of total assets of the Group | |
|---|---|---|---|---|---|---|---|
| | | **2019 HK$** | 2018 HK$ | **2019 HK$** | 2018 HK$ | **2019** | 2018 |
| Diamond Motto Limited *(note)* | 16.67% | **8,654,000** | 11,667,000 | **(3,013,000)** | (10,539,000) | **5.24%** | 6.32% |
| 廣州市金洋水產養殖有限公司 | 1.60% | **5,130,840** | 4,097,000 | **1,033,840** | (1,139,000) | **3.11%** | 2.22% |
| | | **13,784,840** | 15,764,000 | **(1,979,160)** | (11,678,000) | | |

*Note:* Pursuant to the agreement signed by the Group and other investors of Diamond Motto, the Group has an option to require the major shareholder of the Diamond Motto to acquire all of the shares of Diamond Motto held by the Group at their original cost in the event that Diamond Motto fails to fulfill certain condition and terms stipulated in the agreement. The maturity date of the option has been extended from 31 December 2019 to 31 December 2024 during the year.

c) Details of the unlisted debt securities are as follows:

| Name of investee | Proportion of share capital owned | Fair value | | Unrealised gain/(loss) for the year | | % of total assets of the Group | |
|---|---|---|---|---|---|---|---|
| | | **2019 HK$** | 2018 HK$ | **2019 HK$** | 2018 HK$ | **2019** | 2018 |
| Star League Investment Limited (“Star League”) | N/A *(Note)* | – | 909,000 | – | (2,046,000) | – | 0.49% |
| | | – | 909,000 | – | (2,046,000) | | |

*Note:* No share capital owned as this is a debenture with 6.5% coupon rate and an early redemption option issued by Star League. The Group is also entitled for the capital surplus in the shares of the investee under certain conditions. The bond was matured on 27 April 2019. The investment was written off during the year ended 31 December 2019 as the investee was in severe financial difficulty, the principal and interest amount of the unlisted securities were no realistic prospect of recovery.

## 22. Amount Due from an Investee

| | **2019** | 2018 |
|---|---|---|
| | **HK$** | HK$ |
| Gross amount due from an investee | **2,590,000** | 2,590,000 |
| Loss: Provision of impairment loss (note 8(a)(ii)) | **(360,000)** | – |
| | **2,230,000** | 2,590,000 |

The advance are unsecured, interest free and to be repayable on or before 31 December 2024.

At the end of the reporting date, the Group undertakes that it will fund the professional fees and other charges in relating to the application of the investee for listing in a stock exchange up to an additional amount of approximately HK$4,000,000.

## 23. Cash and Bank Balances

| | **2019** | 2018 |
|---|---|---|
| | **HK$** | HK$ |
| Time deposits with maturity period less than 3 months | **5,121,261** | 5,008,918 |
| Bank balances | **30,532,525** | 41,985,463 |
| | **35,653,786** | 46,994,381 |

## 24. Other Payables and Accruals

As at 31 December 2019, the other payables and accruals in non-current liabilities is the provision for reinstatement of HK$1,715,865 for the office premise leased by the Group.

As at 31 December 2018, the other payables and accruals included the amount due to the investment manager for unsettled investment management fee of HK$252,638. The amount is fully settled during the year ended 31 December 2019.

## 25. Share Capital

| | **Number of shares** | | **Share capital** | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | | | **HK$** | HK$ |
| Ordinary shares of HK$0.01 each | | | | |
| Authorised | **4,000,000,000** | 4,000,000,000 | **40,000,000** | 40,000,000 |
| At 1 January and 31 December | **2,279,400,000** | 2,279,400,000 | **22,794,000** | 22,794,000 |

## 26. Leases

HKFRS 16 was adopted on 1 January 2019 without restatement of comparative figures. For an explanation of the transitional requirements that were applied as at 1 January 2019, see Note 2(a). The accounting policies applied subsequent to the date of initial application, 1 January 2019, as disclosed in note 4(m).

### Nature of leasing activities (in the capacity as lessee)

The Group leases two properties in Hong Kong. All leases comprise fixed payments over the lease term as at 31 December 2019.

### Leases

This note provides information for leases where the Group is a lessee.

***(i) Amounts recognised in the consolidated statement of financial position***

The consolidated statement of financial position shows the following amounts relating to leases:

| | 31 December 2019 HK$ | 1 January 2019 HK$ |
|---|---|---|
| **Right-of use assets** | | |
| Office premises | 6,589,024 | 292,429 |
| **Lease liabilities** | | |
| Current | 3,129,070 | 247,222 |
| Non-current | 2,062,050 | 31,445 |
| | 5,191,120 | 278,667 |

Additions to the right-of-use assets during the year ended 31 December 2019 financial year were HK$8,270,209.

***(ii) Amounts recognised in the consolidated statement of profit or loss and other comprehensive income***

The consolidated statement of profit or loss and other comprehensive income shows the following amounts relating to leases:

| | **2019 HK$** | 2018 HK$ |
|---|---|---|
| Depreciation charge of right-of-use assets | **1,973,614** | – |
| Interest expenses (included in finance cost) | **113,469** | – |

## 26. Leases (Continued)

Future lease payments are due as follows:

| | Minimum lease payments 31 December 2019 HK$ | Interest 31 December 2019 HK$ | Present value 31 December 2019 HK$ |
|---|---|---|---|
| Not later than one year | 3,330,307 | 201,237 | 3,129,070 |
| Later than one year and not later than two years | 2,099,160 | 37,110 | 2,062,050 |
| | 5,429,467 | 238,347 | 5,191,120 |

| | Minimum lease payments 1 January 2019 HK$ | Interest 1 January 2019 HK$ | Present value 1 January 2019 HK$ |
|---|---|---|---|
| Not later than one year | 255,960 | 8,738 | 247,222 |
| Later than one year and not later than two years | 46,100 | 14,655 | 31,445 |
| | 302,060 | 23,393 | 278,667 |

*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. Comparative information as at 31 December 2018 has not been restated and relates solely to leases previously classified as operating leases. See note 2(a) for further details about transition.

The present value of future lease payments are analysed as:

| | **2019 HK$** | 2018 HK$ |
|---|---|---|
| Current liabilities | **3,129,070** | – |
| Non-current liabilities | **2,062,050** | – |
| | **5,191,120** | – |

## 26. Leases (Continued)

**Operating leases – lessee**

The lease payments recognised as an expenses are as follows:

| | 2018<br>HK$ |
|---|---|
| Minimum leases payments | 231,138 |

The total future minimum lease payments are due as follows:

| | 2018<br>HK$ |
|---|---|
| Not later than one year | 255,960 |
| Later than one year and not later than two years | 46,100 |
| | 302,060 |

## 27. Reserves

| | **Share premium**<br>HK$ | **Investment valuation reserve (recycling)**<br>HK$ | **Accumulated losses**<br>HK$ | **Total**<br>HK$ |
|---|---|---|---|---|
| Balance as at 1 January 2018 | 262,926,160 | 15,780,167 | (85,409,921) | 193,296,406 |
| Impact on initial application of HKFRS 9 | – | (15,780,167) | 27,291,257 | 11,511,090 |
| Adjusted balance as at 1 January 2018 | 262,926,160 | – | (58,118,664) | 204,807,496 |
| Loss for the year and total comprehensive income for the year | – | – | (45,200,178) | (45,200,178) |
| Balance as at 31 December 2018 and 1 January 2019 | 262,926,160 | – | (103,318,842) | 159,607,318 |
| Loss and total comprehensive income for the year | – | – | (25,809,037) | (25,809,037) |
| Balance as at 31 December 2019 | 262,926,160 | – | (129,127,879) | 133,798,281 |

## 28. Net Asset Value Per Share

The calculation of net asset value per share is based on the net assets of HK$156,592,281 (2018: HK$182,401,318) and 2,279,400,000 (2018: 2,279,400,000) ordinary shares in issue as at 31 December 2019.

## 29. Connected and Related Party Transactions

During the year, the Group had the following material transactions with its related parties:

| | *Notes* | **2019 HK$** | 2018 HK$ |
|---|---|---|---|
| Management fee paid to Hua Yu Investment Management Limited | *(a)* | **1,501,767** | 2,561,996 |
| Custodian fee paid to Bank of Communication Trustee Limited | *(b)* | **35,200** | 35,200 |

a) The Company and Hua Yu Investment Management Limited, the investment manager in which a director of the Company, Mr. Leong Chi Wai, is also a director and shareholder of the investment manager, had entered into an investment management agreement on 28 May 2014 for the service period of three years to 31 May 2017. Monthly investment management fee is payable quarterly at 1.5% of the Gross Net Asset Value (NAV) per annum, calculated as the arithmetical average of the published Gross NAV on the last day of each calendar month during each relevant year.

In addition to the above management fee, a performance fee is payable annually at 15% on the amount of audited consolidated NAV of the Company (calculated as at the end of each respective financial year) exceeding the High Watermark as at the financial year, subject to adjustments by disregarding the effects of any new issue of securities or distribution on the Gross NAV. No performance fee was paid during the year ended 31 December 2019 (2018: Nil).

The investment management agreement was renewed and entered into between the Company and the investment manager on 26 May 2017 for the service period of three years to 31 May 2020. Monthly investment management fee and performance fee is payable quarterly and annually pursuant to the same agreement terms as referred to above. However, during the year ended 31 December 2019, the regulated activities of Hua Yu Investment Management Limited has been suspended temporarily. The investment management agreement was early terminated on 31 October 2019 and no further management fee was charged since then.

The annual cap for the management fee and performance fee for the periods from 1 June 2017 to 31 May 2018, from 1 June 2018 to 31 May 2019 and from 1 June 2019 to 31 May 2020 are HK$8,000,000, HK$8,000,000 and HK$8,000,000 respectively. These continuing connected transactions falls below the de-minimis threshold under Rule 14A.33 of the Listing Rules and exempt from the circular and independent shareholders' approval requirements pursuant to Rule 14A.76 of the Listing Rules.

## 29. Connected and Related Party Transactions (Continued)

b) Pursuant to a custodian agreement dated 30th June 2009 between the Company and Bank of Communication Trustee Limited as a custodian, the custodian agrees to provide securities custodian services to the Company including the safe custody of the Group's securities and the settlement of the securities of the Group, the collection of dividends and other entitlements on behalf of the Group.

The custodian is regarded as a connected person of the Company under Rule 14A.08 of the Listing Rules, but the custodian fee falls below the de-minimis threshold under Rule 14A.33 of the Listing Rules.

c) The remuneration of directors and other members of key management during the year were disclosed in note 14.

d) Details of the balances with an associate and investment manager is disclosed in note 19, 20 and 24 respectively.

The above-mentioned transactions were carried out in the normal course of the Group's business on terms mutually agreed between the parties involved.

The related party transactions in respect of items (a) to (b) above also fall under the definition of connected transactions or continuing connected transactions in Chapter 14A of the Listing Rules. The Company has complied with the requirements in accordance with Chapter 14A of the Listing Rules.

## 30. NOTE SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOW

Reconciliation of liabilities arising form financial activities:

| | Lease liabilities<br>*(Note 26)*<br>HK$ |
|---|---|
| At 1 January 2018 and 31 December 2018 | – |
| Application of HKFRS 16 | 278,667 |
| At 1 January 2019 | 278,667 |
| Changes from cash flows: | |
| Payment of principal portion of the lease liabilities | (1,641,891) |
| Interest paid | (113,469) |
| Total change from financing cash flows | (1,755,360) |
| Other Changes | |
| Addition during the year | 6,554,344 |
| Interest expense | 113,469 |
| At 31 December 2019 | 5,191,120 |

## 31. Statement of Financial Position and Reserve Movement of the Company

a) Information about the statement of financial position of the Company at the end of the reporting period is as follows:

| | **2019** | 2018 |
|---|---|---|
| | **HK$** | HK$ |
| **Non-current assets** | | |
| Property, plant and equipment | **4,127** | 23,969 |
| Investments in subsidiaries | **121,050** | 121,073 |
| Loans to subsidiaries | **23,775,000** | 45,100,000 |
| Amounts due from subsidiaries | **8,080,133** | 6,755,782 |
| | **31,980,310** | 52,000,824 |
| **Current assets** | | |
| Loans to subsidiaries | **39,727,360** | 27,907,360 |
| Other receivables, deposits and prepayments | **451,035** | 2,569,515 |
| Financial assets at fair value through profit or loss | **46,217,530** | 54,926,922 |
| Cash and bank balances | **35,532,863** | 46,957,689 |
| | **121,928,788** | 132,361,486 |
| **Current liabilities** | | |
| Other payables and accruals | **510,114** | 511,453 |
| **Net current assets** | **121,418,674** | 131,850,033 |
| **Total assets less current liabilities** | **153,398,984** | 183,850,857 |
| **Non-current liabilities** | | |
| Amount due to subsidiaries | **1,147,295** | 1,168,546 |
| **Net assets** | **152,251,689** | 182,682,311 |
| **Capital and reserves** | | |
| Share capital | **22,794,000** | 22,794,000 |
| Reserves *(note (b))* | **129,457,689** | 159,888,311 |
| **Total equity** | **152,251,689** | 182,682,311 |

The statement of financial position of the Company was approved and authorised for issue by the board of directors on 31 March 2020.

| **Leung King Yue, Alex** | **Lewis Chan** |
|---|---|
| *Executive Director* | *Executive Director* |

## 31. Statement of Financial Position and Reserve Movement of the Company (Continued)

b) A summary of the Company's reserves is as follows:

| | Share premium HK$ | Accumulated losses HK$ | Total HK$ |
|---|---|---|---|
| Balance as at 1 January 2018 | 262,926,160 | (80,496,366) | 182,429,794 |
| Loss and total comprehensive loss for the year | – | (22,541,483) | (22,541,483) |
| Balance as at 31 December 2018 and 1 January 2019 | 262,926,160 | (103,037,849) | 159,888,311 |
| Loss and total comprehensive loss for the year | – | (30,430,622) | (30,430,622) |
| Balance as at 31 December 2019 | 262,926,160 | (133,468,471) | 129,457,689 |

## 32. Events after the Reporting Date

Since January 2020, the outbreak of Novel Coronavirus ("COVID-19") has dealt a big blow on the global business environment. In preparing the consolidated financial statements, the Group applies fair value to measure its financial assets at FVPL. In 2020, fair value of the Group's financial assets at fair value through profit or loss may be subject to fluctuations due to the COVID-19 outbreak. In view of the development and spread of COVID-19 subsequent to the date of this report, further changes in economic conditions arising thereof may have negative impact on the financial results of the Group, the extent of which could not be estimated as at the date of this report. The Group will keep monitoring to the situation of the COVID-19 and react actively to its impact on the financial position and operating results of the Group.

## 33. Particulars of Major Investments

Particulars of major investments held by the Group as at 31 December 2019 are as follows:

### i) Listed equity securities

***Upbest Group Limited ("Upbest Group")***

Upbest Group is incorporated in the Cayman Islands and is principally engaged in financial business.

The Group holds 33,816,000 (2018: 34,828,000) shares in Upbest Group, representing 1.26% (2018: 1.30%) interest in the issued share capital of Upbest Group with a corresponding investment cost of HK$27,137,077 (2018: HK$28,079,814) and derived a dividend income of HK$702,560 (2018: HK$1,194,336) for the year ended 31 December 2019. Based on the interim report for the six months ended at 30 September 2019 (2018: 30 September 2018), the net asset value of Upbest Group were approximately HK$2,629,831,000 (2018: HK$2,456,679,000).

Upbest Group's NAV has been increased nearly 7.05% this year. The Group believes that Upbest Group will be beneficial to the "One belt One Road" and also the "Greater Bay Area" policies, given the significant increase in demand on related financial services.

***i-Control Holdings Limited ("i-Control")***

i-Control is incorporated in the Cayman Islands and is principally engaged in provision of video conferencing and multimedia audio visual solutions.

The Group holds 27,430,000 (2018: 27,690,000) shares in i-Control, representing 2.74% (2018: 2.77%) interest in the issued share capital of i-Control with a corresponding investment cost of HK$8,523,037 (2018: HK$8,272,258) and derived a dividend income of HK$329,160 (2018: HK$185,680) for the year ended 31 December 2019. Based on the interim report for the six months ended 30 September 2019 (2018: 30th September, 2018), the net asset value of i-Control were approximately HK$139,624,000 (2018: HK$134,790,000).

i-Control's NAV has been increased nearly 3.6% this year. As i-Control is one of the leading service provider in the industry, the Group is optimistic about the prospects of its business in system applications and IT consulting, as the "Greater Bay Area" will promote the related areas to be more "MICE" oriented and Hong Kong is already a business hub in the Asia Pacific regions and these will strengthen the steady growth of i-Control.

## 33. Particulars of Major Investments (Continued)

### i) **Listed equity securities** (Continued)

***Ausupreme International Holdings Limited ("Ausupreme")***

Ausupreme is incorporated in the Cayman Islands and is principally engaged in developing marketing, selling and distributing of health and personal care products, classified by health supplement products, honey and pollen products and personal care products.

The Group holds 6,520,000 (2018: 7,100,000) shares in Ausupreme, representing 0.87% (2018: 0.95%) interest in the issued share capital of Ausupreme with a corresponding investment cost of HK$3,313,828 (2018: HK$3,608,468) and derived a dividend income of HK$195,600 (2018: HK$71,000) for the year ended 31 December 2019. Based on the interim report for the six months ended 30 September 2019 (2018: 30 September, 2018), the net asset value of Ausupreme were approximately HK$173,762,000 (2018: HK$169,258,000).

Ausupreme 's NAV has been increased nearly 2.7% this year. As Ausupreme is one of the active health and personal care product provider in Hong Kong, the Group is optimistic about the prospects of its business in the future, as now the societies across China, Hong Kong and SEA have huge concerns about the aging population, health and personal care, etc, and people will be more willing to spend more on these products, Ausupreme will certainly enjoy the trend here.

***Kwong Man Kee Group Limited ("Kwong Man Kee")***

Kwong Man Kee is incorporated in the Cayman Islands and is principally engaged in provision of carpark flooring services and ancillary services.

The Group holds 29,961,000 (2018: 29,961,000) shares in Kwong Man Kee, representing 4.99% (2018: 4.99%) interest in the issued share capital of Kwong Man Kee with a corresponding investment cost of HK$10,062,688 (2018: HK$10,062,688) and derived a dividend income of HK$209,727 (2018: HK$407,190) for the year ended 31 December 2019. Based on the interim report for the six months ended 30 September, 2019 (2018: 30 September, 2018), the net asset value of Kwong Man Kee were approximately HK$79,682,000 (2018: HK$79,192,000).

Kwong Man Kee's NAV has been increased nearly 0.62% this year. As Kwong Man Kee is one of the active carpark flooring services and ancillary services provider in Hong Kong, the Group believes Kwong Man Kee will be continuously beneficial to the steady demand from the property market in Hong Kong and Macau.

## 33. Particulars of Major Investments (Continued)

### i) **Listed equity securities** (Continued)

***Gemilang International Limited ("Gemilang")***

Gemilang is incorporated in the Cayman Islands and is principally engaged in design and manufacture of bus bodies and assemble buses.

The Group holds 7,387,250 (2018: 7,151,250) shares in Gemilang, representing 2.94% (2018: 2.85%) interest in the issued share capital of Gemilang with a corresponding investment cost of HK$8,376,622 (2018: HK$7,940,530) and derived a dividend income of HK$221,618 (2018: HK$181,177) for the year ended 31 December 2019. Based on the annual financial statements for the year ended 31 October 2019 (2018: 31 October 2018), the net asset value of Gemilang were approximately HK$153,419,000 (2018: HK$131,812,000).

Gemilang's NAV has been increased nearly 16.4% this year. The Group is optimistic about the prospects of its business in the future, Gemilang's objective is to become one of the leading bus manufacturing solution provider in Asia and it will certainly be beneficial to the "One belt One Road" and also the "Greater Bay Area" policies, given the potential increasing demand on buses.

***Power Assets Holdings Limited ("Power Assets")***

Power Assets Holdings Limited is incorporated in Hong Kong and is principally engaged in investment holding and provision of investment in energy and utility-related business.

The Group holds 38,000 (2018: 37,000) shares in Power Assets, representing 0.002% (2018: 0.002%) interest in the issued share capital of Power Assets with a corresponding investment cost of HK$2,610,173 (2018: HK$2,555,949) and derived a dividend income of HK$106,400 (2018: HK$310,800) for the year ended 31 December 2019. Based on the annual financial statements for the year ended 31 December, 2019 (2018: 31 December 2018), the net asset value of Power Assets were approximately HK$85,492,000,000 (2018: HK$83,557,000,000).

Power Assets' NAV has been increased nearly 2.3% this year. The Group is optimistic about the prospects of the energy and utility-related business and the Group believes that Power Assets can provide stable dividend income in coming year.

## 33. Particulars of Major Investments (Continued)

### i) **Listed equity securities** (Continued)

***Yi Hua Holdings Limited ("Yi Hua")***

Yi Hua is incorporated in the Cayman Islands and is principally engaged in the operation of department store chain in the People's Republic of China.

The Group holds 20,000,000 (2018: 20,000,000) shares in Yi Hua, representing 1.99% (2018: 1.99%) interest in the issued share capital of Yi Hua with a corresponding investment cost of HK$24,492,043 (2018: HK$24,492,043). No dividend income was received during the years ended 31 December 2019 and 2018. Based on the annual financial statements for the year ended 31 December 2019 (2018: 31 December 2018), the net liabilities (asset value) of Yi Hua were approximately HK$495,680,000 (2018: HK$172,840,000).

Yi Hua has become negative net assets value this year. The Group believes Yi Hua will seek more other business opportunities other than its original department stores in China, like opening of convenience stores and real estate development business to diversify the existing business.

***MTR Corporation Limited ("MTR Group")***

MTR Group is incorporated in the Hong Kong and is principally engaged in railway operation.

The Group holds 91,991 shares in MTR Group (2018: 111,000), representing 0.002% (2018: 0.002%) interest in the issued share capital of MTR Group with a corresponding investment cost of HK$4,096,112 (2018: HK$4,928,086) and derived a dividend income of HK$120,498 (2018: HK$88,400) for the year ended 31 December 2019. Based on the annual financial statements for the year ended 31 December 2019 (2018: 31 December 2018), the net asset value of MTR Group were approximately HK$186,798,000,000 (2018: HK$180,447,000,000).

MTR Group's NAV has been increased nearly 3.5% this year. The Group is optimistic about the prospects of MTR Group in the railway operation in Hong Kong, its investment property portfolio and rail franchise and rail-related property development opportunities across China and internationally.

## 33. Particulars of Major Investments (Continued)

### ii) Unlisted equity securities

***廣州市金洋水產養殖有限公司 (“金洋水產”)***

金洋水產 is incorporated in The People’s Republic of China and is principally engaged in business of aquacultural and feed production during the year.

The Group holds 1.6% (2018: 1.6%) equity interest in金洋水產 with a corresponding investment cost of HK$4,219,243 (2018: HK$4,219,243). No dividend was received during the years ended 31 December 2019 and 2018. Based on the unaudited financial statements for the year ended 31 December 2019, the net asset value of金洋水產were approximately HK$249,901,000 (2018: HK$229,075,000). The Group’s share of the net asset value of金洋水產was approximately HK$3,998,000 (2018: HK$3,665,000).

The Group believes that the 金洋水產 will be beneficial to the steady consumption of agricultural and feed production in China, as the local consumption power is emerging.

***Diamond Motto Limited (“Diamond Motto”)***

Diamond Motto is incorporated in the British Virgin Islands and was principally engaged in business of investment holding during the year.

The Group holds 50 shares (2018: 50) in Diamond Motto, representing 16.67% (2018: 16.67%) interest in the issued share capital of Diamond Motto with a corresponding investment cost of HK$11,666,667 (2018: HK$11,666,667). No dividend income (2018: HK$1,666,667) was received during the year ended 31 December 2019. LMP International Limited (“LMP”) is a wholly owned subsidiary of Diamond Motto. Based on the unaudited financial statements at 31 December 2019 (2018: 31 December 2018), the net asset value of LMP was approximately HK$4,636,000 (2018: HK$11,186,000). The Group’s share of the net asset of LMP was approximately HK$773,000 (2018: HK$1,865,000).

The Group is optimistic about its interior design and decoration works business in Hong Kong, given the steady property market sentiment here and people will tend to spend much on it.