China Gem Holdings Limited
中國中石控股有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 1191)

ANNUAL REPORT 2019

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTOR

Mr. Chen Jie, *Chief Executive*

NON-EXECUTIVE DIRECTOR

Mr. Hong Yu

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Su Xihe
Mr. Wong Wai Chun Alex
Mr. He Yaode

BOARD COMMITTEES

Audit Committee

Mr. Wong Wai Chun Alex *(Chairman)*
Mr. Su Xihe
Mr. He Yaode

Remuneration Committee

Mr. Su Xihe *(Chairman)*
Mr. Wong Wai Chun Alex
Mr. He Yaode

Nomination Committee

Mr. Su Xihe *(Chairman)*
Mr. Wong Wai Chun Alex
Mr. He Yaode

COMPANY SECRETARY

Ms. Ho Wing Yan *(ACIS, ACS(PE))*

AUTHORISED REPRESENTATIVES

Mr. Chen Jie
Ms. Ho Wing Yan *(ACIS, ACS(PE))*

AUDITOR

Yongtuo Fuson CPA Limited
Rooms 15A and 14B, Eton Building
288 Des Voeux Road Central
Sheung Wan
Hong Kong

PRINCIPAL BANKERS

Bank of Communications Co., Ltd.
Chiyu Banking Corporation Ltd.

LEGAL ADVISER

On Bermuda Law
Conyers Dill & Pearman
29th Floor, One Exchange Square
8 Connaught Place, Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2606B, 26/F.
Bank of America Tower
12 Harcourt Road
Central, Hong Kong

WEBSITE

www.1191hk.com

STOCK CODE

1191

LETTER TO SHAREHOLDERS

Dear Shareholders,

On behalf of the board of Directors (the "Board"), I am pleased to present the annual report of China Gem Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2019 (the "Year").

REVIEW OF RESULTS

Risks and challenges intertwined in the international environment in 2019. The Organisation for Economic Co-operation and Development (OECD), the International Monetary Fund (IMF) and other agencies repeatedly slashed their expectations towards the global economic growth. Confronted with the complex environment, China's economy maintained a steady yet progressive momentum generally, while the problem of financing difficulty and high financing costs faced by private, small and micro businesses has not been effectively addressed, imposing a huge impact on the ability of the Group to recover funds. However, as the Chinese Government has introduced various measures to help alleviate the financing pressure of private, small and micro businesses, it is expected that such situation will be effectively improved in 2020, which will be beneficial for the Group to recover the external financial investments and in turn to improve the operation of the Group.

For the year ended 31 December 2019, the Group's total revenue from its principal business was approximately HK$103,938,000, representing an increase of 4.4% compared with last year, of which the revenue was related to money lending, license and financial services business, fund investment and property development. During the Year, the Group recorded net loss attributable to owners of the Company amounted to approximately HK$402,514,000 (2018: approximately HK$67,623,000). The net loss is mainly due to (i) significant fair value loss on financial assets through profit or loss amounting to approximately HK$137,195,000 during the year ended 31 December 2019 (2018: approximately HK$26,915,000) and (ii) the expected credit loss on financial assets amounting to approximately HK$279,619,000 (2018: approximately HK$18,374,000).

PROSPECTS

The Group will continuously adhere to the business philosophy of "Professionalism, Dedication, Devotion" and "Customer First, Efficiency Priority, Synergic Development, Pursuit of Excellence". While continuously focusing on the existing business, the Company will increase more investments in industries so as to bring sustainable returns for shareholders of the Company (the "Shareholders"). For investments in industries, we will mainly focus on market opportunities in Internet plus education, construction materials and mining investment including gold mine, cooper mine and lead-zinc mine, etc. For financial investments, we will gradually downsize the scale of the lending and fund investment businesses, while leveraging our special advantages in disposing of non-performing assets and gradually developing special opportunity real estate and special opportunity debt businesses, so as to form a new model for our asset management business in the future.

We expect to make meaningful progress in 2020 toward to a stable growth targets. We are committed to do everything we can to deliver consistent, reliable, balanced and sustainable growth and value creation for you and our Shareholders.

APPRECIATION

On behalf of the Board, I would like to express my sincere appreciation to our Shareholders for the trust and support. I would also like to express my gratitude to our management team and all staff for their dedication and contributions in the execution of the Group's strategies and operations during the Year. In the future, we will continue to explore new opportunities and focus on business development, in order to bring best return for Shareholders.

Mr. Chen Jie
Chief Executive

MANAGEMENT DISCUSSION AND ANALYSIS

I. FINANCIAL REVIEW

Revenue

For the year ended 31 December 2019, the Group recorded revenue from operations of approximately HK$103,938,000 (2018: approximately HK$99,532,000), representing a year-on-year increase of 4.4%.

Other income (losses), net

Other income of approximately HK$1,274,000 (2018: other losses approximately HK$2,440,000) was mainly attributable to net foreign exchange gain arising from appreciation of Renminbi for the year ended 31 December 2019.

Administrative expenses

Administrative expenses decreased by 20.1% to approximately HK$41,954,000 (2018: approximately HK$52,499,000). The decrease was mainly due to a decrease in staff cost by approximately HK$8,635,000.

Finance costs

Finance costs increased from approximately HK$57,605,000 for the year ended 31 December 2018 to HK$57,743,000 for the year ended 31 December 2019. The costs maintained the same level as previous year. Approximately HK$40,987,000 and approximately HK$14,075,000 were the interest and cost in relation to the Huarong loan facility with an aggregate principal amount up to US$60 million 9.7% due 2022 (as at 31 December 2019, the Company had drawn US$50 million from the facility), and senior notes with an aggregated principal of HK$180 million 8% due in the last quarter of 2019 issued on 3 November 2017 respectively.

Income tax expenses

For the year ended 31 December 2019, income tax expenses of the Group amounted to approximately HK$11,352,000 (2018: approximately HK$7,714,000). All income tax expenses were deferred tax which arose from the Land Appreciation Tax of the PRC subsidiaries.

Net loss for the year

For the year ended 31 December 2019, the Group recorded net loss attributable to owners of the Company amounted to approximately HK$402,514,000 (2018: approximately HK$67,623,000). The net loss is mainly due to (i) a significant fair value loss on financial assets through profit or loss amounting to approximately HK$137,195,000 during the year ended 31 December 2019 (2018: approximately HK$26,915,000) and (ii) an expected credit loss on financial assets amounting to approximately HK$279,619,000 (2018: approximately HK$18,374,000).

Dividend

The Board did not recommend the payment of any final dividend for the year ended 31 December 2019 (2018: nil).

II. BUSINESS REVIEW

Business review on each segment are as follows:

i) Money lending

The Group has provided a wide range of loans with gross loan amount of approximately HK$252,792,000 as at 31 December 2019 (2018: approximately HK$262,210,000). Interest rates ranged from 10% to 15% (2018: 7.5% to 15%). The Group almost maintained no change in the money lending sector during the year ended 31 December 2019. Customers are mainly from corporations who have been carefully evaluated by the Group on their repayment capabilities and securities pledged. As a result, revenue generated from this segment was approximately HK$25,103,000 during the year ended 31 December 2019 (2018: approximately HK$23,594,000), representing an increase of 6.4% compared to the corresponding year.

ii) License and Financial Service Business

During the year ended 31 December 2019, the Group provided administrative services to other investment managers of funds domiciled in Cayman Island. The license and financial service business has generated revenue of approximately HK$1,323,000 (2018: approximately HK$2,405,000), mainly from provision of administrative services to China Gem L.P., in which a fellow subsidiary of the Group was the general partner of the fund during the year ended 31 December 2019. The decrease in revenue from the license and financial service business mainly due to the service agreement ended in June 2019 and no further agreement signed.

iii) Strategic financial investment

In order to increase the efficiency of the use of the Company's funds and match the resources with the business, the Group seizes opportunity in fund investment to build a diversified and complementary portfolio of businesses, investment and various types of assets through the subscription of private equity funds by leveraging the professional advantages, talent advantages and management advantages of the fund companies to spread risks, increase return on investment and achieve long-term capital growth for shareholders.

In respect of fund investment policies, the Group selects teams with asset management experience and sound performance as fund managers, focusing on debt investment, so as to obtain fixed income. The Group mainly targets real estate, energy and high-tech industries, with a view to achieve the expected return on investment. Considering the balance between return and risks of holding funds, the Group's investment in individual fund is limited to no more than HK$150 million, while the total size of fund investment is determined according to the financial condition and investment plan of the Company. The funds invested have an investment period of two years or more.

As at 31 December 2019, the Group held five investment funds with total subscription amount of approximately HK$646,650,000. Details of the five investments funds are as follows:

Date of announcement	Name of fund	General partner/ manager	Investment *(HK$'M)*	Management fee	Term of investment	Investment type	% of fund held	Name of underlying investment companies	Beneficial owner of underlying investment companies *Note (c)*	Major businesses of underlying investment companies	The fair value of underlying investments of the fund 31 December 2019 *(HK$'M)*	The proportion of the fair value of underlying investments of the fund in total assets of the Group as at 31 December 2019
18/5/2017	Wealth Creation Special Opportunities Fund LP	OBOR Fund Management Limited	100	0.3% per annum of the aggregated commitment	3 years (may extend for another 2 years)	Debt securities	100%	Baton Investment Limited	Ma Zufeng	Investment holding, mining investment	102.1	10.7%
26/7/2017	Partners Tian Wei Fund	Partners Investment Management Limited	140	0.3% per annum of the aggregated commitment	3 years (may extend for another 2 years)	Debt securities	100%	Star Keen Investment Limited	Lin Xiaosheng	Investment management	136.9	14.3%
7/11/2017	Bison Target Investment SPC – BOCI Fixed Income Focused Growth SP	BTS Investment Limited	US$17.5M (equivalent to HK$136.5M)	0.5% per annum of the aggregated commitment	3 years (may extend for another 2 years)	Debt securities	100%	Fen River Capital Limited	Huang Zhengxiong	Real estate investment, high-tech investment	130.7	13.7%
8/11/2017 & 27/12/2017	Forward Fund SPC	Full House Asset Management Company Limited	130.15	0.3% per annum of the aggregated commitment	2 years	Convertible bonds Note (a)	100%	China Ocean Industry Group Limited ("Issuer")	Note (b)	Steel structure engineering and installation, intelligent parking, automobile and electronic business	– Note (d)	–
24/11/2017	Nan Tai Investment LP	Nan Tai Investment Limited	140	0.5% per annum of the aggregated commitment	2 years (extended for another 1 year)	Debt securities	100%	Huatune International Group Limited	Qian Baohua	Industrial Investment, chemical industry and trading	130.1	13.6%
		Total	646.65								499.8	52.3%

Notes:

(a) Through the investment fund of "Forward Fund SPC", the Group subscribed the two-year convertible bonds issued by the Issuer (Stock code on the Hong Kong Stock Exchange: 0651) with a subscription amount of HK$129,000,000. The convertible bonds carry an interest of 10% per annum, payable annually in arrears. The convertible bonds were over due as at 31 December 2019. The Group did not convert any shares from the convertible bonds.

(b) For details of the beneficial owners of the Issuer, please refer to relevant information announced in its annual report of 2019.

(c) All of the beneficial owners of underlying investment companies are independent of connected person.

(d) The significant decrease in fair value of investment funds was due to the default of the convertible bonds. Further more, the Issuer is in the legal process of liquidation. For more information, please refer to announcements made by the Issuer.

MANAGEMENT DISCUSSION AND ANALYSIS

The table below sets forth the results of underlying investments of the five funds during the year ended 31 December 2019:

	Wealth Creation Special Opportunities Fund LP Year ended 31 December 2019 *HK$'000*	**Partners Tian Wei Fund** Year ended 31 December 2019 *HK$'000*	**Bison Target Investment SPC-BOCI Fixed Income Focused Growth SP** Year ended 31 December 2019 *HK$'000*	**Forward Fund SPC** Year ended 31 December 2019 *HK$'000*	**Nan Tai Investment LP** Year ended 31 December 2019 *HK$'000*	**Total** Year ended 31 December 2019 *HK$'000*
Underlying investment of the funds						
Change in fair value	(820)	995	(4,940)	(124,430)	(7,994)	(137,189)
Investment income *(Note)*	10,000	13,900	16,455	11,733	16,560	68,648
Dividends received from the funds	–	–	–	–	–	–

Note: Investment income refers to the interest income recognised in the consolidated statement of profit or loss for the year ended 31 December 2019.

During the year ended 31 December 2019, no investment fund was redeemed by the Group.

iv) Property development

Revenue in this segment was derived from leasing of properties, building management fee income and sales of residential units in Shunde, the PRC. During the year ended 31 December 2019, the Group recorded the rental, management and related fee income and sales of properties of approximately HK$8,864,000 (2018: approximately HK$3,779,000). The segment profit for the year ended 31 December 2019 was approximately HK$25,415,000 (2018: approximately HK$4,893,000). The reason of an increase in profit was mainly due to fair value gains on investment properties amounted to approximately HK$22,890,000 for the year ended 31 December 2019 (2018: approximately HK$812,000).

III. FUTURE PLANS

Looking forward, the Group will continue to focus on financial investment and industrial investment. In terms of financial investment, the Group will continue to conduct money lending, license and financial service business and fund investment business, while gradually carrying out special opportunity real estate and special opportunity debt business. In terms of industrial investment, in addition to the existing property development business, the Group will pursue market opportunities in Internet plus education, construction materials and mining investment including gold mine, cooper mine and lead-zinc mine. Under the complicated macro-economic environment, the Group will adhere to the business philosophy of "Professionalism, Dedication, Devotion" and "Customer First, Efficiency Priority, Synergic Development, Pursuit of Excellence", and will strive for our overall business development by fully exploring the synergy and interconnection between our existing business segments. The Board and the management of the Company believe that, with a clear position, a team of professionals and effective execution capabilities, the Company will continue to enhance its core competitiveness and overall profitability to create greater value for the shareholders.

i) Money lending

Under the current economic environment, in order to protect Shareholders' interests and avoid risks, the Group will exercise prudent approach in assessing money lending projects and conduct proper control over the scale of money lending business. Besides improving our credit policies, we will continue to optimise the overall credit quality of our loan portfolios.

ii) License and Financial Service Business

For license business, the Group will continue to study the establishment of Special Opportunity Investment Fund and actively carry out Type 4 (advising on securities) and Type 9 (asset management) regulated activities.

In addition, for non-license financial service business, the Group will give full play to its talent advantages and intellectual output and provide tailor-made professional and comprehensive financial service solutions for customers. The Group will seek investment and growth opportunities in order to generate additional revenue through the linkage between domestic and overseas business, and the asset-light strategy.

iii) Strategic financial investment

The Group will continue to seize opportunity in fund investments in order to utilize the Group's financial resources more efficiently and effectively. To yield better investment returns, the Group will strengthen its original investment fund management, deepen its understanding of fund operations, and fully tap into the experience and expertise of the management team and general partners in its investment funds. Meanwhile, the scale of strategic financial investment will be reduced gradually.

iv) Property development

In view of restrictions imposed on property projects in Mainland China, the Group will prepare appropriate entry and exit strategies in the interest of the Company and its Shareholders as a whole. As for projects that underperform our expectations, we will elect to exit when timing is right. Furthermore, we will continue to explore other property development opportunities to expand our investment property portfolio and consolidate our revenue base, safeguarding the potential of capital appreciation for the Group.

v) Special opportunity real estate and special opportunity debt business

In 2019, the Company made some attempts in this field without substantial progress. The Group could make flexible use of various disposal methods of non-performing assets, including debt restructuring, securitisation, conversion of debt to equity to rebuild the business model of enterprises, or carry out business transformation of the subject enterprise, explore new markets, customers and business in an value-added way, and reshape the intrinsic value of enterprises, which will revitalise non-performing assets while achieving good investment returns for investors. The Company will utilise its expertise on the non-performing assets, gradually develop special opportunity real estate and special opportunity debt business and form a new asset management business mode in the future.

vi) Industrial Investment

The Company will strengthen its management on the existing investment funds and money lending business so as to develop appropriate recovery plans and proposals and strive to recover investment funds and eliminate existing risks. Meanwhile, the management has been seeking for quality investment projects and has obtained certain potential projects and corresponding investment targets in the fields of Internet plus education, construction materials, and mining investment including gold mine, copper mine and lead-zinc mine. The proportion of industrial investments will be increased through asset swaps, direct investments, and equity swaps.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2019, the Group had total cash and cash equivalents amounted to approximately HK$1,439,000 (2018: approximately HK$6,887,000), while net current liabilities amounted to approximately HK$104,737,000 (2018: net current assets approximately HK$646,724,000). The current ratio as a ratio of current assets to current liabilities was 0.87 times (2018: 2.55 times). The decrease in the current ratio is mainly due to (i) a significant impairment losses on loan & interest receivables and financial assets at fair value through profit or loss; and (ii) breach of the Huarong loan agreement and thus reclasified from "non-current liabilities" to "current liabilities".

As at 31 December 2019, total debts (including loans from shareholders, other borrowings and senior notes) of the Group amounted to approximately HK$647,977,000 (2018: approximately HK$656,130,000). Of this amount, 100% is repayable within one year (2018: 46.4%). All debts are charged at fixed interest rates, denominated in the Hong Kong dollars, US dollars and Renminbi. The gearing ratio, representing the ratio of total debts to the total equity of the Group, was 672.7% (2018: 135.7%).

PLEDGE OF ASSETS

As at 31 December 2019, none of the Group's asset was pledged or charged (2018: Nil).

SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Significant investments are mainly fund investments as set out in "Business review — Strategic financial investment".

In the future, the Group will continue to identify new opportunities for business development. The Group has not executed any agreement in respect of material acquisitions, investments or capital asset and does not have any other specific future plans relating to material acquisitions, investments or capital asset as at the date of this report. Nonetheless, if any potential investment opportunity arises in the future, the Group will perform feasibility studies and prepare implementation plans to assess whether it is beneficial to the Group and the Company (the "Shareholders") as a whole.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There were no material acquisitions or disposals of subsidiaries and joint ventures during the year ended 31 December 2019.

FOREIGN CURRENCY EXPOSURE

Borrowings and sales and purchases of the Group are generally transacted in Hong Kong dollars, US dollars and Renminbi. For the year ended 31 December 2019, the Group was not subject to any significant exposure to foreign exchange rates risk. Hence, no financial instrument for hedging was employed.

CONTINGENT LIABILITIES

The Group had no material contingent liability as at 31 December 2019 (2018: Nil).

CAPITAL COMMITMENTS

The Group had no capital commitments as at 31 December 2019 (2018: Nil).

EMPLOYEES

As at 31 December 2019, the Group had 28 employees in Hong Kong and China (2018: 32) and the total staff costs amounted to approximately HK$28,076,000 for the year ended 31 December 2019 (2018: approximately HK$36,711,000). Remuneration package of the employees includes monthly salary and medical claims. The remuneration policies are formulated on the basis of their performance, duties and responsibilities with the Company and the market condition. As to our investment on human resources, education subsidies would be granted to the Group's employees, with a view to reinforcing the competence of all levels of our employees. Share options would be granted to respective employees with outstanding performance and contributions to the Group.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Director

Mr. Chen Jie ("Mr. Chen"), aged 34, joined the Company as an executive Director and chief executive of the Company on 26 March 2020. Mr. Chen graduated from The University of Sydney with a Bachelor of Commerce Degree (Accounting Major) in 2009. Following graduation, Mr. Chen worked in core subsidiary companies of large State-Owned Enterprises, including China Merchants Property Development Holdings CO., Ltd (now China Merchants Shekou Industrial Zone Holdings CO., Ltd) and China Huarong International Holdings Limited. His principal responsibilities were in the accounting, corporate finance and investment related functions, gaining solid accounting and finance experience and profound financial market and investment insights. Since 2018, Mr. Chen has worked with HKbridge Financial Holdings Limited as Director of Risk Management and later Director of Investment. He previously held positions as Senior Vice President, Associate Director and Director in the Investment Banking Department at China Huarong International Holdings Limited, starting in 2015, and also held the position of Assistant Vice President at China Vast Urban Development Company Limited starting in 2013. Mr. Chen has extensive professional knowledge and practical experience in the financial sector. He has either led or participated in many equity and debt investment projects, new listings, reverse take-overs, and distress assets or NPL restructuring transactions in Hong Kong capital market, covering a wide range of industries, such as finance, real estate, artificial intelligence, biotech, infrastructure, mining, retail and etc.

Non-Executive Director

Mr. Hong Yu ("Mr. Hong"), aged 34, joined the Company as the manager of Human Resources Department of the Company on October 2019 and being appointed as the non-executive Director on 22 January 2020. Mr. Hong graduated from Anhui University and University of International Business and Economics, with a bachelor's degree in engineering and a bachelor's degree in economics, respectively. He obtained a master's degree of business administration from the Graduate School at the Chinese Academy of Social Sciences. Mr. Hong has extensive experience in commercial banking and the business of asset management companies. From July 2009 to July 2011, he worked in Huishang Bank Corporation Limited. From August 2011 to August 2019, he worked in China Huarong Asset Management Co., Ltd., holding a number of positions such as an employee, the assistant to the general manager of a department of a subsidiary, the Secretary of the Communist Youth League Committee of the Headquarters and the Deputy Secretary of the Communist Youth League Committee.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Independent Non-executive Directors

Mr. Su Xihe ("Mr. Su"), aged 65, joined the Company as an independent non-executive director in May 2017, also the Chairman of the remuneration committee and a member of the audit committee and the nomination committee of the Company. He obtained a Master Degree in Economics from Wuhan University in China in 2002. He worked in Henan Industrial and Commercial Bank for more than 13 years and held various positions, including the president of Yanjin County Branch, the head of the provincial credit department and the president of Xinxiang City Branch. He joined China Huarong Asset Management in April 2000 and retired in February 2015, during which he has served as deputy general manager of Zhengzhou office, general manager of audit department at head office, general manager of Shenyang office, general manager of Fuzhou office and others. He was the general manager at the Beijing Branch of China Huarong Asset Management Co., Ltd. upon retirement. Mr. Su has over 36 years of experience in finance and asset management.

Mr. Wong Wai Chun Alex ("Mr. Wong"), aged 42, joined the Company as an independent non-executive director in May 2017, also the Chairman of the audit committee, a member of the remuneration committee and the nomination committee of the Company. He obtained a bachelor degree in Accounting and Finance at the University of Glamorgan (now known as the University of South Wales) in the United Kingdom in 2001. Mr. Wong is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. He has over 8 years' experience in auditing and accounting field. He is a director of Grand Moore Capital Ltd. Mr. Wong is also an independent non-executive director of North Mining Shares Company Limited (a company listed on the Stock Exchange, stock code: 433) and serves as the chairman of the audit committee and members of the remuneration committee and the financial reporting committee.

Mr. He Yaode ("Mr. He"), aged 51, joined the Company as an independent non-executive director in May 2018, also a member of the audit committee, the remuneration committee and the nomination committee of the Company. He obtained his doctoral degree in civil law and commercial law from Renmin University of China in 2010. He has over 25 years of experience as legal counsel. Starting his career as a practicing lawyer in 1993, Mr. He accumulated extensive experience in legal practices and developed a strong foundation of legal theories. In 2001, Mr. He began to serve as a retained legal counsel for various business entities in Beijing due to his extensivere search and unique insight into contract laws, company laws, securities laws, laws governing foreign investments, financing for projects (including financing for road construction projects, real estate, large-size tender and bidding projects), capital operation and disputes related to intellectual property rights (including patents, trademarks and trade secrets), as well as his ample practical experiences in handling significant, complicated and difficult cases.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Yang Huaijun ("Mr. Yang"), aged 47, graduated from the Business Administration School of the Renmin University of China with a Master Degree in Management in 2000. Mr. Yang has been engaged in asset management services and is familiar with the Chinese market. He has extensive experience in corporate management and asset management. From April 2000 to March 2016, Mr. Yang served as the project manager and the departmental general manager at the Beijing Branch of China Huarong Asset Management Co., Ltd. respectively. From March 2016 to February 2017, Mr. Yang served as the managing director of Huarong Jiantou Asset Management Co., Ltd (華融建投資產管理有限公司).

COMPANY SECRETARY

Ms. Ho Wing Yan ("Ms. Ho") was appointed as the company secretary and the authorised representatives of the Company with effect from 5 July 2019. She has more than ten years of experience in serving as company secretary of Hong Kong companies and providing company secretary services to companies listed on the Stock Exchange. Ms. Ho Wing Yan is an associate member of both The Hong Kong Institute of Chartered Secretaries ("HKICS") and The Institute of Chartered Secretaries and Administrators. She is also a holder of the Practitioner's Endorsement issued by HKICS.

The Directors present their report and the audited consolidated financial statements of China Gem Holdings Limited (the "Company", together with its subsidiaries, the "Group") for the year ended 31 December 2019 (the "Year").

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Group are providing money lending, license and financial service business, fund investment and property development. The principal activities of the Company's principal subsidiaries are set out in note 38 to the consolidated financial statements.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2019 is provided in the Management Discussion and Analysis set out on pages 6 to 13 of this annual report.

SEGMENT INFORMATION

An analysis to the Group's turnover and contribution to results by principal activities for the year ended 31 December 2019 is set out in note 6 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The Group's results for the year ended 31 December 2019 and the statements of financial position of the Group as at 31 December 2019 are set out in the consolidated financial statements on pages 58 to 60.

FINAL DIVIDEND

The Board did not recommend the payment of any dividend in respect of the year ended 31 December 2019 (2018: Nil).

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and the assets, liabilities and non-controlling interests of the Group for the last five years is set out on pages 155 to 156. This summary does not form part of the audited consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Year are set out in note 34 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the Year are set out in note 39 to the consolidated financial statements and in the consolidated statement of changes in equity on page 61 of the annual report respectively.

DIRECTORS' REPORT

DISTRIBUTABLE RESERVES

The Company has no reserves, comprise share premium and accumulated losses, available for distribution to shareholders as at 31 December 2019 (31 December 2018: no reserves available for distribution).

Pursuant to the Companies Act 1981 of Bermuda, the Company's share premium account of HK$1,904,307,000 (31 December 2018: HK$1,888,560,000) can be distributed in the form of fully paid shares.

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group during the Year are set out in note 18 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

DIRECTORS

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

Executive Directors

Mr. Liu Jieshan (1)
Mr. Cui Lei (2)
Mr. Yang Huaijun (3)
Mr. Han Litie (4)
Mr. Sun Xuguo (5)
Mr. Chen Jie (6)

Non-executive Director

Mr. Hong Yu (7)

Independent Non-executive Directors

Mr. Su Xihe
Mr. Wong Wai Chun Alex
Mr. He Yaode

(1) Mr. Liu Jieshan resigned as an executive Director and the chairman of the Board on due to his intention to concentrate on other business commitments on 22 January 2020.

(2) Mr. Cui Lei resigned as an executive Director and the chief executive of the Company due to his intention to concentrate on other business commitments on 22 January 2020.

(3) Mr. Yang Huaijun resigned as an executive Director and the vice chief executive of the Company on 1 July 2019 due to his health reasons.

(4) Mr. Han Litie resigned as an executive Director and chief financial officer of the Company on 26 June 2019 in order to devote more time to other business commitments.

(5) Mr. Sun Xuguo was appointed as an executive Director and chief executive of the Company on 22 January 2020 and resigned on 26 March 2020 due to other business commitments.

(6) Mr. Chen Jie was appointed as an executive Director and the chief executive of the Company on 26 March 2020.

(7) Mr. Hong Yu was appointed as an non-executive Director on 22 January 2020.

Biographical details of the existing Directors are set out on pages 14 to 15.

In accordance with bye-laws 86(2) of the Bye-laws of the Company, any director appointed by the Board to fill a casual vacancy shall hold office only until the next following general meeting of the Company and shall be eligible for re-election. Accordingly, Mr. Chen Jie, Mr. Liu Tingan and Mr. Hong Yu shall be eligible for re-election at the AGM.

In accordance with bye-laws 87(1) and 87(2) of the Bye-laws of the Company, Mr. Su Xihe shall retire from office by rotation and being eligible, will offer himself for re-election at the AGM.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors are independent.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the Year. The Company has arranged insurance coverage in respect of legal action against its Directors during the Year.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming AGM has a service agreement with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

CHANGES IN INFORMATION ON DIRECTORS

Mr. Su Xihe was appointed as the chairman of the Nomination Committee with effect from 22 January 2020 and ceased as the chairman and remained as a member of Nomination Committee on 31 March 2020.

Save as disclosed herein, there is no change in information on the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading of "Directors' and chief executives' interests in shares", the "2010 Share Option Scheme" and "2019 Share Option Scheme" as disclosed below, at no time during the Year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors of the Company to acquire such rights in any other body corporate.

MANAGEMENT CONTRACTS

Save for the service agreements, 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.

EQUITY-LINKED AGREEMENT

Details of equity-linked agreements were entered into by the Company during the year ended 31 December 2019 or subsisted at the end of the Year are set out below:

2010 Share Option Scheme

The share option scheme was approved and adopted by the Shareholders pursuant to an ordinary resolution passed on 28 July 2010 with scheme mandate limit refreshed on 25 May 2016 and was terminated by the Shareholders on 27 May 2019 (the "2010 Share Option Scheme").

The main purpose of the 2010 Share Option Scheme is to provide incentives or rewards to the eligible participants for their contribution to the Group. The eligible participants include employees (whether full-time or part-time) and directors of the Company or any subsidiary. The eligible participants shall be determined by the Board from time to time on the basis of his contribution or potential contribution to the development and growth of our Group.

Subject to the terms and conditions of the 2010 Share Option Scheme, the total number of Shares issued and to be issued upon exercise of the options granted to each eligible participant or grantee including exercised and outstanding options in any twelve month period up to the date of grant shall not exceed 1% of the Shares in issue without prior approval from the Shareholders. Any grant of options to substantial Shareholders or independent non-executive Directors in excess of 0.1% of the Company's issued Shares and with a value in excess of HK$5,000,000 must be approved in advance by the Shareholders. The total number of Shares available for issue under the 2010 Share Option Scheme is 72,620,000 Shares, representing approximately 1.71% of the number of issued Shares as at the date of this report.

An option may be accepted by a participant within 21 days from the date of the offer for grant of the option. A nominal consideration of HK$1 is payable on acceptance of the grant of an option under the 2010 Share Option Scheme. An option may be exercised in accordance with the terms of the 2010 Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on the day when the offer for the grant of options is made but shall end in any event not later than 10 years from the day when the offer for the grant of options is made subject to the provisions for early termination thereof. Unless otherwise determined by the Directors and stated in the offer for the grant of options to grantees, there is no minimum period required under the 2010 Share Option Scheme for the holding of an option before it can be exercised.

Before the termination of the 2010 Share Option Scheme and under the terms of the 2010 Share Option Scheme, the Board may, at their discretion, grant options to the participants who fall within the definition prescribed in the 2010 Share Option Scheme including the directors and employees of the Company or its subsidiaries to subscribe for Shares at a price equal to the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the shares on the offer date; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding to the offer date; and (iii) the nominal value of the Shares. Outstanding share options granted under the 2010 Share Option Scheme prior to such termination shall continue to be valid and, subject to the vesting schedule, exercisable in accordance with the 2010 Share Option Scheme.

Subject to earlier termination by the Company in general meeting or by the Directors, the 2010 Share Option Scheme shall be valid and effective for a period of ten years from the date of adoption.

Details of the share options outstanding as at 31 December 2019 which have been granted under the 2010 Share Option Scheme are as follows:

Category and name of participants	Grant date	Exercisable from	Exercisable until	Outstanding as at 1 January 2019	Granted during the Year	Exercised during the Year (Note)	Lapsed/ Cancelled during the Year	Outstanding as at 31 December 2019	Exercise price per Share (HK$)
Directors									
Liu Jieshan	23 November 2018	23 November 2018	22 November 2023	4,134,000	–	4,134,000	–	–	0.108
	23 November 2018	23 February 2019	22 November 2023	16,536,000	–	16,536,000	–	–	0.108
	23 November 2018	23 May 2019	22 November 2023	20,670,000	–	20,670,000	–	–	0.108
Cui Lei	23 November 2018	23 November 2018	22 November 2023	4,134,000	–	4,134,000	–	–	0.108
	23 November 2018	23 February 2019	22 November 2023	16,536,000	–	16,536,000	–	–	0.108
	23 November 2018	23 May 2019	22 November 2023	20,670,000	–	1,230,000	–	19,440,000	0.108
Employees	23 November 2018	23 November 2018	22 November 2023	16,536,000	–	8,268,000	4,134,000	4,134,000	0.108
	23 November 2018	23 February 2019	22 November 2023	66,144,000	–	32,402,000	16,536,000	17,206,000	0.108
	23 November 2018	23 May 2019	22 November 2023	82,680,000	–	10,730,000	20,670,000	51,280,000	0.108
Total				248,040,000		114,640,000	41,340,000	92,060,000	

Note: The weighted average closing price of the Shares immediately before the dates on which the share options were exercised is approximately HK$0.1416.

2019 Share Option Scheme

The new share option scheme of the Company was approved and adopted by the Shareholders pursuant to an ordinary resolution passed on 27 May 2019 (the "2019 Share Option Scheme"). The main purpose of the 2019 Share Option Scheme is to provide incentives or rewards to the eligible participants for their contribution or potential contribution. The eligible participants include employees (whether full-time or part-time) and directors of the Company or any subsidiary. The eligible participants shall be determined by the Board from time to time on the basis of his contribution or potential contribution to the development and growth of our Group.

Subject to the terms and conditions of the 2019 Share Option Scheme, the total number of Shares issued and to be issued upon exercise of the options granted to each eligible participant or grantee including exercised and outstanding options in any twelve month period up to the date of grant shall not exceed 1% of the Shares in issue without prior approval from the Shareholders. Any grant of options to substantial Shareholders or independent non-executive Directors in excess of 0.1% of the Company's issued Shares and with a value in excess of HK$5,000,000 must be approved in advance by the Shareholders. The total number of Shares available for issue under the 2019 Share Option Scheme is 414,597,333 Shares, representing approximately 9.76% of the number of issued Shares as at the date of this report.

An offer of the grant of an option shall be made to eligible participants in writing (and unless so made shall be invalid) in such form as the Board may from time to time determine and shall remain open for acceptance by the eligible participant concerned for a period of 21 days inclusive of, from the date upon which it is made provided that no such offer shall be open for acceptance after the earlier of the 10th anniversary of the date which the 2019 Share Option Scheme was adopted or the termination of the 2019 Share Option Scheme or the eligible participant to whom such offer is made has ceased to be an eligible participant. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

The subscription price for Shares under the 2019 Share Option Scheme may be determined by the Board at its absolute discretion but in any event will not be less than the highest of: (i) the closing price of the Shares on the Stock Exchange as shown in the daily quotations sheet of the Stock Exchange on the offer date, which must be a business day; (ii) the average of the closing prices of the Shares as shown in the daily quotations sheets of the Stock Exchange for the 5 business days immediately preceding the offer date; and (iii) the nominal value of the Share on the offer date.

Subject to the terms of the 2019 Share Option Scheme, an option may be exercised in whole or in part at any time during the period to be determined and notified by the Directors to the grantee thereof at the time of making an offer provided that such period shall not exceed the period of 10 years from the date of the grant of the particular option but subject to the provisions for early termination of the 2019 Share Option Scheme. There is no specified minimum period under the 2019 Share Option Scheme for which an option must be held or the performance target which must be achieved before an option can be exercised under the terms of the 2019 Share Option Scheme.

The 2019 Share Option Scheme shall be valid and effective for a period of ten years commencing from its date of adoption on 27 May 2019 and expiring on 26 May 2029. The remaining life of the Share Option Scheme is 9 years. No share option has been granted, exercised, lapsed or cancelled under the 2019 Share Option Scheme up to the date of this report.

DIRECTORS' RIGHTS TO ACQUIRE SECURITIES OR DEBENTURES

Other than the 2010 Share Option Scheme and 2019 Share Option Scheme as disclosed above, at no time during the year ended 31 December 2019 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of securities in, or debentures of, the Company or any other body corporate, and neither the Directors, nor chief executive of the Company, or any of their spouses or children under the age of 18 had any interests in, or had been granted, any rights to subscribe for any securities in or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such rights during the Year.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at 31 December 2019, interests of Directors in competing businesses of the Group were as follows:

Name of Director	Nature of competing business	Nature of interest	Name of company
Mr. Liu Jieshan	Providing financial services	As a director	China Gem Financial Group Limited
Mr. Cui Lei	Providing financial services	As a director	China Gem Financial Group Limited

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Other than as disclosed in note 40 to the consolidated financial statements, no transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries, holding companies, or fellow subsidiaries was a party and in which a Director or an 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 EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2019, the following Directors or the chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) which were required to be recorded in the register required to be kept by the Company under section 352 of the SFO; or (c) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Long positions in the Shares

Name of Directors	Capacity/Nature of Interest	Number of ordinary Shares	Number of underlying Shares held pursuant to share options	Total	Approximate percentage of the total issued Shares (Note a)
Liu Jieshan	Beneficial owner	41,340,000	0	41,340,000	1%
Cui Lei	Beneficial owner	21,900,000	19,440,000	41,340,000	1%

Note:

(a) These percentages are calculated on the basis of 4,250,013,330 issued Shares as at 31 December 2019.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as being known to the Directors or chief executive of the Company, as at 31 December 2019, the interests and short positions of the substantial Shareholders or other persons (other than the Directors or chief executive of the Company) in the Shares and underlying Shares which have been disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO and have been recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Name	**Capacity**	**Number of Shares held in long position (L)/ short position (S)**	**Approximate percentage of the total issued Shares** (Note g)
China Gem Financial Group Limited	Beneficial owner	820,092,952 (L) 511,281,872 (S)	19.30% (L) 12.03% (S)
China Gem Group Limited (Note a)	Interests in controlled corporation	820,092,952 (L) 511,281,872 (S)	19.30% (L) 12.03% (S)
Zhong Ling (Note b)	Interests in controlled corporation	820,092,952 (L) 511,281,872 (S)	19.30% (L) 12.03% (S)
Hua Tai Investment Co. Ltd.	Beneficial owner	648,878,128 (L) 138,718,128 (S)	15.27% (L) 3.26% (S)
An Hong (Note c)	Interests in controlled corporation	648,878,128 (L) 138,718,128 (S)	15.27% (L) 3.26% (S)
至卓飛高企業管理諮詢服務(韶關)有限公司	Person having a security interest in shares	493,160,000 (L)	11.60% (L)
Topsearch Printed Circuits (HK) Limited (Note d)	Interests in controlled corporation	493,160,000 (L)	11.60% (L)
Topsearch Industries (Holdings) Limited (Note d)	Interests in controlled corporation	493,160,000 (L)	11.60% (L)
Topsearch Industries (BVI) Limited (Note d)	Interests in controlled corporation	493,160,000 (L)	11.60% (L)
China HKBridge Holdings Limited (Note d)	Interests in controlled corporation	493,160,000 (L)	11.60% (L)
Prosper Talent Limited (Note e)	Person having a security interest in shares	359,537,333 (L)	8.46% (L)
CCBI Investments Limited (Note e)	Interests in controlled corporation	359,537,333 (L)	8.46% (L)
CCB International (Holdings) Limited (Note e)	Interests in controlled corporation	359,537,333 (L)	8.46% (L)
CCB Financial Holdings Limited (Note e)	Interests in controlled corporation	359,537,333 (L)	8.46% (L)
CCB International Group Holdings Limited (Note e)	Interests in controlled corporation	359,537,333 (L)	8.46% (L)
China Construction Bank Corporation (Note e)	Interests in controlled corporation	359,537,333 (L)	8.46% (L)
Central Huijin Investment Ltd. (Note e)	Interests in controlled corporation	359,537,333 (L)	8.46% (L)
Fen River Capital Limited	Beneficial owner Person having a security interest in shares	5,880,000 (L) 290,462,667 (L)	0.14% (L) 6.83% (L)
Huang Zhengxiong (Note f)	Interests in controlled corporation	296,342,667 (L)	6.97% (L)

Notes:

(a) China Gem Group Limited was deemed to be interested in the 820,092,952 Shares as it directly held 100% of the issued shares of China Gem Financial Group Limited.

(b) Mr. Zhong Ling was deemed to be interested in the 820,092,952 Shares as he indirectly held 100% of the issued shares of China Gem Financial Group Limited.

(c) Mr. An Hong was deemed to be interested in the 648,878,128 Shares as he directly held 100% of the issued shares of Hua Tai Investment Co. Ltd.

(d) 至卓飛高企業管理諮詢服務(韶關)有限公司 is a wholly-owned subsidiary of Topsearch Printed Circuits (HK) Limited, which in turn is a wholly-owned subsidiary of Topsearch Industries (Holdings) Limited, which in turn is a wholly-owned subsidiary of Topsearch Industries (BVI) Limited, which in turn is a wholly-owned subsidiary of China HKBridge Holdings Limited.

(e) On 3 November 2017, the Company entered into a note purchase agreement with Prosper Talent Limited in relation to two-year notes in an aggregate principal amount of HK$180 million. China Gem Financial Group Limited charged 359,537,333 Shares in favour of the Prosper Talent Limited as security for the notes.

Prosper Talent Limited is a wholly-owned subsidiary of CCBI Investments Limited, which in turn is a wholly-owned subsidiary of CCB International (Holdings) Limited, which in turn is a wholly-owned subsidiary of CCB Financial Holdings Limited, which in turn is a wholly-owned subsidiary of CCB International Group Holdings Limited, which in turn is a wholly-owned subsidiary of China Construction Bank Corporation, which is 57.11% held by Central Huijin Investment Ltd.

(f) Mr. Huang Zhengxiong was deemed to be interested in the 296,342,667 shares as he directly held 100% of the issued shares of Fen River Capital Limited.

(g) These percentages are calculated on the basis of 4,250,013,330 issued Shares as at 31 December 2019.

Save as disclosed above, the Company has not been notified of any persons other than substantial shareholders who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register kept by the Company pursuant to Section 336 of the SFO as at 31 December 2019.

ADVANCE TO AN ENTITY

On 27 December 2017, Professional Wealth Creation Limited (the "Lender", a wholly-owned subsidiary of the Company) entered into the First Facility Agreement with Debao Property Development (HK) Limited (the "Borrower", an independent third party), pursuant to which the Lender agreed to grant to the Borrower a facility in the principal amount of HK$30,000,000, bearing interest at a rate of 15% per annum for a period of three months (the "First Facility"). The Borrower paid all the interest on the First Facility on drawdown date and repaid the principal of the First Facility in full to the Lender on the repayment date.

On 7 February 2018, the Lender entered into the Second Facility Agreement with the Borrower and Debao Property Development Ltd. (the "Corporate Guarantor"), pursuant to which the Lender agreed to further grant to the Borrower a facility in the principal amount of HK$23,000,000 or the equivalent amount in US dollars, bearing interest at a rate of 15% per annum for a period of two months (the "Second Facility") and the Corporate Guarantor agreed to guarantee the obligations of the Borrower under the Second Facility Agreement. The Borrower paid all the interest and repaid the principal of the Second Facility in full to the Lender on the repayment date.

On 9 April 2018, the Lender entered into the Third Facility Agreement with the Borrower and the Corporate Guarantor, pursuant to which the Lender agreed to further grant to the Borrower a facility in the principal amount of HK$50,000,000 or the equivalent amount in US dollars, bearing interest at a rate of 15% per annum for a period of six months (the "Third Facility") and the Corporate Guarantor agreed to guarantee the obligations of the Borrower under the Third Facility Agreement. The Borrower has not paid any the interest and has not repaid the principal of the Third Facility to the Lender as of the date hereof.

CONTINUING CONNECTED TRANSACTION

On 15 June 2018, Old Peak entered into an administration agreement with China Gem L.P. (the "Administration Agreement"), pursuant to which China Gem L.P. agreed to appoint Old Peak and Old Peak agreed to provide administration services to China Gem L.P. for the period from 15 June 2018 to 14 June 2019. The total amount of the service fees receivable by Old Peak under the Administration Agreement would not exceed HK$3,000,000. Details of the transaction were set out in the announcement of the Company dated 15 June 2018.

China Gem Financial Group Limited ("CG Finance") was directly interested in approximately 29.80% of the issued shares capital of the Company as at the date of the Administration Agreement, and approximately 19.30% of the issued share capital of the Company as at 31 December 2019.CG Finance directly wholly own China Gem Investment Management Limited which is the general partner of the partnership of the China Gem L.P.. Accordingly, China Gem L.P. was a connected person of the Company as at the date of the Administration Agreement and 31 December 2019. The Administration Agreement was carried out on a continuing basis and in the ordinary and usual course of business of the Company, constituted the continuing connected transactions for the Company under Rule 14A.31 of the Listing Rules.

Directors believe that it is for the benefit of the Group to enter into the Administration Agreement because it will provide the Group with more diversity as a financial services provider and can utilise our existing knowledge and expertise to produce a stable income stream. The terms of the Administration Agreement were determined after arm's length negotiation between the parties thereto. The Directors (including the independent non-executive Directors) are of the view that the terms of the Administration Agreement are on normal commercial terms, in the ordinary and usual course of business of the Company and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The independent non-executive Directors reviewed the above continuing connected transaction and confirmed that such transaction has been entered into by the Group in the ordinary and usual course of business of the Group, on normal commercial terms, and in accordance with the relevant agreement governing such transaction on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

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

Save as disclosed above, there is no connected transaction or continuing connected transaction undertaken by the Company during the year ended 31 December 2019 and up to the date of this report which is required to be disclosed pursuant to Chapter 14A of the Listing Rules.

KEY RELATIONSHIPS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

The Group recognizes the accomplishment of the employees by providing comprehensive benefit package, career development opportunities and internal training appropriate to individual needs. The Group provides a healthy and safe workplace for all employees. No strikes and cases of fatality due to workplace accidents are found during the year ended 31 December 2019. The Group values the views and opinions of all customers through various means and channels, including usage of business intelligence to understand customer trends and needs and regularly analyzes its customers' feedbacks.

For the year ended 31 December 2019, the Group had no major suppliers due to the nature of the principal activities of the Group.

Our major customers include companies in industrial investment, chemical industry, trading, investment holding, mining investment, investment management, real eastate investment, high-tech investment, steel structure engineering and installation, intelligent parking, automobile and electronic business. The years of business relationship with the Group ranged from 2 to 3 years and the credit terms granted to the major customers ranged from 0 to 180 days. Details of the trade and other receivables of the Group as at 31 December 2019 are set out in note 24 to the financial statements. Up to the date of this report, approximately 0% of the trade and other receivables from the major customers has been settled.

During the year ended 31 December 2019, the Group has not experienced any major disruption of business due to material delay or default of payment by our customers due to their financial difficulties. We did not have any material dispute with our customers.

MAJOR SUPPLIERS AND CUSTOMERS

The amount of revenue attributable to the Group's largest customer represented 22% of the Group's total revenue.

The aggregate amount of revenue attributable to the Group's five largest customers represented 72% of the Group's total revenue.

In addition, the nature of the activities of the Group is such that the Group has no purchases during the Year.

As far as the Directors are aware, neither the Directors, their close associates nor those shareholders (which to the knowledge of the Directors own more than 5% of the Company's share capital) had any interest in the Group's five largest customers.

PRE-EMPTIVE RIGHTS

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

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

On 18 April 2019, 10,600,000 shares of the Company (the "Shares") were issued upon exercise of the share options by Director under the 2010 Share Option Scheme. On 28 May 2019, 34,740,000 Shares were issued upon exercise of the share options by Directors under the 2010 Share Option Scheme. On 6 June 2019, 52,000,000 Shares were issued upon exercise of the share options by Directors under the 2010 Share Option Scheme. On 26 August 2019, 17,300,000 Shares were issued upon exercise of the share options by Directors under the 2010 Share Option Scheme.

Save as disclosed above, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2019.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules.

COMPLIANCE WITH LAWS AND REGULATIONS

As far as the Company is aware, save as disclosed in note 22 to the consolidated financial statements, there was no material breach of or non-compliance with all applicable laws and regulations that had a significant impact on the businesses and operation of the Group during the Year.

CORPORATE GOVERNANCE

Particulars of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 31 to 43 of the annual report.

EVENTS AFTER THE REPORTING PERIOD

Events after reporting period are disclosed in note 46 to the consolidated financial statements.

AUDITOR

The consolidated financial statements of the Group for the seventeen months ended 31 December 2017 and the year ended 31 December 2018 were audited by BDO Limited ("BDO"). BDO resigned as the auditor of the Company with effect from 10 January 2020 and Yongtuo Fuson CPA Limited ("Yongtuo Fuson") was appointed as the auditor of the Company with effect from 10 January 2020 to fill the casual vacancy and to hold office until the conclusion of the forthcoming AGM.

The consolidated financial statements of the Group for the year ended 31 December 2019 were audited by Yongtuo Fuson whose term of office will expire upon the AGM. A resolution for the appointment of Yongtuo Fuson as the auditors of the Company for the subsequent year is to be proposed at the AGM.

On Behalf of the Board

Mr. Chen Jie
Executive Director and Chief Executive

Hong Kong, 30 March 2020

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

Compliance with the Corporate Governance Code

The Board is committed to establish and maintain high standards of corporate governance practices and procedures to enhance shareholders' interest and promote sustainable development. The Company has adopted the code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") as its own code of corporate governance.

Throughout the year ended 31 December 2019, the Company has complied with the code provisions of the CG Code.

The corporate governance principles of the Company emphasis an effective Board, sound internal control, appropriate independence policy, transparency and accountability to the shareholders of the Company. The Board will continue to monitor and revise the Company's corporate governance policies in order to ensure that such policies may meet the general rules and standards required by the Listing Rules. Throughout the year ended 31 December 2019 (the"Year"), the Company has complied with the code provisions of the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company. In response to specific enquiry made by the Company, all Directors confirmed that they had complied with the required standard set out in the Model Code throughout the year ended 31 December 2019. The Company also adopted a code of conduct governing securities transactions by its employees who may access to inside information relating to the Company.

BOARD OF DIRECTORS

As at the date of this report, the Board comprises five Directors, including one executive Director, one non-executive Director and three independent non-executive Directors. The biographical details of the Directors are set out in the section entitled "Biographies of Directors and Senior Management" on pages 14 to 15 in this Annual Report. Each of the Directors had signed a service agreement setting out the key terms and conditions of his service. A list containing the names of all the Directors and their role and function has been published on the respective websites of the Stock Exchange and the Company pursuant to code provision A.3.2 of the CG Code, and will be updated from time to time as and when there are any changes.

The Company maintained a sufficient number of independent non-executive Directors representing more than one- third of the Board as required under the Listing Rules. The three independent non-executive Directors possessed professional expertise and adiverse range of experience. The Board can effectively and efficiently exercise independent judgment, give independent advice to the management of the Company and make decisions objectively to the benefits and in the interests of the Company and the Shareholders as a whole.

The Board delegated its functions to various Board committees (including the Audit Committee, Remuneration Committee and Nomination Committee), with specific written terms of reference which clearly define their respective roles, authorities and functions while specifically reserving certain important matters and decisions for the Board's approval.

Regular Board meetings are held at least four times a year with at least fourteen days prior notice being given to all the Directors. Additional Board meeting(s) will be arranged and held as and when required. The Directors may attend the Board meetings either in person or through electronic means of communication. A total of 6 Board meetings were held during the year ended 31 December 2019.

The Directors are provided with all relevant information in advance to enable them to make informed decisions and appropriate arrangements to ensure that they are given every opportunity to include matters in the agendas for the regular Board meetings. All Directors have separate and independent access to the advice and services of the Group's senior management and consultants to ensure the Board complying with all applicable laws, rules and regulations.

The attendance record of each individual Board member at Board meetings, various Board committee meetings and general meetings of the Company held during the Year are as follows:

	Attendance/Number of Meetings					
Name of Directors	**Board**	**Audit**	**Remuneration**	**Nomination**	**Executive**	**AGM**
Executive Directors						
Mr. Liu Jieshan [1]	6/6	—	—	1/1	6/6	1/1
Mr. Cui Lei [2]	6/6	—	—	—	6/6	1/1
Mr. Yang Huaijun [3]	2/6	—	—	—	6/6	1/1
Mr. Han Litie [4]	2/6	—	—	—	6/6	1/1
Mr. Sun Xuguo [5]	—	—	—	—	—	—
Mr. Chen Jie *(Chief Executive)* [6]	—	—	—	—	—	—
Non-executive Director						
Mr. Hong Yu [7]	—	—	—	—	—	—
Independent Non-executive Directors						
Mr. Su Xihe	6/6	3/3	1/1	1/1	—	1/1
Mr. Wong Wai Chun Alex	6/6	3/3	1/1	1/1	—	1/1
Mr. He Yaode	6/6	3/3	1/1	1/1	—	1/1

(1) Mr. Liu Jieshan resigned as an executive Director and the chairman of the board on due to his intention to concentrate on other business commitments on 22 January 2020.

(2) Mr. Cui Lei resigned as an executive Director and the chief executive of the Company to concentrate on other business commitments on 22 January 2020.

(3) Mr. Yang Huaijun resigned as an executive Director and vice chief executive of the Company on 1 July 2019 due to his health reasons.

(4) Mr. Han Litie resigned as an executive Director and chief financial officer of the Company on 26 June 2019 in order to devote more time to other business commitments.

(5) Mr. Sun Xuguo was appointed as an executive Director and chief executive of the Company on 22 January 2020 and resigned on 26 March 2020 due to other business commitments.

(6) Mr. Chen Jie was appointed as an executive Director and the chief executive of the Company on 26 March 2020.

(7) Mr. Hong Yu was appointed as an non-executive Director on 22 January 2020.

Chairman and Chief Executive

During the Year, the roles of the Chairman and the Chief Executive, held by separate individuals, Mr. Liu Jieshan and Mr. Cui Lei respectively, are clearly segregated with an aim to providing a balance of power and authority. The Chairman is principally responsible for the strategic planning of the Group and the management of the operations of the Board. The Chief Executive is mainly responsible for the operations and business development of the Group.

Appointment and Re-election of Directors

The procedures and process of appointment, re-election and removal of Directors are laid down in the Company's Bye-laws. The Nomination Committee is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment and succession planning of Directors and assessing the independence of independent non-executive Directors.

Pursuant to the bye-laws of the Company (the "Bye-laws") and the CG Code, every Director is subject to re-election and retirement by rotation at least once every three (3) years. All the non-executive Directors are subject to the aforesaid retirement requirements and are appointed for a specific term of not more than three (3) years. Further, pursuant to the Bye-laws, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number neatest to but not less than one-third) shall retire from office by rotation. A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he/she retires, provided that every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years. Accordingly, each of Mr. Chen Jie, Mr. Liu Tingan, Mr. Hong Yu and Mr. Su Xihe shall be eligible for re-election by the Shareholders in the forthcoming AGM.

Independent Non-executive Directors

The Board has three (3) independent non-executive Directors with at least one (1) of whom has the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10 of the Listing Rules. The Company has received from each of the independent non-executive Directors an annual written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors are independent.

Directors' Continuous Professional Development

All Directors are provided with training, updates and written materials on relevant laws, rules and regulations to ensure that Directors are aware of the latest changes in the commercial and regulatory environment in which the Company conducts its business. The Directors are encouraged to participate in various professional development programmes especially in relation to latest updates on relevant rules, regulations and compliance requirements to develop and refresh their knowledge and skills in order to ensure that the Directors' contribution to the Board remains informed and relevant.

According to the records of training provided by each Director to the Company, training received by all Directors is summarized in the following table:

	Types of Continuous Professional Development Programme		
	Updates on laws, rules and regulations or corporate governance matters	**Updates on directors' roles, function and duties**	**Updates on accounting, financial or other professional skills**
Executive Directors			
Mr. Liu Jieshan [(1)]	√	√	
Mr. Cui Lei [(2)]	√	√	
Mr. Yang Huaijun [(3)]	√	√	
Mr. Han Litie [(4)]			√
Mr. Sun Xuguo [(5)]	N/A	N/A	N/A
Mr. Chen Jie *(Chief Executive)* [(6)]	N/A	N/A	N/A
Non-executive Director			
Mr. Hong Yu [(7)]	N/A	N/A	N/A
Independent Non-executive Directors			
Mr. Su Xihe	√	√	
Mr. Wong Wai Chun Alex	√	√	
Mr. He Yaode		√	

(1) Mr. Liu Jieshan resigned as an executive Director and the chairman of the board on due to his intention to concentrate on other business commitments on 22 January 2020.

(2) Mr. Cui Lei resigned as an executive Director and the chief executive of the Company to concentrate on other business commitments on 22 January 2020.

(3) Mr. Yang Huaijun resigned as an executive Director and vice chief executive of the Company on 1 July 2019 due to his health reasons.

(4) Mr. Han Litie resigned as an executive Director and chief financial officer of the Company on 26 June 2019 in order to devote more time to other business commitments.

(5) Mr. Sun Xuguo was appointed as an executive Director and chief executive of the Company on 22 January 2020 and resigned on 26 March 2020 due to other business commitments.

(6) Mr. Chen Jie was appointed as an executive Director and the chief executive of the Company on 26 March 2020.

(7) Mr. Hong Yu was appointed as an non-executive Director on 22 January 2020.

Directors' Insurance

During the Year, the Company has arranged insurance coverage in respect of legal action against the Directors and officers arising out of their duties. Such insurance coverage will be reviewed at least annually to ensure the adequacy of its coverage.

AUDIT COMMITTEE

The Audit Committee was set up with the responsibilities of reviewing and providing supervision over the Group's financial reporting process, risk management and internal controls. As at the date of this report, the Audit Committee comprises three independent non-executive Directors, namely Mr. Wong Wai Chun Alex (Chairman of the Audit Committee), Mr. Su Xihe and Mr. He Yaode.

The audited consolidated results of the Group for the year ended 31 December 2019 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that such statements comply with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures have been made.

The Audit Committee reviews the interim and annual reports before submission to the Board. At least one member has an appropriate professional qualification or accounting or related financial management expertise. The Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual reports.

Senior representatives of the external auditor, Executive Directors and senior executives are invited to attend the meetings, if required. Each of the Audit Committee members has unrestricted access to the Group's external auditor and the management.

Summary of works

Audit Committee held three meetings during the Year. The Audit Committee reviewed the annual and interim results; made recommendations to the Board on the terms of engagement of the external and internal auditors; and reviewed the systems of risk management and internal control and its other duties in accordance with the Audit Committee's terms of reference.

REMUNERATION COMMITTEE

The Board has established the Remuneration Committee with specific written terms of reference which clearly define its role, authority and function. As at the date of this report, the Remuneration Committee comprises three members, all being independent non-executive Directors, namely Mr. Su Xihe (Chairman of the Remuneration Committee), Mr. Wong Wai Chun Alex and Mr. He Yaode.

The Remuneration Committee is authorized to investigate any matter within its terms of reference and seeks any information it requires from any employee or Director of the Company and obtains outside legal or other independent professional advice at the cost of the Company if it considers necessary.

Summary of works

The Remuneration Committee held are meeting during the Year. The Remuneration Committee reviewed the remuneration packages of the all the Directors and the senior management, made recommendations to the Board on the remuneration of the newly appointed Directors and the senior management and the grant of share options in accordance with the terms of reference of the Remuneration Committee.

Remuneration Policy

The remuneration policy regarding the Directors and senior management of the Group was formulated and will be reviewed by the Remuneration Committee from time to time. Directors, senior management and other employees are remunerated according to their qualifications and experience, job nature and performance and under the pay scales aligned with market conditions. In addition to the contractual remuneration, other benefits including discretionary bonus, medical benefits, insurance coverage and share options may also be offered upon the determination of the Group.

The Company has adopted the 2010 Share Option Scheme and 2019 Share Option Scheme as an incentive to the Directors and eligible employees of the Group. Details of the 2010 Share Option Scheme and 2019 Share Option Scheme are set out in the sections headed "2010 Share Option Scheme" and "2019 Share Option Scheme" in the Directors' Report.

Pursuant to code provision B1.5 of the CG Code, the details of the annual remuneration of the senior management by band for the year ended 31 December 2019 is as follows:

	Number of senior management
Nil to HK$1,000,000	1
HK$1,000,001 to HK$1,500,000	—
HK$1,500,001 to HK$2,000,000	—
HK$2,000,001 to HK$2,500,000	—
HK$2,500,001 to HK$3,000,000	—
HK$3,000,001 to HK$3,500,000	—
	1

Details of the remuneration of each Director for the year ended 31 December 2019 are set out in note 12 to the consolidated financial statements.

NOMINATION COMMITTEE

The Board has established the Nomination Committee with specific written terms of reference which clearly define its role, authority and function. As at the date of this report, the Nomination Committee comprises three members, all being independent non-executive Directors, namely Mr. Su Xihe (Chairman of the Nomination Committee), Mr. Wong Wai Chun Alex and Mr. He Yaode.

The Nomination Committee is scheduled to meet at least once a year for the review of the structure, size and composition including skills, knowledge and experience of the Board. In addition, the Nomination Committee also meets as it is required to consider nomination of related matters.

Summary of works

Nomination Committee held one meeting during the Year. The Nomination Committee made recommendations to the Board on the appointment of the newly appointed Directors and the senior management in accordance with the terms of reference of the Nomination Committee, reviewed the board diversity policy, the structure, size and composition of the Board and made recommendations on any proposed changes to the Board to complement the Company's strategy.

Nomination Policy

The Board approved and adopted a nomination policy (the "Nomination Policy"). The Nomination Policy sets out the principles which guide the Nomination Committee to identify and evaluate a candidate for nomination to (i) the board of Directors for appointment and (ii) shareholders of the Company for election, as a Director.

Selection Criteria

1. The Committee shall consider a number of factors in assessing the suitability of a proposed candidate:

   (a) Reputation for integrity;

   (b) Experience and Professional Expertise, in particular in the financial industry;

   (c) Commitment in respect of available time, interest and attention to the Company's business;

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

   (e) Compliance with the criteria of independence as prescribed under Rule 3.13 of the Listing Rules for the appointment of an independent non-executive director; and

   (f) Any other factors as the Nomination Committee may deem fit to consider in the best interests of the Company and shareholders of the Company.

2. The appointment of any proposed candidate to the Board or re-appointment of any existing member(s) of the Board shall be made in accordance with the Company's Bye-laws and other applicable rules and regulations.

Nomination Procedures

1. The Secretary of the Nomination Committee shall convene a meeting, and invite nominations of candidates from Board members (if any), for consideration by the Committee. The Nomination Committee may also nominate candidates for Board's consideration.

2. In the context of appointment of any proposed candidate to the Board, the Committee shall undertake adequate due diligence in respect of such individual and make recommendations for the Board's consideration and approval.

3. In the context of re-appointment of any existing member(s) of the Board, the Nomination Committee shall make recommendations to the Board for its consideration and recommendation, for the proposed candidates to stand for re-election at a general meeting.

4. If a shareholder wishes to propose a person for election as a director of the Company at a general meeting, he/she can deposit a written notice at the Company's principal office in Hong Kong for the attention of the Board or the company secretary of the Company or at the branch share registrar in Hong Kong within the lodgment period.

5. The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

Board Diversity Policy

The Nomination Committee adopted a board diversity policy (the "Board Diversity Policy"). A summary of this policy, together with the measurable objectives set for implementing this Policy, and the progress made towards achieving those objectives are disclosed as below:

The Company recognized and embraced the benefits of having a diverse Board to the quality of its performance. The Board Diversity Policy aimed to set out the approach to achieve diversity on the Board. In designing the Board's composition, Board diversity has been considered from a number of measurable aspects including gender, age, cultural and education background, professional experience and length of services. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regards for the benefits of diversity on the Board.

Measurable Objectives

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

Implementation and Monitoring

The Nomination Committee reviewed the Board's composition under diversified perspectives, and monitored the implementation of the Board Diversity Policy annually.

As at the date of this report, the Board comprises five Directors. Three of them are INEDs, and thereby to promote critical review and control of the management process. The Board is also characterised by significant diversity, whether considered in terms of age, length of services, professional background and skills.

The Nomination Committee has reviewed the Board Diversity Policy to ensure its effectiveness and considered that the Group achieved the Board Diversity Policy.

COMPANY SECRETARY

The Company has engaged under a service contract with an external service provider, Ms. Ho Wing Yan ("Ms. Ho"), who is appointed as the Company Secretary. Mr. Hong Yu, Non-executive director of the Company, is the primary corporate contact person of the Company with Ms. Ho.

Being the Company Secretary, Ms. Ho plays an important role in supporting the Board by ensuring good information flow within the Board and that Board policy and procedures are followed. Ms. Ho is responsible for advising the Board on corporate governance matters and should also facilitate induction and professional development of Directors. In accordance with Rule 3.29 of the Listing Rules, Ms. Ho took more than 15 hours of relevant professional training for the Year.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledged their responsibility for preparing the financial statements for each financial period to give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. Inpreparing the financial statements for the year ended 31 December 2019, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are fair and reasonable and prepared the financial statements on a going concern basis.

AUDITOR'S INDEPENDENCE AND REMUNERATION

The Audit Committee is mandated to monitor the independence of the external auditor to ensure the objectivity in the financial statements. During the year ended 31 December 2019, BDO Limited and Yongtuo Fuson provided the following audit and non-audit services to the Group:

Nature of Services	**Amount**
	HK$'000
External audit services (Yongtuo Fuson)	780
Non-audit services (Yongtuo Fuson)	151
External audit services (BDO Limited)	—
Non-audit services (BDO Limited)	—

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for the risk management and internal control systems of the Group and for reviewing their effectiveness. The Board is committed to implementing an effective and sound risk management and internal controls systems to safeguard the interests of the shareholders and the Group's assets.

The risk management and internal control systems are designed to manage, rather than eliminate business risk; to help safeguard the Group's assets against fraud and other irregularities; and to give reasonable, but not absolute, assurance against material financial misstatement or loss. In addition, it should provide a basis for the maintenance of proper and fair accounting records and assist in the compliance with relevant rules and regulations.

The Company has not established an internal audit department and the Directors are of the view that given the size, nature and complexity of the business of the Group, it would be more cost effective to arrange internal Risk Management Department to perform the internal audit function for the Group in order to meet its needs. The risk management and internal control systems are reviewed twice a year, starting with this review. The Group previously engaged external independent professional firms to perform this function.

The Company had arranged internal Risk Management Department to perform an annual review of the internal control systems (including accounting and management systems) of the Group. Based on its internal control review, the Risk Management Department recommended certain internal control improvement measures to the Group. The Company has made analysis to the recommendations and take corresponding reactions.

The process to identify, evaluate and manage risks are carried out on a regular and on-going basis. These processes are summarised as follows:

Risk identification

- Identify risks that may potentially affect the Group's business and operations.

Risk assessment

- Assess the impact and consequence of the identified risks on the business and the likelihood of their occurrence.

Response to findings of risk assessment

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

Risk monitoring and reporting

- Perform ongoing and regular monitoring of the risk and ensure that appropriate internal control processes are in place;
- Enhance the risk management strategies and internal control processes in case of any significant change of situation; and
- Report the results and effectiveness of risk management and internal control to the Board regularly.

The Board has, through the Audit Committee, conducted annual review of the effectiveness of the risk management and internal control systems of the Group. The review covered the budget of the Group's accounting and financial reporting function, adequacy of resources, staff qualifications and experience and training programmers during the Year. The Board considers that the Group's risk management and internal control systems are adequate and effective.

The Company has also established and maintained appropriate procedures for the handling and dissemination of inside information. Disclosure policy was adopted by the Company, providing a general guide to directors, senior management and relevant employees of the Group in the handling and/or monitoring of inside information disclosure pursuant to the relevant rules and regulations.

DIVIDEND POLICY

The Board approved and adopted a dividend policy (the "Dividend Policy"). According to the Dividend Policy, in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, inter alia:

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

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

(c) the Group's working capital requirements, capital expenditure requirements and future expansion plans;

(d) the Group's liquidity position;

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

(f) other factors that the Board may considered relevant.

The payment of dividend by the Company is also subject to any restrictions under the laws of Bermuda and the Company's Bye-laws.

The Board will continually review the Dividend Policy from time to time and there can be no assurance that dividends will be paid in any particular amount for any given period.

COMMUNICATION WITH SHAREHOLDERS

Communication with shareholders could enhance the confidence of investors. The primary communication channel between the Company and its shareholders include the publication of interim and annual reports, announcements and circulars, annual general meeting and other general meetings; the Company encourages all shareholders to attend annual general meeting. The Company's website also provides regularly updated Group information to shareholders; enquires on matters relating to shareholdings and the businesses of the Group are welcome, and are dealt with in an informative and timely manner.

SHAREHOLDERS' RIGHT

Shareholders to Convene a Special General Meeting

Pursuant to bye-law 58 of the Bye-laws, 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 of voting at general meeting of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda.

Putting Enquiries by Shareholders to the Board

Shareholders may send written enquiries to the Company for the attention of the Company Secretary at the Company's principal place of business in Hong Kong.

Procedures for Putting Forward Proposals at a General Meeting

According to Sections 79 and 80 of the Companies Act 1981 of Bermuda, shareholder(s) of the Company, at his/their own expense, holding (i) not less than one-twentieth of the total voting rights of all shareholders having at the date of requisition the right to vote at general meeting; or (ii) of not less than 100 in number, can submit a written request stating the resolution intended to be moved at the next annual general meeting. The requisition signed by the relevant shareholder(s) must be deposited at the head office of the Company at Room 2606B, 26/F., Bank of America Tower, 12 Harcourt Road, Central, Hong Kong for the attention to the Company Secretary not less than six weeks before the meeting. The request will be verified with the Hong Kong branch share registrar and transfer office of the Company and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board to include the resolution in the notice for such general meeting.

CONSTITUTIONAL DOCUMENTS

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

China Gem Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") are principally engaged in money lending, license and financial services business, fund investment and property development. The Company is committed to improving our Environmental, Social and Governance performance by upholding good corporate governance standards, protecting our environment, engaging the community and promoting social integration. This Environmental, Social and Governance Report of the Group (the "ESG Report") for the year ended 31 December 2019 (the "Year") was prepared in accordance with ESG Reporting Guide (the "ESG Guide") set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

A. ENVIRONMENTAL

A.1 Emissions

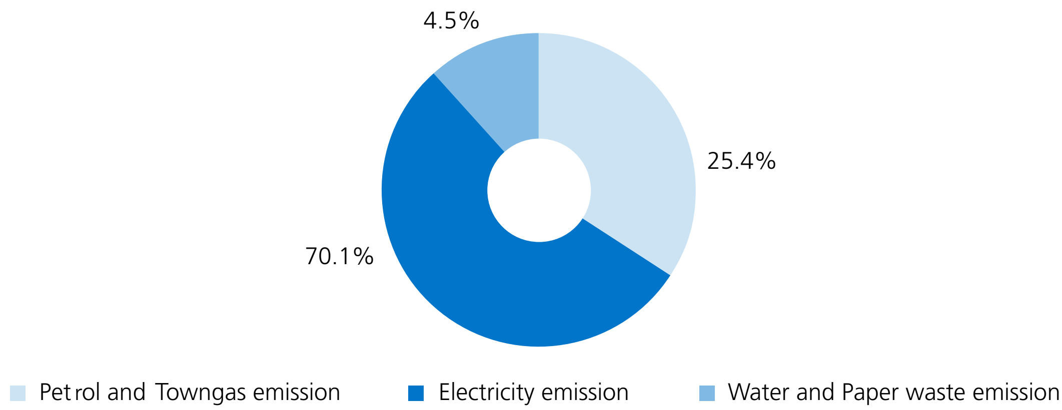
During the Year, our air emissions data are as follows:

Air emissions	**Unit**	**Year ended 31 December 2019**	**Year ended 31 December 2018**
Total NOx Emissions	g	**3,209.17**	30.72
Total NOx Emissions/Employee	g/employee	**114.61**	0.96
Total SOx Emissions	g	**56.93**	90.06
Total SOx Emissions/Employee	g/employee	**2.03**	2.81

The following table shows our Greenhouse Gas ("GHG") emissions in the Year.

GHG emissions	**Unit**	**Year ended 31 December 2019**	**Year ended 31 December 2018**
Petrol and Towngas emission	tCO2e	**10.87**	16.97
Petrol and Towngas emission/Employee	tCO2e/employee	**0.39**	0.53
Electricity	tCO2e	**29.94**	26.84
Electricity/Employee	tCO2e/employee	**1.07**	0.84
Water and Paper	tCO2e	**1.92**	5.70
Water and Paper/Employee	tCO2e/employee	**0.07**	0.18
Total GHG Emissions	tCO2e	**42.73**	49.51
Total GHG Emissions/Employee	tCO2e/employee	**1.53**	1.55

Total Greenhouse Gas Emissions



The major source of greenhouse gas emission came from our use of electricity, representing 70.1% of the total emission; and the second largest source of emission came from our use of towngas and company vehicles, representing 25.4% of the total GHG emissions.

We do not anticipate any material risks in our operations in respect of environmental protection concerns relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

During the Year, the Group did not have any material non-compliance with relevant laws and regulations relating to environmental pollution.

A.2 Use of Resources

Given the nature of its business, the Group's resource consumptions are primarily attributable to our electricity consumption in offices, towngas consumption for cooking meals for our employees and petrol consumption for our use of company vehicles. During the Year, the Group consumed 44,843 kWh of electricity, 7,728 MJ of towngas and 3,862 L of petrol.

Energy consumption

The following table shows our energy consumption in the Year.

		Year ended 31 December 2019	**Year ended 31 December 2018**
Petrol Consumption	L	**3,862**	6,116
Petrol Consumption/Employee	L/employee	**137.94**	191.13
Towngas Consumption	MJ	**7,728**	7,680
Towngas Consumption/Employee	MJ/employee	**276**	240
Electricity Consumption	kWh	**44,843**	38,537
Electricity Consumption/Employee	kWh/employee	**1601.54**	1,204.28

Water consumption

The following table shows the figures of water consumption in our business operations:

Water consumption	Unit	Year ended 31 December 2019	Year ended 31 December 2018
Water Consumption	cubic metre	**451**	415
Water Consumption/Employee	cubic metre/employee	**16.10**	12.97

Material Consumption

The following table shows the figures of material consumption in our business operations:

Material Consumption	Unit	Year ended 31 December 2019	Year ended 31 December 2018
Paper Consumption (for use in office)	tonnes	**0.34**	1.13
Paper Consumption (for publishing)	tonnes	**0.55**	0.61
Total Paper Consumption/Employee	tonnes/employee	**0.01**	0.05

During the Year, towngas consumption increased significantly due to the cooking meals for employees; and electricity consumption increased due to the expansion of office in Hong Kong.

The Group has implemented its environmental policies in lowering energy consumption:

- To reduce electricity consumption, lightings, air-conditioners and computers are switch-off when not in use; LED lightings are installed in office areas.

- To reduce petrol consumption on business travel, telephone conference meetings instead of face-to- face meetings are used for parties in different locations.

- To reduce paper and toner consumption, the office of the Group encourages double-sided printing and use of electronic files instead of printed filing.

A.3 The Environment and Natural Resources

The operation of the Group did not have direct material impact on the environment and natural resources. However, the Group has formulated policies on minimizing the impact on the environment and natural resources:

- Reusable tablewares instead of disposable tablewares were used in office to reduce waste.
- Cleaning service providers are engaged to perform regular cleaning and pest control to maintain good hygiene conditions in office.
- Air purifiers are equipped in office to improve the indoor air quality.

During the Year, the Group did not have of any material non-compliance with relevant laws and regulations relating to the environment-related issues.

B. SOCIAL

B.1 Employment

During the Year, the Group had employed 42 employees. As at 31 December 2019, the Group had 28 employees in Hong Kong and mainland China (2018: 32 employees).

Proportion of employees by gender

Female employee	Male employee
39.29%	60.71%

Proportion of employees grouped by age

under 30	30–50	above 50
21.43%	67.86%	10.71%

Proportion of employees grouped by geographical region

Hong Kong	Mainland China
67.86%	32.14%

Turnover rate grouped by gender

Female employee	Male employee
40.00%	60.00%

under 30	30–50	above 50
0.00%	90.00%	10.00%

Turnover rate grouped by geographical region

Hong Kong	Mainland China
50.00%	50.00%

Policies relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare:

Recruitment Policy

The Group is an equal opportunity employer treats all job applicants equally without any unequal restrictions and preferential policies and provides equal opportunities for all job applicants. During the Year, no violations or complaints were reported to or found by the Group with regard to discrimination or recruitment.

Compensation Policy

The Group offers remuneration packages to employees taking into account their performance, contribution and the level of responsibility to the specific jobs. Employees are entitled to join the Group's Mandatory Provident Fund Scheme after worked for 60 days.

Work and Rest Policy

Employees are required to work 5 days per week and generally 8 hours per working day. Employees are seldom required to work overtime to maintain a well-balanced life. Employees are entitled to paid annual leave for each year.

Dismissal Policy

Employees may be subject to dismissal if they (i) commit material breach of the Employee Code of Conduct of the Group; (ii) causing material loss to the Group; or (iii) breaching criminal offences or Bribery Ordinance.

Diversity Policy

Board diversity policy has been adopted by the board (the "Board") of directors (the "Directors") of the Company. In designing the Board's composition, Board diversity has been considered from a number of measurable aspects including gender, age, cultural and education background, professional experience and length of services.

During the Year, the Group complied with the relevant provisions of the Employment Ordinance and the Mandatory Provident Fund Schemes Ordinance in Hong Kong.

B.2 Health and Safety

The Group values the health and well-being of employees. In order to provide employees with health coverage, employees are entitled to benefits including medical insurance as well as other competitive fringe benefits.

Policies relating to employees' health and safety:

- A chef was employed to make healthy and delicious lunch to each employee on working days to improve the immunity and maintain all round good health of employees.
- The offices of the Group are situated in property managed commercial buildings with security measures, employees are required to use staff card or enter passcode to gain entry to the offices.
- The Group has installed fire extinguishers in offices and emergency exit floor plans are clearly posted. During the Year, the Group has invited officers in building management office to held a fire safety seminar and assigned employees to participate the annual fire drill.

The following table shows our health and safety statistics during the Year:

Health and Safety	Unit	Year ended 31 December 2019	Year ended 31 December 2018
No. of Work-related Fatalities — Employees	Number	**0**	0
Rate of Work-related Fatalities	%	**0.00**	0.00
Lost Days due to Work Injury	Number	**0**	0

During the Year, the Group was not aware of any material non-compliance with relevant laws and regulations relating to the occupational health and safety.

B.3 Development and Training

To promote long-term career development for employees, the Group supports employees participation in training programs organised by external professional bodies, and provides funds and subsidies to employees based on their career development needs. Continuous professional development training programs and briefings are provided to the Directors and senior management of the Group. During the Year, the Group dedicated around 43.93 hours to staff training, representing approximately 307.5 hours per trained employee (2018: total 224.5 hours; 17.27 hours per trained employee).

Number and proportion of trained employees grouped by level

Employee level	Number of trained employees	Number of employees	Percentage (%)
Senior Management	1	14	7.14
Manager	3	4	75.00
General staff	3	10	30.00
Total number	7	28	25.00

Average training hours of employees grouped by level

Employee level	Training hour	Number of trained employees	Average training hour
Senior Management	48	1	48.00
Manager	70.5	3	23.50
General staff	189	3	63.00
Total number	307.5	7	43.93

B.4 Labour Standards

The Group has been strictly complying with the national laws and regulations, and neither engagement of child labor nor forced labor were involved in any business of the Group. During the Year, the Group was not aware of any non-compliance with rules and regulations in respect of child or forced labour.

B.5 Supply Chain Management

The principal business of the Group does not involve any major suppliers. For the procurement supplies to the office, besides the price factor, the Group will also consider the impacts on the environment and society. The Group chooses suppliers who provide durable products rather than disposable products and with less packaging materials to raise their awareness of sustainable development.

B.6 Product Responsibility

The Group maintains a high standard of security and confidentiality of personal data throughout its businesses and operations. The Group requires employees to comply the Personal Data (Privacy) Ordinance in handling information of customers and employees in the collection, processing, use and keeping of their personal data.

The Group protects its intellectual property rights by registration of domain names in Hong Kong. Such domain name is renewed upon its expiration.

During the Year, the Group did not note any non-compliance cases of the relevant laws and regulations relating to the products and services standards.

B.7 Anti-corruption

All employees are required to strictly comply with the Prevention of Bribery Ordinance and the code of conduct contained in the Employee Handbook, in particular the anti-bribery provisions. Guidelines have been issued to provide a practical guidance in relation to the operation of the above anti-bribery provisions.

The Group has whistle-blowing policy which encourages the reporting of suspected breach of the aforesaid to the Human Resources Department.

There was no legal case regarding bribery, extortion, fraud and money laundering related laws and regulations were brought against the Group or its employees during the Year.

B.8 Community Investment

During the Year, the Group did not involve in any community investment as the Group had not identified any suitable charity activities.

INDEPENDENT AUDITOR'S REPORT

永拓富信會計師事務所有限公司
YONGTUO FUSON CPA LIMITED

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of China Gem Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 58 to 154, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significant of the matters described in the "Basis for Disclaimer of Opinion" section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

1. Multiple uncertainties relating to going concern

As described in note 3 to the consolidated financial statements, during the year ended 31 December 2019, the Group reported a net loss attributable to the owners of the Company of HK$402,514,000 and had a net operating cash outflow of HK$945,000. In addition, as at 31 December 2019, the Group had net current liabilities of HK$104,737,000.

Further as explained in notes 31 and 32, as at 31 December 2019 and up to the date of approval of these consolidated financial statements, certain of the Group's borrowings were overdue and the Group committed events of default and/or break of covenants and restriction terms and conditions stipulated in the respective borrowings and financing agreements entered into by the Group, the lenders and investors. Through the Group has not received any requests from the major lenders and investors to settle outstanding amounts due to them, the management of the Company is ongoing to negotiate and convince the lenders and investors which are scheduled to be repaid in 2019, not to exercise their contractual rights to request the Group for immediate repayment of the principal amounts and any accrued interest. Based on the latest information available to the Group, in the opinion of the directors of the Company ("Directors"), there is no indication that the lenders and investors have any current intention to exercise their right to demand immediate repayment thereon.

These conditions, together with other matters as described in note 3 to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt regarding the Group's ability to continue as a going concern.

The Directors have been undertaking a number of measures to improve the Group's liquidity and financial position, and to mitigate the liquidity pressure and to improve the Group's financial position.

The consolidated financial statements have been prepared on a going conern basis, the validity of which depends on the outcome of these measures, which are subject to multiple uncertainties, including but not limited to the following:

(i) Successful in the finalisation of the Finance Reorganisation (as defined in note 3) with the lenders and investors;

(ii) Successful of the Additional Funding Plan (as defined in note 3) in obtaining of additional new sources of financing as and when needed;

(iii) Successful maintenance of relationship with the investors and lenders, in particular those in relation to the Group's existing businesses and operations such that no actions will be taken by those investors and lenders against the Group should the Group not be able to meet all the payment obligations on a timely basis; and

(iv) Successful in the Group's Business and Operation Restructuring Plan (as defined in note 3).

Should the Group fail to achieve the abovementioned plans and measures, it might not be able to continue operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

2. Recover ability of loan and interest receivables including loan interest income recognised for the year

As disclosed in notes 23 and 24 to the consolidated financial statements, as at 31 December 2019, the Group has loan receivables of HK$113,770,000 and interest receivables of HK$16,621,000, which were included in loan receivables and trade and other receivables, respectively and most of them were overdue for more than 180 days, together with the fact that the loan receivables are unsecured and/or secured only by personal guarantee. In addition, during the year ended 31 December 2019, the Company recognised interest income of HK$25,103,000.

The Directors are currently reviewing the alternatives to recover the loan and interest receivables, including but not limit to dispose of the loan and interest receivables to third parties or to negotiate loan restructuring with the borrowers (collectively refer to as the "Loan Restructuring Plan"). However, as at 31 December 2019 and up to the date of approval of these consolidated financial statements, the Loan Restructuring Plan has not yet been finalised. In view of this uncertainty, the Directors are unable to reasonably assess the borrowers' ability to repay the debts and in the near future.

The assessment of the expected credit losses ("ECL") for loan and interest receivables has adopted certain key inputs and assumptions, including but not limited to (i) the amount would be recovered from the borrowers; (ii) the future cash flow, if any; and (iii) other key assumptions adopted in the ECL assessment etc. The validity of ECL assessment on loan and interest receivables depends on the outcome of certain factors, including but not limited to (i) the borrowers' ability to repay the debts; and (ii) the successful of Loan Restructuring Plan.

The management of the Company consider that the information used in the above assessment represented the best available estimates from the information available. In respect of the abovementioned condition, we were unable to obtain sufficient appropriate audit evidence or satisfactory management explanation to support the ECL assessment. There were no alternative audit procedures that we are able to obtain sufficient and appropriate audit evidence as we considered necessary to assess or corroborate the appropriateness relating to the ECL assessment on the loan and interest receivables. We are also therefore unable to satisfy ourselves whether the interest income has properly been recognised in accordance with the accounting policy of the Company during the year. Consequently, we were not able to determine whether any adjustment to these amounts and the related disclosures thereof in the consolidated financial statements were necessary.

3. Fair value measurement of Debt Securities, recoverability of investment income receivables and recognition of the investment income

As set out in notes 24 and 26 to the consolidated financial statements, as at 31 December 2019, the Group had debt securities issued by unlisted companies (the "Debt Securities") that are financial assets measured at fair value through profit or loss of approximately HK$499,849,000 and investment income receivables of HK$34,509,000, respectively. As at 31 December 2019, all of the investment income receivables relating to the Debt Securities was overdue and thus, the borrowers committed events of default and/or break of covenants and restriction terms and conditions stipulated in the respective debt securities agreements entered into by the unlisted companies and the borrowers. Accordingly, the entire Debt Securities and investment income receivable are repayment on demand. During the year ended 31 December 2019, the Group recognised the investment income of HK$68,648,000, as disclosed in note 7 to the consolidated financial statements, respectively.

As further explained in note 26 to the consolidated financial statements, the Directors have been undertaking a number of measures to recover the Debt Securities and investment income receivables, including but not limit to dispose of the Debt Securities to third parties and to negotiate debts restructuring with the borrowers (collectively referred to as the "Debt Securities Restructuring Plan"). However, as at 31 December 2019 and up to the date of approval of these consolidated financial statements, the Debt Securities Restructuring Plan has not yet been finalised. Accordingly, the Directors are unable to assess the borrowers' ability to repay the debts or in the near future.

The management of the Company has engaged an independent external valuer to perform fair value valuation of the Debt Securities using discounted cash flow method and to assess the ECL assessments of the investment income receivables. Based on the report prepared by the independent external valuer, the Group recognised a fair value loss on the Debt Securities of approximately HK$12,759,000 and also recognised ECL on investment income receivables of HK$65,391,000 for the year ended 31 December 2019.

The fair value valuation and ECL assessment have adopted certain key assumption provided by the management of the Company, including but not limited to the validity of the cash flow projection, the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) etc. The validity of fair value valuation of the Debt Securities and ECL assessment of the investment income receivables depends on the outcome of certain factors, including but not limited to (i) the borrowers' ability to repay the debts; and (ii) the successful of Debt Securities Restructuring Plan.

The management of the Company consider that the information used in the above valuation and assessment represented the best available estimates from the information available. For the purpose of our audit, we were unable to obtain sufficient appropriate audit evidence we considered necessary to assess or corroborate the appropriateness of the key inputs and key assumptions adopted by management in preparing the fair value valuation and ECL assessment, including but not limited to the future cash flow and other key assumptions adopted in the valuation and assessment, which would impact the results of the fair value valuation and ECL assessment. Thus, we were unable to obtain sufficient evidence to evaluate the reasonableness of the key assumption in preparing of the fair value valuation and ECL assessment.

Besides, management was unable to provide us with a reasonable explanation on the recoverability of the outstanding debts and investment income receivables in which most of them are default during the year ended 31 December 2019. We are therefore unable to satisfy ourselves whether the investment income has properly been recognised in accordance with the accounting policy of the Company during the year.

Given the above scope limitation, there were no other satisfactory procedures that we could perform to determine whether any adjustments to the fair values of the Debt Securities of approximately HK$499,849,000 and any further impairment on the investment income receivables of HK$34,509,000, as well as the fair value loss of approximately HK$12,759,000, the recognition of the investment income of HK$68,648,000 and the ECL impairment for the investment income receivables of HK$65,391,000 recognised for the year then ended were necessary, and the related disclosures thereof in the consolidated financial statements.

4. Insufficient audit evidence in respect of loan from a former shareholder

As disclosed in note 30 to the consolidated financial statements, the Group has a loan from a former shareholder, Linshan Limited ("Linshan") (the "Linshan Loan"). As at 31 December 2019, the carrying amounts of the Linshan Loan were of HK$49,598,000 and the related accrued interest were of HK$2,686,000, and during the year ended 31 December 2019, the Group charged interest expenses to profit or loss of HK$521,000 as disclosed in note 9 to the consolidated financial statements. We were unable to obtain sufficient appropriate audit evidence regarding the validity and occurrence of the Linshan Loan and the related accrued interest because we were unable to carry out effective confirmation procedures in relation to the carrying values of the Linshan Loan and the related accrued interest as at 31 December 2019 and 31 December 2018, and the interest expenses charged to profit or loss during the year ended 31 December 2019, for the purpose of our audit and there was inadequate documentary evidence available for us to satisfy ourselves about the validity and occurrence of the transactions which gave rise to the Linshan Loan and the related accrued interest.

There was no satisfactory alternative audit procedures that we could perform to satisfy ourselves as to whether the opening and closing balances and the movements of the Linshan Loan and accrued interest have been properly accounted for in the consolidated financial statements of the Company. Any adjustments that might have been found necessary may have a significant effect on the Group's net assets at 31 December 2019 and 31 December 2018 and its financial performance and cash flows for the year ended 31 December 2019, and the related disclosures thereof in the consolidated financial statements.

5. Fair value measurement of the Group's Tree Plantation Operations

As disclosed in note 20 to the consolidated financial statements, as at 31 December 2019, the Group had financial assets at fair value through other comprehensive income ("FVOCI") relating to the Group's interest in certain tree plantation operations situated in the Caraga region of Mindanao in the Philippines (the "Tree Plantation Operations"). Pursuant to the Company's accounting policy, in order for a financial asset to be classified and measured at FVOCI, it needs to give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. This assessment is referred to as the solely payments of principal and interest test and is performed at an instrument level. Accordingly, the Group's Tree Plantation Operations are measured at fair value through other comprehensive income. In the opinion of the Directors, in view of there have been no positive development since the investments in the former Associates (as defined in note 20, the amounts were previously reclassified as available-for-assets in 2014 and further reclassified as FVOCI from 1 January 2018) were fully impaired in 2014 and, consistent to prior years and as at 31 December 2019, the Directors believe that the value of the Tree Plant Operations was nil and that no realistic recovery of any value in the Philippine Tree Plantation Operations is presently likely or probable. The management of the Company consider that the information used in the above assessment represented the best available estimates from the information available despite of lack of the current financial and other information of the Tree Plant Operations.

During the course of our audit, we sought to perform alternative audit procedures to satisfy ourselves that the carrying value of the Group's Tree Plantation Operations was nil as at 31 December 2019 and 31 December 2018. However, in view of the lack of the financial and other information of the Group's Tree Plantation Operations, we are unable to obtain sufficient and appropriate audit evidence as we considered necessary to assess or corroborate the appropriateness relating to the nil carrying value of the Group's Tree Plantation Operations.

Given the above scope limitation, there were no other satisfactory procedures that we could perform to determine whether any adjustments to the opening and closing fair values of the Group's Tree Plantation Operations. Any adjustments that might have been found to be necessary in respect of this account balance would have a significant effect on the Group's financial position as at 31 December 2019 and 31 December 2018 and the Group's financial performance for the year then ended, and the related disclosures thereof in the consolidated financial statements.

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.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF 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.

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.

The engagement partner on the audit resulting in this independent auditor's report is Lee Yan Fai.

Yongtuo Fuson CPA Limited
Certified Public Accountants
Lee Yan Fai
Practicing Certificate Number P06078

Hong Kong, 30 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	7	**103,938**	99,532
Other income (losses), net	8	**1,274**	(2,440)
Administrative expenses		**(41,954)**	(52,499)
Other operating expenses		**(2,754)**	(2,421)
Fair value gains on investment properties	18	**22,890**	812
Fair value losses on financial assets at fair value through profit or loss	26	**(137,195)**	(26,915)
Expected credit loss on financial assets	44	**(279,619)**	(18,374)
Finance costs	9	**(57,743)**	(57,605)
Loss before income tax	10	**(391,163)**	(59,910)
Income tax expenses	14	**(11,352)**	(7,714)
Loss for the year		**(402,515)**	(67,624)
Other comprehensive expenses for the year, net of tax			
Item that may be reclassified subsequently to profit or loss			
Exchanges differences on translation of foreign operations		**(223)**	(590)
Total comprehensive expenses for the year		**(402,738)**	(68,214)
Loss for the year attributable to:			
— Owners of the Company		**(402,514)**	(67,623)
— Non-controlling interests		**(1)**	(1)
		(402,515)	(67,624)
Total comprehensive expenses for the year attributable to:			
— Owners of the Company		**(402,737)**	(68,213)
— Non-controlling interests		**(1)**	(1)
		(402,738)	(68,214)
		HK cents	HK cents
Loss per share:			
Basic and diluted	15	**(9.6)**	(1.7)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment	*17*	**9,121**	2,827
Investment properties	*18*	**231,487**	210,079
Intangible assets	*19*	**—**	538
Rental deposits	*25*	**—**	1,636
Financial asset at fair value through other comprehensive income	*20*	**—**	—
Total non-current assets		**240,608**	215,080
Current assets			
Properties held for sale	*21*	**5,629**	7,240
Properties under development	*22*	**31,431**	31,431
Loan receivables	*23*	**113,770**	258,996
Trade and other receivables	*24*	**60,166**	119,012
Deposits and prepayments	*25*	**2,211**	3,330
Financial assets at fair value through profit or loss	*26*	**499,905**	637,251
Cash and cash equivalents	*27*	**1,439**	6,887
Total current assets		**714,551**	1,064,147
Current liabilities			
Trade and other payables	*28*	**39,319**	38,237
Accruals	*29*	**127,943**	74,655
Lease liabilities	*35*	**4,049**	—
Loan from a former shareholder	*30*	**49,598**	49,598
Other borrowings	*31*	**418,412**	76,245
Senior notes	*32*	**179,967**	178,688
Total current liabilities		**819,288**	417,423
Net current (liabilities) assets		**(104,737)**	646,724
Total assets less current liabilities		**135,871**	861,804

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	**2019**	2018
		HK$'000	HK$'000
Non-current liabilities			
Lease liabilities	*35*	**2,136**	—
Other borrowings	*31*	**—**	351,600
Deferred tax liabilities	*33*	**37,405**	26,678
Total non-current liabilities		**39,541**	378,278
NET ASSETS		**96,330**	483,526
Capital and reserves			
Share capital	*34*	**42,500**	41,354
Reserves		**48,939**	437,280
Equity attributable to owners of the Company		**91,439**	478,634
Non-controlling interests		**4,891**	4,892
TOTAL EQUITY		**96,330**	483,526

The consolidated financial statements on pages 58 to 154 were approved and authorised for issue by the Board of Directors on 30 March 2020:

Chen Jie	**Hong Yu**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000 *Note (i)*	Capital reserve HK$'000	Exchange reserve HK$'000 *Note (ii)*	Distributable reserve HK$'000 *Note (iii)*	Contributed surplus HK$'000 *Note (iv)*	Share option reserve HK$'000 *Note 36*	Accumulated loss HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2018	35,954	1,829,665	11,613	6,541	77,033	1,080,948	–	(2,562,748)	479,006	4,893	483,899
Loss for the year	–	–	–	–	–	–	–	(67,623)	(67,623)	(1)	(67,624)
Other comprehensive loss for the year											
Exchange differences on translating foreign operations	–	–	–	(590)	–	–	–	–	(590)	–	(590)
Total comprehensive expenses for the year	–	–	–	(590)	–	–	–	(67,623)	(68,213)	(1)	(68,214)
Transactions with owners											
Equity settled share-based transactions *(note 36)*	–	–	–	–	–	–	3,546	–	3,546	–	3,546
Issue of shares upon placing *(note 34(i))*	5,400	58,895	–	–	–	–	–	–	64,295	–	64,295
At 31 December 2018	41,354	1,888,560	11,613	5,951	77,033	1,080,948	3,546	(2,630,371)	478,634	4,892	483,526

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000 *Note (i)*	Capital reserve HK$'000	Exchange reserve HK$'000 *Note (ii)*	Distributable reserve HK$'000 *Note (iii)*	Contributed surplus HK$'000 *Note (iv)*	Share option reserve HK$'000 *Note 36*	Accumulated loss HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 31 December 2018 as originally presented	41,354	1,888,560	11,613	5,951	77,033	1,080,948	3,546	(2,630,371)	478,634	4,892	483,526
Initial application of HKFRS 16 *(note 2)*	–	–	–	–	–	–	–	(496)	(496)	–	(496)
Restated balance as at 1 January 2019	41,354	1,888,560	11,613	5,951	77,033	1,080,948	3,546	(2,630,867)	478,138	4,892	483,030
Loss for the year	–	–	–	–	–	–	–	(402,514)	(402,514)	(1)	(402,515)
Other comprehensive loss for the year											
Exchange differences on translating foreign operations	–	–	–	(223)	–	–	–	–	(223)	–	(223)
Total comprehensive expenses for the year	–	–	–	(223)	–	–	–	(402,514)	(402,737)	(1)	(402,738)
Transactions with owners											
Equity settled share-based transactions *(note 36)*	–	–	–	–	–	–	3,658	–	3,658	–	3,658
Issue of shares upon exercise of share option *(note 34 (ii))*	1,146	15,747	–	–	–	–	(4,513)	–	12,380	–	12,380
At 31 December 2019	42,500	1,904,307	11,613	5,728	77,033	1,080,948	2,691	(3,033,381)	91,439	4,891	96,330

Notes:

(i) Pursuant to the Companies Act 1981 of Bermuda, the Company's share premium account can be distributed in the form of fully paid shares.

(ii) The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the policy set out in note 4(l).

(iii) The distributable reserve of the Group represents the difference between the nominal value of shares of the acquired subsidiaries and the nominal value of the Company's share issued for the acquisition at the time of the group reorganisation in 1994.

(iv) The Company passed a special resolution on 31 December 2014 for a capital reduction and the issued share capital of the Company as reduced from approximately HK$299,617,000 to HK$14,981,000 on 2 January 2015. The capital reduction resulted in reducing the issued share capital of the Company by approximately HK$284,636,000. Such amount was credited to the contributed surplus of the Company.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Cash flows from operating activities			
Loss before income tax		**(391,163)**	(59,910)
Adjustments for:			
Depreciation of properties, plant and equipment	*17*	**4,835**	959
Fair value gains on investment properties	*18*	**(22,890)**	(812)
Amortisation of intangible assets	*19*	**538**	1,491
Fair value losses on financial assets at fair value through profit or loss		**137,195**	26,915
Gain on disposal of financial assets at fair value through profit or loss		**—**	(64)
Impairment loss on loan receivables		**135,874**	3,214
Impairment loss on trade and other receivables		**143,745**	15,160
Equity-settled share-based payment expenses		**3,658**	3,546
Interest income		**(130)**	(29)
Finance costs		**57,743**	57,605
Loss on disposal of property, plant and equipment		**138**	—
Operating profit before movements in working capital		**69,543**	48,075
Decrease in properties held for sales		**1,611**	
Increase in trade and other receivables		**(84,899)**	(64,251)
Decrease (increase) in loan receivables		**9,352**	(190,373)
Decrease in deposits and prepayments		**2,755**	115
Increase in financial assets at fair value through profit or loss		**—**	(84)
Increase (decrease) in trade and other payables		**1,082**	(58,981)
Decrease in accruals		**(389)**	(2,786)
Cash used in operating activities		**(945)**	(268,285)
Income tax paid		**—**	(249)
Net cash used in operating activities		**(945)**	(268,534)
Cash flows from investing activities			
Net cash inflow from acquisition of a wholly-owned subsidiary acquired for as assets acquisition	*41*	**—**	535
Interest received		**130**	29
Proceeds from disposals of property, plant and equipment		**400**	—
Purchase of property, plant and equipment	*17*	**(2,084)**	(952)
Net cash used in investing activities		**(1,554)**	(388)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Cash flows from financing activities			
Proceeds from placing of new shares		**12,380**	64,295
Proceeds from other borrowings	*31(iii)*	**500**	49,642
Repayment of other borrowings	*31(iv)*	**(10,000)**	(8,630)
Repayment of principal portion of lease liabilities	*42*	**(3,469)**	—
Interest paid		**(2,787)**	(843)
Net cash (used in) generated from financing activities		**(3,376)**	104,464
Net decrease in cash and cash equivalents		**(5,875)**	(164,458)
Cash and cash equivalents at beginning of year		**6,887**	171,081
Effect of foreign exchange rate changes		**427**	264
Cash and cash equivalents at end of year, representing bank balances and cash		**1,439**	6,887

1. GENERAL

China Gem Holdings Limited (the "Company", together with its subsidiaries, the "Group") was incorporated in Bermuda on 29 June 1994 as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda. The principal place of business of the Company is Room 2606B, 26/F, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of principal subsidiaries are set out in note 38.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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

The HKICPA has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

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

The impact of the adoption of HKFRS 16 Leases have 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.

(i) Impact on adoption of HKFRS 16 Leases

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 statement of financial position as a right-of use assets and a 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 section (ii) to (v) of this note.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS") *(Continued)*

(a) Adoption of new and revised HKFRSs — effective 1 January 2019 *(Continued)*

(i) *Impact on adoption of HKFRS 16 Leases* *(Continued)*

The Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of accumulated losses 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 statement of financial position as of 31 December 2018 to that of 1 January 2019 as follows (increase/(decrease)):

	HK$'000
Statement of financial position as at 1 January 2019	
Right-of-use assets presented in property, plant and equipment	9,158
Lease liabilities (non-current)	(6,185)
Lease liabilities (current)	(3,469)
Accumulated losses	496

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 statement of financial position as at 1 January 2019:

	HK$'000
Reconciliation of operating lease commitment to lease liabilities	
Operating lease commitment as of 31 December 2018	10,698
Less: short term leases for which lease terms end within 31 December 2019	365
Less: future interest expenses	(1,409)
Total lease liabilities as of 1 January 2019	9,654

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the statement of financial position as at 1 January 2019 is 9.48%.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS") *(Continued)*

(a) Adoption of new and revised HKFRSs — effective 1 January 2019 *(Continued)*

(ii) 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 apply 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.

(iii) 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 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 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 (the Group has leased mobile phones, laptop computers and photocopying machines) and leases for which at the commencement date have a lease term less 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. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS") *(Continued)*

(a) Adoption of new and revised HKFRSs — effective 1 January 2019 *(Continued)*

(iii) 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. Except for right-of-use asset that meets the definition of an investment property or a class of property, plant and equipment to which the Group applies the revaluation model, 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. For right-of-use asset that meets the definition of an investment property, they are carried at fair value and for right-of-use asset that meets the definition of a leasehold land and buildings held for own use, they are carried at fair value.

For the Group, leasehold land and buildings that were held for rental or capital appreciation purpose would continue to be accounted for under HKAS 40 and would be carried at fair value. For leasehold land and buildings which is held for own use would continue to be accounted for under HKAS 16 and would be carried at fair value. The adoption of HKFRS 16 therefore does not have any significant impact on these right-of-use assets. Other than the above right-of-use assets, the Group also has leased a number of properties under tenancy agreements which the Group exercises it judgement and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. As a result, the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

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.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS") *(Continued)*

(a) Adoption of new and revised HKFRSs — effective 1 January 2019 *(Continued)*

(iii) Accounting as a lessee (Continued)

Lease liability (Continued)

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.

(iv) Accounting as lessor

The Group has leased out its investment property to a number of tenants. As the accounting under HKFRS 16 for a lessor is substantially unchanged from the requirements under HKAS 17, the adoption of HKFRS 16 does not have significant impact on these financial statements.

(v) Transition

As mentioned above, the Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of accumulated losses 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 operating leases under HKAS 17 as if HKFRS 16 had been applied since the commencement date, but 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.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS") *(Continued)*

(a) Adoption of new and revised HKFRSs — effective 1 January 2019 *(Continued)*

(v) Transition *(Continued)*

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.

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

The following new and revised HKFRSs, potentially relevant to the Group's 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]
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting [1]

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

2. 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 continue to be permitted.

The directors of the Company (the "Directors") anticipate that the application of these new and revised HKFRSs will have no material impact on the Group's consolidated financial statements in the foreseeable future.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") 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.

(b) Basis of measurement and going concern assumption

The consolidated financial statements have been prepared under the historical cost basis except for certain properties and financial instruments, which are measured at fair values as explained in the accounting policies set out below.

Going concern

During the year ended 31 December 2019, the Group reported a net loss attributable to the owners of the Company of HK$402,514,000 (2018: HK$67,623,000) and had a net operating cash outflow of HK$945,000 (2018: HK$268,534,000). In addition, as at 31 December 2019, the Group had net current liabilities of HK$104,737,000 (2018: net current assets of HK$646,724,000).

Further, as explained in notes 31 and 32, as at 31 December 2019 and up to the date of approval of these consolidated financial statements, certain of the Group's borrowings were overdue and the Group committed events of default and/or break of covenants and restriction terms and conditions stipulated in the respective borrowings and financing agreements entered into by the Group and the lenders and investors. Though the Group has not received requests from the major lenders and investors to settle outstanding amounts due to them, the management of the Company is ongoing to negotiate and convince the lenders and investors which are scheduled to be repaid in 2019, not to exercise their contractual rights to request the Group for immediate repayment of the principal amounts and any accrued interest. Based on the latest information available to the Group, in the opinion of the Directors, there is no indication that the lenders and investors have any current intention to exercise their right to demand immediate repayment thereon.

All of the above conditions indicate the existence of material uncertainties which may cast significant doubt regarding the Group's ability to continue as a going concern.

3. BASIS OF PREPARATION *(Continued)*

(b) Basis of measurement and going concern assumption *(Continued)*

Going concern *(Continued)*

In view of such circumstances, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Accordingly, the Directors have been undertaking a number of measures to improve the Group's liability and financial position, and to mitigate the liquidity pressure and to improve the Group's financial position which include, but are not limited to, the following:

(i) The Group is now actively participating in the negotiations in respect of a potential restructuring of the Company's borrowings with its lenders and investors and is still negotiating and convincing the Group's investors and lenders such that no action will be taken by the relevant investors and lenders to demand immediate repayment of the borrowings in any breach of loan covenants or default, including those with cross-default terms (the "Finance Reorganisation").

(ii) The Group is still identifying various options for raising of additional new sources of financing from the shareholders, related parties and the third parties. ("Additional Funding Plan"). For an example, as explained in note 46, on 26 February 2020, the Company and an independent third party entered into the Subscription Agreement (as defined in note 46), pursuant to which the Subscriber (as defined in note 46) has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, the convertible bonds in the aggregate principal amount of HK$58,000,000. The net proceeds from the subscription are expected to be approximately HK$58,000,000, which are intended to be used for (i) supplementing the working capital of the Company and (ii) developing new business of the Company if such opportunity arises.

(iii) The Group is till communicating with the Group's investors and lenders of the Group to maintain the relationship with them, in particular those in relation to the Group's existing businesses and operations such that no actions will be taken by those investors and lenders against the Group should the Group not be able to meet all the payment obligations on a timely basis.

(iv) The Group continue to take active measures to control operation and administrative costs through various channels, including but not limited to (i) having human resources optimisation and adjustment, (ii) reorganising the structure to each segment and maintaining close communication with customers, creditors, investors, lenders and banks etc. (iii) committing to soliciting for new customers to support the sustainable development of principle business of the Group; and (iv) containment of capital expenditures etc. (the "Business and Operation Restructuring Plan").

The Directors have reviewed the Group's cash flow projections prepared by the management of the Company. The cash flow projections cover a period of not less than twelve months from 31 December 2019. They are of the opinion that, taking into account the abovementioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 December 2019. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

3. BASIS OF PREPARATION *(Continued)*

(b) Basis of measurement and going concern assumption *(Continued)*

Going concern *(Continued)*

Notwithstanding the above, significant uncertainties exist as to whether the management of the Company will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cash flow through the following:

(i) Successful in the finalisation of the Finance Reorganisation with the investors and lenders;

(ii) Successful of the Additional Funding Plan in obtaining of additional new sources of financing as and when needed;

(iii) Successful maintenance of relationship with the Group's creditors, investors, lenders and banks, in particular those in relation to the Group's existing businesses and operations such that no actions will be taken by those creditors, investors, lenders and banks against the Group should the Group not be able to meet all the payment obligations on a timely basis; and

(iv) Successful in the Group's Business and Operation Restructuring Plan.

Should the Group fail to achieve the abovementioned plans and measures, it might not be able to continue operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

(c) Functional and presentation currency

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

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries ("the Group"). Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition- related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non- controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Intangible assets

Acquired intangible assets

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is provided on a straight-line basis over their useful lives as set out below. Intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses. The amortisation expense is recognised in profit or loss and included in administrative expenses.

Licenses of regulated activities issued by Securities and Futures Commission ("SFC") for Type 4 "Advising on Securities" and Type 9 "Asset Management"	3 years

Impairment

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired (see the accounting policies in respect of impairment of other assets as set out in note 4(o) below).

(d) Property, plant and equipment

Owner-occupied leasehold land and buildings are stated at fair value less accumulated depreciation. Revaluations are performed annually to ensure that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period. Increases in value arising on revaluation are recognised in other comprehensive income and accumulated in equity under the heading of properties revaluation reserve. Decreases in value arising on revaluation are first offset against increases on earlier valuations in respect of the same property and thereafter recognised in profit or loss. Any subsequent increases are recognised in profit or loss up to the amount previously charged and thereafter to the properties revaluation reserve.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Property, plant and equipment *(Continued)*

Any revaluation increase arising from revaluation of property, plant and equipment is recognised in other comprehensive income and accumulated in revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognise in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of property, plant and equipment is recognised in profit or loss to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

Upon disposal, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the properties revaluation reserve to retained earnings.

Other property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

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

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The principal annual rates/useful lives used for this purpose are as follows:

Leasehold land and building	Over the term of the leases
Leasehold improvements	10–50%
Furniture, fixtures and equipment	10–20%
Motor vehicles	20-33⅓%

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Investment property

Investment properties are properties held either to earn rental income or for capital appreciation or for both, but not held for sale in the ordinary course of business, used in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

(f) (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 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 less than 12 months. The lease payments associated with those leases have been expensed on straightline basis over the lease term.

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. Except for right-of-use asset that meets the definition of an investment property or a class of property, plant and equipment to which the Group applies the revaluation model, 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. For right-of-use asset that meets the definition of an investment property, they are carried at fair value and for right-of-use asset that meets the definition of a leasehold land and buildings held for own use, they are carried at fair value.

The Group accounts for leasehold land and buildings that are held for rental or capital appreciation purpose under HKAS 40 and are carried at fair value. The Group accounts for leasehold land and buildings which is held for own use under HKAS 16 and are carried at fair value. Other than the above right-of-use assets, the Group also has leased a number of properties under tenancy agreements which the Group exercises it judgement and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. As a result, the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) (A) Leasing (accounting policies applied from 1 January 2019) *(Continued)*

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.

Accounting as a lessor

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

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

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

The Group as lessor

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) (B) Leasing (accounting policies applied until 31 December 2018) *(Continued)*

The Group as lessee

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

The land and buildings elements of property leases are considered separately for the purposes of lease classification.

(g) Properties held for sale/properties under development

Properties held for sale and properties under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to sale proceeds received after the reporting date less selling expenses, or by management estimates based on prevailing market conditions.

Costs of properties include acquisition costs, development expenditure, interest and other direct costs attributable to such properties. The carrying values of properties held by subsidiaries are adjusted in the consolidated financial statements to reflect the Group's actual acquisition costs where appropriate.

(h) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, FVOCI, 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. With the exception of receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs. Receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15.

In order for a financial asset to be classified and measured at amortised cost or FVOCI, it needs to give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. This assessment is referred to as the solely payments of principal and interest test and is performed at an instrument level.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Financial instruments *(Continued)*

(i) Financial assets *(Continued)*

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in three categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at FVPL
- Financial assets at FVOCI

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. 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 the financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets 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.

The Group's financial assets at amortised cost includes bank and cash equivalents, trade and other receivables and loans receivable.

Financial assets at FVPL

Financial assets at FVPL include financial assets designated upon initial recognition at FVPL or financial assets mandatorily required to be measured at fair value.

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

Dividends on listed equity investments are also recognised as "other operating income" in the consolidated income statement when the right of payment has been established.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Financial instruments *(Continued)*

(i) Financial assets *(Continued)*

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment — by — investment basis. Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss ("ECL") on trade receivables, loan and other receivables and other debt instruments. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group measures loss allowances for trade receivables and loan receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward- looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12— month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Financial instruments *(Continued)*

(ii) Impairment loss on financial assets *(Continued)*

Based on industrial practice and credit assessment of the customers, the Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 180 days past due.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables accruals, loan from a former shareholder borrowings subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Financial instruments *(Continued)*

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(j) Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Revenue recognition *(Continued)*

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(i) Services income from property management

Services income from property management is recognised over time as the service has been rendered. Invoices for these services income are issued on a monthly basis and are usually payable within 30 days.

(ii) Rental income

Rental income, including rental invoiced in advance from properties let under operating leases, is recognised on a straight — line basis over the period of the relevant leases.

(iii) License and financial service business

Finance service income from providing specified financial advisory and acing as independent financial adviser are recognised at a point in time when the services for the transactions are completed under the terms of each engagement and the revenue can be measured reliably, as only that time the Group has a present right to payment from the customers for the service performed. Invoices for the financial services are issued upon signing service contracts and when stated milestones in the contract are reached.

License fee income from provision of asset management services is recognised over time based on contractual terms specified in the underlying agreements, as the customer simultaneously receives and consumes the benefit providing by the Group performs and revenue can be measured reliably.

(iv) Interest income from Money lending business

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Revenue recognition *(Continued)*

(v) Investment income from Strategic financial investment

Dividend income from equity instruments designated at fair value through profit or loss is recognised in investment income generally when the security becomes ex-dividend.

(vi) Sales of properties

Revenue is recognised over time when the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

(k) Income tax

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. 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. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 "Investment Property". Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, 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.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non- monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollar) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as exchange reserve (attributed to non-controlling interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

(m) Employee benefits

(i) Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

(ii) Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(iii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Share-based payments

Where share options are awarded to employees and others providing similar services, the fair value of the services received is measured by reference to the fair value of the options at the date of grant. Such fair value is recognised in profit or loss over the vesting period with a corresponding increase in the share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all non- market vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

(o) Impairment of other assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, intangible assets with finite lives and investments in subsidiaries to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

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

(p) Borrowing costs

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

(q) 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, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

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, the existence of which 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) 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 key management personnel of the Group or the Company's parent.

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

(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 the employees of 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 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 group's parent.

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

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Impairment allowances on loans receivables, trade and other receivables

The measurement of impairment losses under both HKFRS 9 and HKAS 39 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment.

- The segmentation of financial assets based on risk characteristics of the customers and by product types when their ECL is assessed on a collective basis.

- Development of ECL models, including the various formulas and the choice of inputs over determination of the period over which the entity is exposed to credit risk based on the behavioural life of the credit exposures, loss given default and collateral recovery of the credit exposures.

- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on probabilities of default, exposures at default and losses given default.

- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary. Change in ECL assessment relating to above factors could result in material adjustments to the ECL impairment, if necessary.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Income taxes and deferred taxation

The Group is subject to income taxes in different jurisdictions. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers it probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

In addition to information disclosed elsewhere in these financial statements, other key sources of estimation uncertainty that have a significant risk of resulting a material adjustment to the carrying amounts of assets and liabilities within next financial year are as follows:

Fair value measurement

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy"):

- Level 1: Quoted prices in active markets for identical terms (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs:
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur. The Group measures a number of items at fair value:

- Owned properties in property, plant and equipment (note 17);
- Investment properties (note 18);
- Financial assets at fair value through other comprehensive income (note 20); and
- Financial assets at fair value through profit or loss (note 26).

For more detailed information in relation to the fair value measurement of the items above, please refer to the applicable notes.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Investment in financial assets at fair value through profit or loss

The Group invests in financial assets at fair value through profit or loss through investment in funds, which are managed by experienced and competent fund managers. Redemption of financial assets is subject to various criteria such as approval of fund managers, lock-up period, fund and its underlying investments maturity etc. Classification of these investments as current asset or non-current asset involves significant estimation and judgements and is subject to its redemption criteria which may be changed from time to time. The maturity of the underlying investments will also lead to such investments cannot be realised within 12 months.

6. SEGMENT REPORTING

The Group determines its operating segments based on the reports reviewed by the chief operating decision maker that are used to make strategic decisions.

The Group has four (2018: four) reportable segments.

The Group's operating segments are structured and managed separately according to the nature of their operations and the products and services they provided. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other operating segments.

Details of the operating segments are as follows:

(i) The money lending segment involves the money lending business in Hong Kong and the PRC.

(ii) The license and financial service business involves the revenue generated from the licensed corporation with type 4 (advising on securities) and type 9 (asset management) regulated activities, and consultancy and administrative service income of fund portfolio, corporate development strategy consulting, project management consulting etc.

(iii) The strategic financial investment involves the investment in financial products (those in note 26) managed by fund managers who have good management skills, reasonable management fee etc.

(iv) The property development segment involves the development of property, the management and rental of units/shops within a shopping arcade and the sales of residential units in the PRC.

6. SEGMENT REPORTING *(Continued)*

(a) Segment revenues and results

	Money lending		License and financial service business		Strategic financial investment		Property development		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Reporting segment revenue	**25,103**	23,594	**1,323**	2,405	**68,648**	69,754	**8,864**	3,779	**103,938**	99,532
Results										
Segment results	**(133,988)**	15,727	**(1,075)**	878	**(162,200)**	25,508	**25,415**	4,893	**(271,848)**	47,006
Unallocated corporate income									**—**	11
Unallocated corporate expenses									**(61,572)**	(49,322)
Finance cost									**(57,743)**	(57,605)
Loss before income tax									**(391,163)**	(59,910)
Other segment information										
Fair value gains on investment properties	**—**	–	**—**	–	**—**	–	**22,890**	812	**22,890**	812
Depreciation of property, plant and equipment	**(10)**	(4)	**—**	–	**—**	–	**(278)**	(113)	**(4,835)**	(959)
Fair value losses on financial assets at fair value through profit or loss	**(7)**	–	**—**	–	**(137,188)**	(26,915)	**—**	–	**(137,195)**	(26,915)
Impairment loss on loan receivables	**(135,874)**	(3,214)	**—**	–	**—**	–	**—**	–	**(135,874)**	(3,214)
Impairment loss on trade and other receivables	**(15,996)**	–	**—**	–	**(127,547)**	(15,160)	**(202)**	–	**(143,745)**	(15,160)

Segment profit (loss) represents the profit earned (loss) incurred by each segment without allocation of amortisation of intangible assets, certain other revenue and other gain (loss), central administrative expenses, finance costs and income tax credit (expense).

6. SEGMENT REPORTING *(Continued)*

(b) Segment assets and liabilities

	Money lending		License and financial service business		Strategic financial investment		Property development		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Assets										
Reportable segment asset	**133,321**	274,201	**1,413**	43,531	**533,460**	693,407	**278,037**	254,162	**946,231**	1,265,301
Unallocated assets									**8,928**	13,926
Total assets									**955,159**	1,279,227
Liabilities										
Reportable segment liabilities	**(37,752)**	(101)	**(3)**	(75)	**(3,655)**	(1,524)	**(33,422)**	(37,842)	**(74,832)**	(39,542)
Unallocated liabilities									**(746,592)**	(729,481)
Deferred tax liabilities									**(37,405)**	(26,678)
Total liabilities									**(858,829)**	(795,701)

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

- all assets are allocated to operating and reportable segments other than certain property, plant and equipment, certain other receivables, deposits and prepayments and cash and cash equivalents.
- all liabilities are allocated to operating and reportable segments other than certain accruals and other payables, income tax payable, deferred taxation, notes payable and loans payable.

6. SEGMENT REPORTING *(Continued)*

(c) Geographical information

The following tables provides an analysis of the Group's revenue from external customers and its non-current assets on the location of operations and geographical location of assets respectively.

	2019	2018
	HK$'000	HK$'000
Revenue from external customers		
— PRC	**10,408**	5,564
— Hong Kong	**93,530**	93,968
	103,938	99,532
Specified non-current assets		
— PRC	**234,229**	210,601
— Hong Kong	**6,379**	4,479
	240,608	215,080

(d) Information about major customers

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

		2019	2018
		HK$'000	HK$'000
Customer A	Revenue generated from the strategic financial investment segment & money lending segment	**22,560**	20,442
Customer B	Revenue generated from the strategic financial investment segment	**16,455**	16,380
Customer C	Revenue generated from the strategic financial investment segment	**13,900**	13,900
Customer D	Revenue generated from the strategic financial investment segment	**11,733**	12,913
		64,648	63,635

6. SEGMENT REPORTING *(Continued)*

(e) Reconciliation of reportable segment (loss) profit, assets and liabilities

	2019	2018
	HK$'000	HK$'000
Loss before income tax		
Reportable segment (loss) profit	**(271,848)**	47,006
Unallocated corporate income	**—**	11
Unallocated corporate expenses	**(61,572)**	(49,322)
Finance costs	**(57,743)**	(57,605)
Consolidated loss before income tax	**(391,163)**	(59,910)
Assets:		
Reportable segment assets	**946,231**	1,265,301
Unallocated Corporate assets		
— Cash and cash equivalents	**1,439**	6,887
— Other corporate assets	**7,489**	7,039
	8,928	13,926
Consolidated total assets	**955,159**	1,279,227
Liabilities:		
Reportable segment liabilities	**(74,832)**	(39,542)
Unallocated corporate liabilities		
— Loan from a former shareholder	**(49,598)**	(49,598)
— Other corporate liabilities	**(696,994)**	(679,883)
	(746,592)	(729,481)
Deferred tax liabilities	**(37,405)**	(26,678)
Consolidated total liabilities	**(858,829)**	(795,701)

7. REVENUE

Revenue represents the sales of property in the PRC, rental and building management fee income from properties in the PRC, loan interest income from money lending business, license and financial service income and interest income from financial assets investment. Loan interest income generated by overdue loan receivables and not yet overdue loan receivables for the year are HK$25,062,000 and HK$41,000, respectively.

	2019 HK$'000	2018 HK$'000
Revenue from contracts with customer within the scope of HKFRS 15:		
Sales of property in the PRC	**4,244**	—
Building management fee income	**2,069**	1,533
License and financial service income	**1,323**	2,405
	7,636	3,938
Revenue from other sources:		
Property rental income	**2,551**	2,246
Loan interest income	**25,103**	23,594
Investment income from strategic financial investment	**68,648**	69,754
	96,302	95,594
Total	**103,938**	99,532
Disaggregation of revenue recognition within scope of HKFRS 15:		
Sales of property in the PRC		
— At a point of time	**4,244**	—
Building management fee income		
— Transferred over time	**2,069**	1,533
License and financial service income		
— Transferred over time	**1,323**	2,405
	7,636	3,938

8. OTHER INCOME (LOSSES), NET

	2019	2018
	HK$'000	HK$'000
Other income:		
Interest income	**130**	29
Sundry income	**543**	210
	673	239
Other losses:		
Exchange gain (losses), net	**601**	(2,679)
	1,274	(2,440)

9. FINANCE COST

	2019	2018
	HK$'000	HK$'000
Interest on loans from shareholders	**521**	516
Interest on other borrowings	**42,380**	41,330
Interest on senior notes	**14,075**	15,759
Interest on lease liabilities	**767**	—
	57,743	57,605

10. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging (crediting):

	2019 HK$'000	2018 HK$'000
Cost of sales and services recognised as expenses*	**2,754**	2,421
Staff costs *(note 11)*	**28,076**	36,711
Depreciation of		
— Owned property, plant and equipment *(note (a))*	**948**	959
— Right-of-use-assets included within leasehold land and buildings *(note (b))*:	**3,887**	—
Amortisation of intangible assets #	**538**	1,491
Operating lease rentals in respect of land and buildings *(note (c))*	**—**	5,859
Auditor's remuneration #	**780**	1,200
Gain on disposal of financial assets at fair value through profit or loss	**—**	(64)
Losses on disposals of property, plant and equipment	**138**	—
Impairment loss on loan receivables @	**135,874**	3,214
Impairment loss on trade and other receivables @	**143,745**	15,160
— Trade receivables arising from license and financial service business	**37,578**	2,966
— Trade receivables arising from sales of properties held for sales	**202**	—
— Investment income receivable arising from financial assets investments		
Convertible bonds	**24,578**	1,209
Debt Securities	**65,391**	10,985
— Interest income arising from loan receivables	**15,996**	—
Short-term leases expenses	**1,879**	—

Notes:

(a) Depreciation of property, plant and equipment of nil (2018: HK$110,000) and HK$948,000 (2018: HK$849,000) are included in other operating expenses and administrative expenses respectively.

(b) The Group has initially applied HKFRS 16 using the cumulative effect approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. After initial recognition of right-of-use assets at 1 January 2019, the group as lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information has not been restated. See note 2(a)(i).

(c) Operating lease rentals in respect of land and buildings of HK$1,294,000 and HK$4,565,000 were included in other operating expenses and administrative expenses respectively in 2018.

* Items included in other operating expenses
# Items included in administrative expenses
@ Items included in ECL on financial assets

11. STAFF COSTS

	2019 HK$'000	2018 HK$'000
Staff costs (including Directors' emoluments) comprises:		
Salaries and other benefits	**24,194**	32,639
Contributions to defined contribution retirement plans	**224**	526
Share-based payment expenses		
— Equity settled	**3,658**	3,546
	28,076	36,711

12. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the Directors were as follows:

	Fees HK$'000	Salaries and other benefits HK$'000	Performance related bonus HK$'000	Share-based payment *(note (a))* HK$'000	Contributions to defined contribution plans HK$'000	Total HK$'000
2019						
Executive Directors						
Liu Jieshan (Resigned on 22 January 2020)	300	1,760	–	1,025	18	3,103
Cui Lei (Resigned on 22 January 2020)	300	1,700	–	1,025	18	3,043
Yang Huaijun (Resigned on 1 July 2019)	–	1,015	–	1,025	9	2,049
Han Litie (Resigned on 26 June 2019)	–	1,015	–	1,025	9	2,049
Independent Non-Executive Directors						
Wong Wai Chun Alex	120	–	–	–	–	120
Su Xihe	300	–	–	–	–	300
He Yaode	300	–	–	–	–	300
			–			
	1,320	5,490	–	4,100	54	10,964

12. DIRECTORS' EMOLUMENTS *(Continued)*

	Fees HK$'000	Salaries and other benefits HK$'000	Performance related bonus HK$'000	Share-based payment *(note (a))* HK$'000	Contributions to defined contribution plans HK$'000	Total HK$'000
2018						
Executive Directors						
Liu Jieshan	–	3,218	–	602	18	3,838
Cui Lei	–	3,200	–	602	18	3,820
Yang Huaijun	–	3,200	–	602	18	3,820
Han Litie	–	3,200	–	602	18	3,820
Independent Non-Executive Directors						
Wu Shiming (resigned on 30 May 2018)	49	–	–	–	–	49
Wong Wai Chun Alex	130	–	–	–	–	130
Su Xihe	325	–	–	–	–	325
He Yaode (appointed on 30 May 2018)	192	–	–	–	–	192
	696	12,818	–	2,408	72	15,994

Note:

(a) These amounts represent the estimated value of share options granted to the Directors under the Company's share option scheme. The value of these share options is measured according to the accounting policies for share-based payments as set out in note 4(n) to the financial statements. Further details of the options granted are set out in note 36 to the financial statements.

(b) No Directors waived any emolument during the year ended 31 December 2019 (2018: nil).

(c) Mr. Cui Lei was the former Chief Executive Officer of the Company.

(d) The Chief Executive Officer's and executive directors' emoluments shown above were maninly for their services in connection with the management of the affairs of the Company and the Group.

(e) The emoluments of the non-executive directors and independent non-executive directors shown above were mainly for their services as Directors.

(f) There was no arrangement under which a director or the chief executive officer waived or agreed to waive any emoluments during the year ended 31 December 2018 and 31 December 2019.

13. FIVE HIGHEST PAID INDIVIDUALS

Of the five individuals with highest emoluments in the Group, four (2018: four) were Directors of the Company, of which two were resigned as director and employed as staff, whose emoluments are included in the disclosures in note 12 above. The emoluments of the remaining one (2018: one) individuals and emoluments of the former directors when employed as staff were as follows:

	2019	2018
	HK$'000	HK$'000
Salaries and other benefits	**2,959**	3,222
Performance related bonus	**—**	—
Share-based payment	**966**	568
Contributions to defined contribution plans	**36**	18
	3,961	3,808

Their emoluments were within the following bands:

Nil to HK$2,000,000	**—**	—
HK$2,000,001 to HK$3,000,000	**3**	—
HK$3,000,001 to HK$4,000,000	**—**	1

14. INCOME TAX EXPENSE

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

	2019	2018
	HK$'000	HK$'000
Current tax		
— Tax for the year	**—**	—
— Under-provision in respect of previous years	**—**	249
	—	249
Deferred tax *(note 33)*	**11,352**	7,465
Income tax expenses	**11,352**	7,714

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

14. INCOME TAX EXPENSE *(Continued)*

No provision has been made for Hong Kong Profit Tax as there are no assessable profits generated for both years.

Taxation arising in other jurisdictions are calculated at the rates prevailing in the respective jurisdictions.

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

	2019	2018
	HK$'000	HK$'000
Loss before income tax	**(391,163)**	(59,910)
Tax calculated at Hong Kong Profits Tax rate of 16.5%	**(64,541)**	(9,885)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**10,684**	7,082
Tax effect of expenses not deductible for tax purpose	**79,684**	17,906
Tax effect of income not taxable for tax purpose	**(16,956)**	(12,545)
Tax effect of tax losses not recognised	**2,430**	5,019
Tax effect of other deductible temporary differences not recognised	**832**	61
Utilisation of tax losses previous not recognised	**(781)**	(173)
Under-provision in prior years	**—**	249
Income tax expense for the year	**11,352**	7,714

15. LOSS PER SHARE

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

	2019	2018
	HK$'000	HK$'000
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	**(402,514)**	(67,623)
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**4,199,456,946**	3,935,647,303

The denominators used are the same as those detailed above for both basic and diluted loss per share.

During the year ended 31 December 2019, diluted loss per share does not assume the exercise of the Company's share options as the exercise of the Company's share options would result in a decrease in loss per share, and is regarded as anti-dilutive for both years.

16. DIVIDEND

No dividend has been declared or proposed by the Directors in respect of the year ended 31 December 2019 (2018: nil).

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Owned properties HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Costs						
At 1 January 2018	–	–	10,662	1,493	2,314	14,469
Exchange alignments	–	–	(501)	(1)	–	(502)
Additions	–	–	597	355	–	952
Acquired through acquisition of a subsidiary	–	–	–	15	–	15
At 31 December 2018 as originally presented	–	–	10,758	1,862	2,314	14,934
Initial application of HKFRS 16	11,123	–	–	–	–	11,123
Restated balance as at 1 January 2019	11,123	–	10,758	1,862	2,314	26,057
Exchange alignments	–	–	(11)	–	–	(11)
Additions	–	–	2,019	65	–	2,084
Transfer from investment properties	–	559	–	–	–	559
Disposals	–	–	(458)	(145)	(1,591)	(2,194)
At 31 December 2019	11,123	559	12,308	1,782	723	26,495
Accumulated depreciation and impairment						
At 1 January 2018	–	–	9,268	1,011	1,342	11,621
Exchange alignments	–	–	(474)	–	–	(474)
Depreciation	–	–	404	174	381	959
Acquired through acquisition of a subsidiary	–	–	–	1	–	1
At 31 December 2018 as originally presented	–	–	9,198	1,186	1,723	12,107
Initial application of HKFRS 16	1,965	–	–	–	–	1,965
Restated balance as at 1 January 2019	1,965	–	9,198	1,186	1,723	14,072
Exchange alignments	–	–	123	–	–	123
Depreciation	3,887	–	511	189	248	4,835
Eliminated on disposals	–	–	(137)	(45)	(1,474)	(1,656)
At 31 December 2019	5,852	–	9,695	1,330	497	17,374
Net book value						
At 31 December 2019	5,271	559	2,613	452	226	9,121
At 31 December 2018	–	–	1,560	676	591	2,827

17. PROPERTY, PLANY AND EQUIPMENT *(Continued)*

The Group's leasehold land and buildings were valued at 31 December 2019 on a market value basis by qualified valuers from Greater China Appraisal Limited ("Greater China"), an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the properties being valued. The revaluation surplus net of applicable deferred income taxes was credited to properties revaluation reserve.

The fair value of land and buildings is a level 3 recurring fair value measurement. A reconciliation of the opening and closing fair value balance is provided below.

	2019
	HK$'000
Opening balance (level 3 recurring fair value)	—
Transfer from investment properties	**559**
Closing balance (level 3 recurring fair value)	**559**

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

Significant unobservable inputs	**Range**
Market rent per month	RMB12 per square meter
Term yield	7.0% per annum
Reversionary yield	8.0% per annum

Higher market rent, term yield and reversionary yield will result in correspondingly lower fair values. The fair value measurement is based on the above properties' highest and best use, which does not differ from their actual use.

Had the revalued properties been measured on cost model, their net book value would have been HK$559,000 which is the amount to be transfered from investment properties during the year.

18. INVESTMENT PROPERTIES

	2019 HK$'000	2018 HK$'000
Fair value		
At beginning of year	**210,079**	156,295
Addition through asset acquisition *(note 41)*	**—**	55,140
Change in fair value	**22,890**	812
Exchange alignments	**(923)**	(2,168)
Transfer to property, plant and equipment	**(559)**	—
At end of year	**231,487**	210,079
Represented by:		
Fair value		
Completed investment properties, in the PRC	**145,353**	142,917
Investment properties under construction, in the PRC	**86,134**	67,162
	231,487	210,079

The Group's properties are either held to earn rental income or for capital appreciation purpose, are measured using fair value model and are classified and accounted for as investment properties.

At 31 December 2019, included in investment properties with a fair value of approximately HK$52,351,000 (2018: HK$53,274,000) for which the Group has not yet obtained the building ownership certificate. The Group is in the process of applying the building ownership certificate.

The fair value of the Group's investment properties at 31 December 2019 and 2018 were determined by the Directors with reference to the valuation report prepared by Norton Appraisals Holdings Limited ("Norton Appraisals") and Greater China, independent qualified professional valuers, based on the highest and best use approach.

The fair value measurements of the Group's investment properties have been categorised into the three-level fair value hierarchy as defined in HKFRS 13 Fair Value Measurement. The fair value of the investment properties as at 31 December 2019 is a level 3 (2018: level 3) recurring fair value measurement, which uses significant unobservable inputs in arriving at fair value. During the year ended 31 December 2019 and 2018, in respect of investment properties there were no transfers between level 1 and level 2, or transfers into or out of level 3.

18. INVESTMENT PROPERTIES *(Continued)*

The fair value of investment properties is a level 3 recurring fair value measurement. A reconciliation of the opening and closing fair value balance is provided below.

	2019	2018
	HK$'000	HK$'000
Fair value		
At beginning of year (level 3 recurring fair value)	**210,079**	156,295
Addition	**—**	55,140
Change in fair value	**22,890**	812
Exchange alignments	**(923)**	(2,168)
Transfer to property, plant and euipment	**(599)**	—
At end of year (level 3 recurring fair value)	**231,487**	210,079

The fair values of investment properties as at 31 December 2019 and 31 December 2018 were determined using direct comparison approach and investment method as appropriate. For investment properties determined by the direct comparison approach, recent market information about prices for comparable properties was used with significant adjustments for any differences in the characteristics of the Group's properties. For investment properties determined using the investment method, account was taken of the current passing rent and the reversionary income potential of the investment properties where applicable.

Fair value adjustment of investment properties is recognised in the line item "fair value losses on investment properties" on the face of the consolidated statement of profit or loss and other comprehensive income.

18. INVESTMENT PROPERTIES *(Continued)*

Details about the valuation inputs for 31 December 2019 and 2018 are as follows:

As at 31 December 2019

Property	Location	Level	Valuation technique	Unobservable inputs	Relationship of unobservable inputs to fair value
Property held for further development	The PRC	3	Direct comparison method	Market selling price: RMB6,800 per square meter	The higher the market selling price, the higher the fair value
Retail shops — level 1	The PRC	3	Investment method	Market rent per month: RMB35 to RMB49 per square meter	The higher the market rent, the higher the fair value
				Term yield: 4.5% per annum	The higher the term yield, the lower the fair value
				Reversionary yield: 5.5% per annum	The higher the reversionary yield, the lower the fair value
Retail shops — level 2	The PRC	3	Investment method	Market rent per month: RMB12 per square meter	The higher the market rent, the higher the fair value
				Term yield: 7.0% per annum	The higher the term yield, the lower the fair value
				Reversionary yield: 8.0% per annum	The higher the reversionary yield, the lower the fair value
Car park space	The PRC	3	Direct comparison approach	Estimated market price per car park space: RMB130,000	The higher the market price, the higher the fair value
Residential properties	The PRC	3	Direct comparison approach	Estimated market price ranging from RMB5,388 to RMB11,386 per square meter	The higher the market price, the higher the fair value

18. INVESTMENT PROPERTIES *(Continued)*

As at 31 December 2018

Property	Location	Level	Valuation technique	Unobservable inputs	Relationship of unobservable inputs to fair value
Property held for further development	The PRC	3	Direct comparison method	Market selling price: RMB5,200 per square meter	The higher the market selling price, the higher the fair value
Retail shops — level 1	The PRC	3	Investment method	Market rent per month: RMB33 to RMB47 per square meter	The higher the market rent, the higher the fair value
				Term yield: 4.5% per annum	The higher the term yield, the lower the fair value
				Reversionary yield: 5.5% per annum	The higher the reversionary yield, the lower the fair value
Retail shops — level 2	The PRC	3	Investment method	Market rent per month: RMB12 per square meter	The higher the market rent, the higher the fair value
				Term yield: 7% per annum	The higher the term yield, the lower the fair value
				Reversionary yield: 8% per annum	The higher the reversionary yield, the lower the fair value
Car park space	The PRC	3	Direct comparison approach	Estimated market price per car park space: RMB110,000	The higher the market price, the higher the fair value
Residential properties	The PRC	3	Direct comparison approach	Estimated market price ranging from RMB8,741 to RMB11,101 per square meter	The higher the market price, the higher the fair value

Property rental income earned during the year was HK$2,551,000 (2018: HK$2,246,000) and the related direct operating expenses were approximately HK$325,000 (2018: HK$412,000). The property held had committed tenants for 1 to 8 years (2018: 1 to 8 years).

19. INTANGIBLE ASSETS

	SFC Licenses HK$'000
Cost	
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	**4,472**
Amortisation	
At 1 January 2018	**(2,443)**
Amortisation	**(1,491)**
At 31 December 2018 and 1 January 2019	**(3,934)**
Amortisation	**(538)**
At 31 December 2019	**(4,472)**
Net book value	
At 31 December 2019	**—**
At 31 December 2018	**538**

The intangible assets represent licenses of regulated activities issued by SFC for Type 4 "Advising on Securities" and Type 9 "Asset Management" acquired through acquisition of a subsidiary during the year ended 31 July 2016.

20. FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019	2018
	HK$'000	HK$'000
Equity investments at fair value through other comprehensive income	**—**	—

Details of the financial assets are set out in the table below:

Name	**Form of business structure**	**Place of incorporation**	**Place of operation and principal activity**	**Percentage of direct voting rights held by the Group**
Alverna Dynamic Developments Inc* ("Alverna")	Corporation	Philippines	Investment holding in Philippines	40%
Shannalyne Inc. ("Shannalyne")	Corporation	Philippines	Tree plantation operations in Philippines	40%
2010 Duran Inc.	Corporation	Philippines	Tree plantation operations in Philippines	40%
Morton 2011 Inc.	Corporation	Philippines	Dormant	40%

* Alverna holds 60% direct equity interest in Shannalyne

The Group holds an interest in certain tree plantation operations situated in the Caraga region of Mindanao in the Philippines (the "Tree Plantation Operations").

During the year ended 31 July 2011, the Group entered into a sale and purchase agreement with certain independent third parties to acquire the entire share capital of Asiaone and its subsidiaries (collectively referred to "Asiaone Group"), for a total contracted consideration of HK$2,500,000,000. Pursuant to the acquisition of Asiaone Group, the Group acquired such Tree Plantation Operations through two former associates, Shannalyne and Alverna (together the "Associates"). Details of the Tree Plantation Operations were set out in the Company's Very Substantial Acquisition Circular dated 30 June 2010. Up to 6 January 2014, the Group accounted for its interest in these Tree Plantation Operations by way of equity accounting for its interests in the Associates.

From the time it acquired its interest in the Group' Tree Plantation Operations, the Group experienced many problems, including unfavourable changes in local Philippine laws and regulations related to the forestry industry and a severe deterioration in the working relationship with its Philippine partner and majority equity rights holder in this venture, Ms. Juanita Dimla De Guzman ("Ms. De Guzman"). In addition, the Company's relationship with its then Chairman and Executive Director, Mr. Tan Cheow Teck ("Mr. CT Tan"), who held out himself as a forestry expert and a key proponent of these operations, also broke down irrevocably.

20. FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME *(Continued)*

These cumulative problems resulted in the Group abandoning the Tree Plantation Operations in the Philippines and, during the year ended 31 July 2014, the Group has written down the remaining carrying value of its investment in the Associates to nil on 6 January 2014 due to the breakdown in relationship with the associates' management team and some adverse rulings/consequences arising from actions taken by the Philippine Congress and Philippine regulators. At the same date, the Group reclassified its interests in the Associates as available-for-sale financial assets ("AFS"), as the Company felt it no longer had any significant influence over the Associates. Details of the impairment of the investment in Associates and their reclassification as AFS are set out in the consolidated financial statements of the Company for the year ended 31 July 2014 and in the Company's announcements dated 19 December 2013, 13 January 2014, 19 February 2014, 10 March 2014 and 17 March 2014.

On 1 January 2018, the AFS was reclassified to financial assets at fair value through other comprehensive income due to effective of HKFRS 9 as these cumulative problems abovementioned have not been improved or resolved.

As at 31 December 2019 and up to the approval of these consolidated financial statements of the Company, in the opinion of the Directors, in view of there have been no positive development of the Group's Tree Plantation Operations since the investments in the former Associates (the amounts were previously reclassified as available-for-assets in 2014 and further reclassified as FVOCI from 1 January 2018) were fully impaired in 2014 and, consistent to prior years and as at 31 December 2019 and 31 December 2018, the Directors believe the value of the Tree Plant Operations was nil and that no realistic recovery of any value in the Philippine tree plantation operations is presently likely or probable.

The management of the Company considered that the information used in the above assessment represented the best available estimates from the information available despite of lack of the current financial and other information of the Tree Plant Operations.

21. PROPERTIES HELD FOR SALE

	2019	2018
	HK$'000	HK$'000
Properties held for sale	**5,629**	7,240

Properties held for sale represent 35 (2018: 39) residential units located in Regal Garden, no. 888 Lunchang Road, Lunjiao Town, Shunde District, Foshan City, Guangdong Province, the PRC.

22. PROPERTIES UNDER DEVELOPMENT

	2019 HK$'000	2018 HK$'000
Properties under development	**31,431**	31,431

As at 31 December 2019, the carrying amount of properties under development of HK$31,431,000 (2018: HK$31,431,000) represented the deemed cost of 169 identified units of properties ("Properties") which had been specifically set aside for the settlement of an outstanding construction fee payable in accordance with 清付工程款項協議書 dated 15 August 2005 ("Settlement Agreement") in prior years.

The deemed cost of the Properties of HK$31,431,000 represents the RMB20,439,000 (equivalent to HK$25,653,000) which has been stipulated in the Settlement Agreement and the Pledge Agreement (as defined below) and further subsequent construction costs of RMB4,603,000 (equivalent to HK$5,778,000).

In addition to the Settlement Agreement, the Group has entered into another agreement 抵押還款協議書 dated 27 April 2006 ("Pledge Agreement") with 廣州市第四建築工程有限公司 (the "Contractor") to pledge the Properties as security. Under the two said Agreements, the Group and the Contractor mutually agreed to use the designated Properties to settle the outstanding balance. In conjunction with this settlement arrangement, both parties also mutually agreed the outstanding balance were to be settled without recourse, which in case the sales proceeds of the Properties exceeded the outstanding balance, the Group could not claim the extra proceeds received by the Contractor. Similarly, if the sales proceeds were insufficient to settle the amount owed to the Contractor, the Contractor agreed to waive the residual unpaid portion. In light of this particular clause, management considered that the significant risks and rewards of ownership of the Properties had been transferred to the Contractor when the two Agreements were signed. As a result, these properties under development and the corresponding liability were offset against each other and not separately recognised in the financial statements in prior years before the year ended 31 July 2013.

During the year ended 31 July 2013, the Group received a demand letter from the Contractor to claim the said outstanding balance, plus interest and an exact amount of RMB15,000,000 (equivalent to HK$18,827,000) without any basis. Apart from the amount due to the Contractor of RMB25,042,000 (equivalent to HK$31,431,000) which has been recognised by the Group as explained above, the Group saw no merit of the other claims by the Contractor.

During the years ended 31 July 2014, 2015, 2016, seventeen months ended 31 December 2017, years ended 31 December 2018 and 2019, the Contractor has not issued any further demand letters nor raised any formal proceedings against the Group to claim the outstanding amount.

22. PROPERTIES UNDER DEVELOPMENT *(Continued)*

During the year ended 31 July 2014, two individuals, 余盛 and 張明贊, raised litigations in the PRC against the Group (being the property developer), the Contractor (being the primary outsourcer), and another two companies (being the subcontractors of the primary outsourcer and being the direct outsourcers of the two individuals) to claim certain outstanding construction fees in relation to the Group's property development project. The PRC court ruled on this matter in December 2013 and concluded that the Contractor was liable to settle the principal amount of RMB3,198,013 (equivalent to HK$4,017,536) and RMB3,961,291 (equivalent to HK$4,976,411) plus overdue interest to 余盛 and 張明贊 respectively. The PRC court also concluded that the Group has a joint liability to settle the said principal amounts to 余盛 and 張明贊 to the extent that the amount is within the outstanding amount payable by the Group to the Contractor. All parties appealed against this judgement. However, the appeal was dismissed by the People's Intermediate Court in January 2015. Following the result of the appeal, the Contractor made a further appeal to the Higher People's Court of Guangdong Province（廣東省高級人民法院）against the judgement of the appeal, but the result of the further appeal is still outstanding at the date of approval of these financial statements.

In July 2015, the Higher People's Court of Guangdong Province（廣東省高級人民法院）granted leave for a retrial and suspended execution of orders previously made against the Contractor and Shunde China Rich Properties Limited ("Shunde China Rich"), a wholly-owned PRC subsidiary of the Group, by which dealings in respect of the Properties and credit standing in three bank accounts of Shunde China Rich has been frozen pending settlement of the litigations with 余盛 and 張明贊. As at 31 July 2015, the balance in the three bank accounts of Shunde China Rich were approximately RMB586,000 (equivalent to HK$730,000). These bank balances were accordingly reclassified as "restricted bank balances" in the Group's consolidated statement of financial position at 31 July 2015. During the year ended 31 July 2016, the restrictions over these bank accounts were released by the Higher People's Court of Guangdong Province（廣東省高級人民法院）and the cash held in these accounts may be freely used by the Group.

On 29 March 2018, the PRC court concluded that the Group and its former PRC contractor was liable to pay the outstanding construction fees and such claims were paid by the former contractor to the plaintiffs. The legal proceedings between the Group and the plaintiffs were settled.

In view of the dispute and the uncertainty in enforcing the settlement arrangement under both Agreements, management considers it is appropriate to separately recognise the Properties and the corresponding liabilities since 31 July 2013 as the previous offset arrangement may no longer be achievable.

As at the reporting date, registration of the authentic rights（確權）of these Properties have not yet been completed as the Contractor has failed to provide the Group with the certain necessary supporting documents to complete the registration process and obtain the authentic rights（確權）. Without the authentic rights, these Properties cannot be sold or transferred with proper/legal title in the PRC. Accordingly, these Properties were classified as properties under development.

As at 31 December 2019, the fair value of the Properties was estimated to be approximately HK$117,231,000 (2018: HK$115,085,000) with reference to a valuation report issued by Greater China (2018: Greater China), an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the properties being valued. Accordingly, the Directors consider that the future realised value of the property under development is higher than the accrual construction fee payable as explained in note 28.

23. LOAN RECEIVABLES

	2019	2018
	HK$'000	HK$'000
Loan receivables	**252,792**	262,210
Less: Impairment allowances	**(139,022)**	(3,214)
	113,770	258,996

The Group's loan receivables, which arise from the money lending business of providing corporate loans in Hong Kong and the PRC.

Certain loan receivables are secured by collaterals or personal guarantee, bear interest ranging from 10%-15% (2018: 7.5%-15%) per annum.

Loan receivables are repayable with fixed terms agreed with the Group's customers.

Loan receivables, net of impairment losses, that are denominated in the following currencies:

	2019	2018
	HK$'000	HK$'000
Hong Kong Dollars ("HK$")	**101,354**	238,979
Renminbi ("RMB")	**12,416**	20,017
	113,770	258,996

Included in the loan receivables (net of impairment losses) with the following ageing analysis, based on draw down dates, at the end of reporting period:

	2019	2018
	HK$'000	HK$'000
Current	**—**	143,145
Less than 1 month	**—**	1,966
1 to 3 months	**—**	113,885
More than 3 months	**113,770**	—
	113,770	258,996

23. LOAN RECEIVABLES *(Continued)*

Details of the loan receivables and the impairment allowances are as follows:

	2019			2018		
	Gross loan receivables HK$'000	**Allowances HK$'000**	**Carrying value HK$000**	Gross loan receivables HK$'000	Allowances HK$'000	Carrying value HK$'000
Loan receivables portfolio by security						
— Secured	**15,000**	**(826)**	**14,174**	15,000	–	15,000
— Unsecured	**237,792**	**(138,196)**	**99,596**	247,210	(3,214)	243,996
	252,792	**(139,022)**	**113,770**	262,210	(3,214)	258,996
Maturity profile of loan receivables portfolio						
Overdue						
Secured:						
— Overdue from 6 months to 1 year	**15,000**	**(826)**	**14,174**	–	–	–
Unsecured:						
— Overdue from 1 day to 3 months	**12,351**	**(4,331)**	**8,020**	115,000	(1,115)	113,885
— Overdue from 6 months to 1 year	**107,083**	**(69,304)**	**37,779**	–	–	–
— Over more than 1 year	**113,373**	**(64,367)**	**49,006**	–	–	–
	232,807	**(138,002)**	**94,805**	115,000	(1,115)	113,885
	247,807	**(138,828)**	**108,979**	115,000	(1,115)	113,885
Not yet overdue						
— Secured	**—**	**—**	**—**	15,000	–	15,000
— Unsecured	**4,985**	**(194)**	**4,791**	132,210	(2,099)	130,111
	4,985	**(194)**	**4,791**	147,210	(2,099)	145,111
	252,792	**(139,022)**	**113,770**	262,210	(3,214)	258,996

Almost all of the outstanding loan receivables were overdue for more than 180 days.

The maximum exposure to credit risk at each of the reporting dates is the carrying value of the loan receivables mentioned above.

As at 31 December 2019, the Group's overdue secured loan receivables amounted to HK$15,000,000, net of the allowances of HK$826,000 and the related interest income receivable of HK$1,574,000, net of the allowances of HK$87,000 (2018: No secured past due loan receivables). The amount was overdue for more than 180 days.

23. LOAN RECEIVABLES *(Continued)*

As at 31 December 2019, for secured loan receivables, in the opinion of the Directors, the fair value of the collaterals was approximate to the carrying amounts of the loan receivables (note 44). The Directors performed a fair value assessment of the collateral of the secured loan receivables. The fair value assessment has adopted certain key inputs and assumptions in respect of the fair value assessment, including but not limited to (1) the fair value of the collateral assets; (2) the future cash flow of the collateral assets; and (3) other key assumptions adopted in the fair value assessment. In the opinion of the Directors, the fair value based on the best estimate of the Directors to the best available financial and other information.

As at 31 December 2019, the Group's overdue unsecured loan receivables amounted to HK$232,807,000, net of the allowances of HK$138,002,000 (2018: HK$115,000,000, net of the allowances of HK$1,115,000) and the related interest receivable of HK$32,609,000, net of the allowances of HK15,988,000 (2018: HK$13,207,000, net of the allowances of nil). Most of them were overdue for more than 180 days.

Pursuant to the Company's accounting policy, the Group recognises loss allowances for ECL on loan and related interest receivables. The ECLs are measured on either of the following bases: (i) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (ii) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk. The Group considers a financial asset to be credit-impaired when: (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is more than 180 days past due.

The Directors performed an assessment on the allowances for ECL on loan and related interest receivables. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate. The Group measures loss allowances for trade receivables and loan receivables using the simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment in according to the accounting policy of the Company. The assessment of the ECL for loan receivables and interest receivables has adopted certain key inputs and assumptions, including but not limited to (i) the amount would be recovered from the borrowers; (ii) the future cash flow, if any; and (iii) other key assumptions adopted in the ECL assessment etc.

The Directors are currently reviewing the alternatives to recover the loan and interest receivables, including but not limit to dispose of the loan and interest receivables to third parties or to negotiate loans restructure with the borrowers (collectively referred to as the "Loan Restructuring Plan"). However, as at 31 December 2019 and up to the date of approval of these consolidated financial statements, the Loan Restructuring Plan has not yet been finalised. In view of this uncertainty, the Directors are unable to reasonably assess the borrowers' ability to repay the debts in the near future. The validity of ECL assessment on loan and interest receivables depends on the outcome of certain factors, including (i) the borrowers' ability to repay the debts; and (ii) the successful of Loan Restructuring Plan.

23. LOAN RECEIVABLES *(Continued)*

Based on the best estimate of the Directors, the Group recognised impairment losses of HK$151,870,000 (2018: HK$3,214,000) on the outstanding loan and interest income receivables for the year and the movements in the allowance for impairment in respect of loan receivables and interest income receivables was as follows:

	Impairment loss allowances for		
	Loan receivables HK$'000	**Interest income receivables *(note 24)* HK$'000**	**Total HK$000**
At 1 January 2018	—	—	—
Impairment loss recognised during the year	3,214	—	3,214
At 31 December 2018	3,214	—	3,214
Impairment loss recognised during the year	**135,874**	**15,996**	**151,870**
Exchange alignments	**(66)**	**(8)**	**(74)**
At 31 December 2019	**139,022**	**15,988**	**155,010**

In the opinion of the Directors, the carrying amount of the loan receivables approximate to their fair values due to the short-term maturities.

Further details on the Group's credit policy are set out in note 44.

24. TRADE AND OTHER RECEIVABLES

	Notes	**2019 HK$'000**	2018 HK$'000
Trade receivables arising from license and financial service business	(i)	**795**	40,011
Trade receivables arising from sales of properties held for sales	(ii)	**3,230**	—
Investment income receivable arising from financial assets investments *(see note 26)*			
— Convertible bonds, unlisted		**—**	12,844
— Debt Securities, unlisted		**34,509**	42,985
Interest receivable arising from loan receivables *(see note 23)*	(iii)	**16,621**	13,207
Amount due from a non-controlling shareholder of a subsidiary of the Group	(iv)	**4,900**	4,900
Amount due from a related party	(v)	**110**	3,589
Other receivables		**1**	1,476
		60,166	119,012

24. TRADE AND OTHER RECEIVABLES *(Continued)*

	2019			2018		
	Gross amounts HK$'000	**Impairment loss allowances HK$'000**	**Carry amounts HK$000**	Gross amounts HK$'000	Impairment loss allowances HK$'000	Carry amounts HK$'000
Trade receivables arising from license and financial service business	**41,339**	**(40,544)**	**795**	42,977	(2,966)	40,011
Trade receivables arising from sales of properties held for sales	**3,432**	**(202)**	**3,230**	–	–	–
Investment income receivable arising from financial assets investments						
– Convertible bonds, unlisted	**25,787**	**(25,787)**	**—**	14,053	(1,209)	12,844
– Debt Securities, unlisted	**110,762**	**(76,253)**	**34,509**	53,970	(10,985)	42,985
Interest receivable arising from loan receivables	**32,609**	**(15,988)**	**16,621**	13,207	–	13,207
Amount due from a non-controlling shareholder of a subsidiary of the Group	**4,900**	**—**	**4,900**	4,900	–	4,900
Amount due from a related party	**110**	**—**	**110**	3,589	–	3,589
Other receivables	**1**	**—**	**1**	1,476	–	1,476
	218,940	**(158,774)**	**60,166**	134,172	(15,160)	119,012

The Group and the Company recognised impairment loss based on the accounting policy stated in note 4 (h)(ii). Further details on the Group's credit policy are set out in note 44.

Notes:

(i) Trade receivables arising from license and financial service business

An ageing analysis of trade receivables at the end of the reporting period, based on the invoice date, is as follows:

	2019 HK$'000	2018 HK$'000
0 – 90 days	**—**	1,563
90 – 365 days	**795**	–
Over 365 days	**—**	38,448
	795	40,011

The Group does not hold any collateral or other credit enhancements over the trade receivables.

24. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes: (Continued)

(ii) Trade receivables arising from sales of properties held for sales

An ageing analysis of trade receivables at the end of the reporting period, based on the invoice date, is as follows:

	2019	2018
	HK$'000	HK$'000
0 – 90 days	**2,697**	—
90 – 365 days	**533**	—
Over 365 days	**—**	—
	3,230	—

The Group does not hold any collateral or other credit enhancements over the trade receivables.

(iii) Interest receivable arising from loan receivables

As at 31 December 2019, except for HK$1,487,000 which the Group held collaterals and HK$36,000 is unsecured and not yet overdue, the remaining balances are unsecured and overdue.

(iv) Amount due from a non-controlling shareholder of a subsidiary of the Group.

The amount was unsecured, interest-free and repayable on demand.

(v) Amount due from a related party

The amount due from a related party bears interest at 10% per annum and was unsecured and repayable on demand.

All of the trade and other receivables are expected to be recovered within one year.

25. DEPOSITS AND PREPAYMENTS

	2019	2018
	HK$'000	HK$'000
Deposits paid	**1,776**	2,360
Prepayment	**435**	2,606
	2,211	4,966
Represented by:		
Current portion	**2,211**	3,330
Non-current portion	**—**	1,636
	2,211	4,966

None of the above asset is either past due nor impaired.

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	2019 HK$'000	2018 HK$'000
HK listed equity securities	(i)	**56**	62
Convertible bonds, unlisted	(ii)	**—**	124,430
Debt Securities, unlisted	(iii)	**499,849**	512,759
		499,905	637,251

Notes:

(i) HK listed equity securities

The amount are Hong Kong listed equity securities which are measures at quoted prices in active markets

(ii) Convertible bond, unlisted

As at 31 December 2019, the Group held the convertible bond (the "Convertible Bond") through one investment fund which managed by independent general partner/manager. Details of the convertible bond are as follows:

Name of fund	General partner/ manager	Investment to the fund	Management fee	Term of investment	% of fund held	Name of underlying investment companies	Beneficial owner of underlying investment companies	Major business of underlying investment	Status of the investment	2019	2018
		HK$' million								HK$'000	HK$'000
Forward Fund SPC	Full House Asset Management Company Limited	130.15	0.3% per annum of the aggregated commitment	2 years	100%	China Ocean Industry Group Limited	Please refer to relevant information announced in its annual report of 2018	Steel structure engineering and installation, intelligent parking, automobile and electronic business	(note below)	–	124,430

Note: Pursuant to the relevant convertible bond agreements, the Convertible Bond of HK$80,000,000 and HK$49,000,000 were matured on 10 November 2019 and 31 December 2019, respectively. As at 31 December 2019 and up to the date of approval of these consolidated financial statements, pursuant to the relevant debt securities agreements, the related investment income receivables arising from financial assets investment was overdue and the borrowers committed events of default and/or break of covenants and restriction terms and conditions stipulated in the respective debt securities agreements entered into by the unlisted companies and the borrowers. Accordingly, the entire Convertible Bond and investment income receivable are repayment on demand.

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

Notes: (Continued)

(ii) Convertible bond, unlisted *(Continued)*

Details of the movements of the Convertible Bond were as following:

	HK$'000
Carrying values as at 1 January 2018	124,533
Changes in fair value during the year	(103)
Carrying values as at 31 December 2018	124,430
Changes in fair value during the year	(124,430)
Carrying values as at 31 December 2019	—

Through the investment fund of "Forward Fund SPC", the Group invested in two-year Convertible Bond issued by the China Ocean Industry Group Limited ("China Ocean") (the "Convertible Bond"), a company listed on the Stock Exchange (the Stock code: 651) with a subscription amount of HK$129,000,000. The Convertible Bond carry an interest of 10% per annum, payable annually in arrears. If the Convertible Bond has not been converted before the maturity date, they will be redeemed on maturity date at principal amount plus the accrued interest. Immediately after full conversion of the Convertible Bond at the conversion price of HK$0.070 per share, the number of conversion shares of the Group will account for approximately 11.28% of the total number of shares of the China Ocean as enlarged by the allotment and issue of conversion shares (assuming there is no other change in the share capital of the China Ocean).

Based on the interim report of China Ocean for the six months ended 30 June 2019, the loss for the period attributable to owners of the company amounted to HK$302,016,000, the net current liabilities amounted to HK$3,435,976,000 and the deficiency of shareholders' equity attributable to the owners of the Company amounted to HK$2,711,944,000.

With reference to the announcements of China Ocean dated 5 August 2019, 28 August 2019, 23 September 2019, 25 September 2019, 27 September 2019, 20 November 2019, 11 December 2019, 16 December 2019, 31 December 2019, 12 January 2020, 17 January 2020, 20 January 2020, 3 February 2020 and 20 March 2020, China Ocean received a petition from a creditor in the matter of the Companies (Winding Up and Miscellaneous Provision) Ordinance (Chapter 32, Laws of Hong Kong) filed in the High Court of The Hong Kong Special Administrative Region under Companies Winding-up Proceedings No. 230 of 2019 (the "Petition"). As at 31 December 2019 and up to the date of approval of these consolidated financial statements, the Petition has not yet been finalised. The Convertible Bond overdue on 10 November 2019 and thus, the Convertible Bond are repayment on demand.

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

Notes: (Continued)

(ii) Convertible bond, unlisted *(Continued)*

As at year ended 31 December 2019, the management of the Company has engaged an independent external valuer, Norton Appraisals Holdings Limited, to perform fair value valuation of the Convertible Bond. The Convertible Bond was recognised as financial assets at fair value through profit or loss. Since China Ocean is during the winding-up process and the deficiency of shareholders' equity attributable to the owners of the Company amounted to HK$2,711,944,000, based on the interim report of China Ocean for the six months ended 30 June 2019. In view of the circumstances as mentioned above, the management of the Company consider that the value of the Convertible Bond was nil as at 31 December 2019 and that no realistic recovery of any value in the Convertible Bond from China Ocean is presently likely or probable.

As at 31 December 2018, the Convertible Bond is measured at fair value by a firm of independent professional valuer, Norton Appraisals Holdings Limited ("Norton Appraisals"), using the Goldman Sachs' Model, which is a financial modeling technique commonly adopted in valuation of financial assets, at the end of the reporting period.

	Significant unobservable inputs	**Relationship of unobservable inputs to fair value**
2018	Expected volatility: 71.38%	The higher the expected volatility, the higher the fair value

The management of the Company consider that the information used in the above valuation and assessment represented the best available estimates from the information available despite of lack of the current financial and other information of China Ocean.

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

Notes: (Continued)

(iii) Debt Securities, unlisted

As at 31 December 2019, the Group held the debt securities (the "Debt Securities") through four investment funds which managed by independent general partner/manager and details of which are as follows:

Name of fund	General partner/manager	Investment to the fund	Management fee	Term of investment	% of fund held	Name of underlying investment companies	Beneficial owner of underlying investment companies	Major business of underlying investment	Status	2019	2018
		HK$'million								HK$'000	HK$'000
Wealth Creation Special Opportunities Fund LP	OBOR Fund Management Limited	100.0	0.3% per annum of the aggregated commitment	3 years (may extend for another 2 years)	100%	Baton Investment Limited	Ma Zufeng	Investment, mining investment	(note below)	102,118	102,938
Partners Tian Wei Fund	Pearl River Capital Limited, transferred from Partners Investment Management Limited on 29 October 2019	140.0	0.3% per annum of the aggregated commitment	3 years (may extend for another 2 years)	100%	Star Keen Investment Limited	Lin Xiaosheng	Investment management	(note below)	136,886	135,891
Bison Target Investment SPC – BOCI Fund Income Focused Growth SP	BTS Investment Limited	136.5 (USD17.50)	0.5% per annum of the aggregated commitment	3 years (may extend for another 2 years)	100%	Fen River Capital Limited	Huang Zhengxiong	Real state investment, high-tech investment	(note below)	130,746	135,837
Nan Tai Investment LP	Nan Tai Investment Limited	140.0	0.5% per annum of the aggregated commitment	2 years (extended for another 1 year)	100%	Huatune International Group Limited	Qian Baohua	Industrial investment, chemical industry and trading	(note below)	130,099	138,093
										499,849	512,759

Note: As at 31 December 2019 and up to the date of approval of these consolidated financial statements, pursuant to the relevant debt securities agreements, the related investment income receivables arising from financial assets investment was overdue and the borrowers committed events of default and/or break of covenants and restriction terms and conditions stipulated in the respective debt securities agreements entered into by the unlisted companies and the borrowers. Accordingly, the entire Debt Securities and investment income receivable are repayment on demand.

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

Notes: (Continued)

(iii) Debt Securities, unlisted *(Continued)*

Details of the movements of the Debt Securities were as following:

	HK$'000
Carrying values as at 1 January 2018	517,147
Changes in fair value during the year	(4,388)
Carrying values as at 31 December 2018	512,759
Changes in fair value during the year	(12,759)
Exchange alignments	(151)
Carrying values as at 31 December 2019	499,849

As at 31 December 2019, the related investment income receivables relating to the Debt Securities were of HK$110,762,000, net of allowances of HK$76,253,000 (2018: HK$53,970,000, net of allowances of HK$10,985,000).

The Directors have been undertaking a number of measures to recover the Debt Securities and investment income receivables, including but not limit to dispose of the Debt Securities to third parties or to negotiate debts restructure with the borrowers (collectively referred to as the "Debt Securities Restructuring Plan"). However, as at 31 December 2019 and up to the date of approval of these consolidated financial statements, the Debt Securities Restructuring Plan has not yet been finalised. Accordingly, the Directors are unable to assess the borrowers' ability to repay the debts in the near future.

The management of the Company has engaged an independent external valuer to perform fair value valuation of the Debt Securities using discounted cash flow method and to assess the ECL assessment of the investment income receivables. Based on the report prepared by the independent external valuer, Norton Appraisals (2018: Norton Appraisals), the Group recognised a fair value loss on the Debt Securities of approximately HK$12,759,000 and ECL on investment income receivables of HK$76,253,000 as at 31 December 2019.

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

Notes: (Continued)

(iii) Debt Securities, unlisted *(Continued)*

Details of the fair value valuation on Debt Securities issued by private corporates are measured at fair value using the discounted cash flow method at the end of the reporting period.

	2019		2018	
	Range	**Relationship of unobservable inputs to fair value**	Range	Relationship of unobservable inputs to fair value
Significant unobservable inputs:				
Discount rate	20.62% to 21.22%	The higher the discount rate, the lower the fair value	12.51% to 13.35%	The higher the discount rate, the lower the fair value

The fair value valuation and ECL assessment have adopted certain key assumption provided by the management of the Company, including but not limited to the validity of the cash flow projection, the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) etc. The validity of fair value valuation of the Debt Securities and ECL assessment of the investment income receivables depends on the outcome of certain factors, including but not limited to (i) the borrowers' ability to repay the debts; and (ii) the successful of Debt Securities Restructuring Plan.

The management of the Company consider that the information used in the above valuation and assessment represented the best available estimates from the information available despite of lack of the current financial and other information of the borrowers.

27. CASH AND CASH EQUIVALENTS

	2019	2018
	HK$'000	HK$'000
Cash and cash equivalents	**1,439**	6,887

As at 31 December 2019, cash and cash equivalents of the Group included currencies denominated in RMB amounting to approximately HK$577,000 (2018: HK$5,281,000) which is not freely convertible into other currencies.

28. TRADE AND OTHER PAYABLES

	2019	2018
	HK$'000	HK$'000
Construction fee payable *(note (i))*	**28,733**	28,115
Other payable	**10,586**	10,122
	39,319	38,237

The aging analysis of trade payables at the end of the reporting period, based on invoice date, is as follows:

Over 365 days	**28,733**	28,115

Trade and other payables that are denominated in the following currencies:

HK$	**6,937**	729
RMB	**32,382**	37,508
	39,319	38,237

Note:

(i) The balances represented outstanding construction fee in dispute, further details of which are set out in note 22.

29. ACCRUALS

	2019 HK$'000	2018 HK$'000
Accrued salaries and bonus	**10,239**	8,848
Accrued interest payables in respect of:	**113,295**	59,928
— Huarong Loan (see note 31(i))	**77,853**	39,497
— RMB Loan (see note 31(ii))	**3,890**	1,769
— Senior Notes (see note 32)	**28,833**	16,037
— Loan from Linshan Limited (see note 30)	**2,686**	2,329
— Others	**33**	296
Deposits received	**992**	992
Others	**3,417**	4,887
	127,943	74,655

All the accruals are repayable on demand. As explain in notes 30, 31 and 32, the Group did not make the scheduled interest payment. Other than this, all of the accruals are expected to be settled within one year.

30. LOAN FROM A FORMER SHAREHOLDER

	2019 HK$'000	2018 HK$'000
Loan from a former shareholder, Linshan Limited	**49,598**	49,598

The loan from Linshan Limited ("Linshan") is unsecured and bears interest at the rate of 1% (2018: 1%) per annum.

During the year ended 31 July 2011, a shareholder's loan amounting to approximately HK$40,000,000 was granted to the Group by Corporate King Limited ("Corporate King"), a former corporate substantial shareholders of the Company. Mr. CT Tan, a former Chairman and former Executive Director of the Company is the controlling shareholder of Corporate King.

During the year ended 31 July 2013, an assignment of deed was entered into between Linshan, a former substantial shareholder of the Company, and Corporate King such that the shareholder's loan with accrued interest amounting to approximately HK$49,891,000 as at 31 July 2013 was assigned from Corporate King to Linshan. Linshan is wholly owned by Mr. Shannon Tan Siang-Tau ("Mr. S Tan"), a former Executive Director of the Company and the son of Mr. CT Tan, a former Chairman and former Executive Director of the Company.

The loan from Linshan was due for repayment on 31 December 2014, and in January 2015, the Group received a demand letter from Linshan for the settlement of the outstanding loan and accrued interest thereon.

30. LOAN FROM A FORMER SHAREHOLDER *(Continued)*

Mr. S Tan and Mr. CT Tan were both key members of the management team of the Group's former Tree Plantation Operations in the Philippines, details of which are set out in note 20. The Group has been highly dissatisfied with the performance, behaviour and misrepresentations of this management team, as the Tree Plantation Operations were a total failure and has since been fully written off and abandoned by the Group during the year ended 31 July 2014. On 28 October 2014, a criminal action for misappropriation of certain funds and falsification of documents was filed in the Philippines against Ms. De Guzman, another key member of the management team and the majority equity rights holder of these Tree Plantation Operations. In around May 2016, a warrant for the arrest of Ms. De Guzman was issued by the Regional Trial Court of Makati City. Ms. De Guzman subsequently filed a Motion for Reconsideration to dismiss the complaint raised against her. In June 2016 the Court denied Ms. De Guzman's motion and an arrest warrant was issued against her. Although several attempts have been made to serve the arrest warrant on Ms. De Guzman, none have been successful up to the date these financial statements were approved.

Since then, the Group is contemplating similar measures/actions against Mr. S Tan and Mr. CT Tan, and until that situation has been resolved, the Group has no intention of settling the loan and interest due to Linshan.

Till to 31 December 2019 and up to the approval of these consolidated financial statements, there were no development of the loan from the former shareholder.

Up to 31 December 2019, the Group's interest expenses payable to Linshan was HK$2,686,000 (2018: HK$2,329,000) (details are set out in note 29).

31. OTHER BORROWINGS

	Notes	2019 HK$'000	2018 HK$'000
Other borrowings:			
— Huarong loan	(i)	**390,506**	389,955
— RMB Loan	(ii)	**27,406**	27,890
— HK$ Loan	(iii)	**500**	—
— Other Loan	(iv)	**—**	10,000
		418,412	427,845
Analysed by:			
— Current portion		**418,412**	76,245
— Non-current portion		**—**	351,600
		418,412	427,845

Notes:

(i) Huarong Loan

Pursuant to the Company's announcement dated 7 November 2017, on 7 November 2017, China Huarong International Holdings Limited ("**Huarong**") entered into a facility agreement (the "**Huarong Loan Agreement**") with the Company, Long Chang International Group Co., Limited and China Gem Financial Group Limited (China Gem Financial Group Limited is a substantial shareholder of the Company) in relation to a 9.7% per annum five year loan facility in an aggregate principal amount of up to US$60,000,000 (the "**Huarong Facility**").

The purpose of the Huarong Facility is for funding the general working capital of the Company and its subsidiaries. The borrowers are the Company and Long Chang International Group Co., Limited (both are collectively referred to as the "**Borrowers**") and the Huarong Facility was secured by corporate guarantee provided by China Gem Financial Group Limited.

On 8 November 2017, the Group had drawn down of US$26,000,000 and the maturity date of the first drawn down loan will be on 7 November 2022, five years subsequent to the drawn down. On 10 November 2017, the Group had drawn down of US$24,000,000 and the maturity date of the second drawn down loan will be on 9 November 2022, five years subsequent to the drawn down. As at 31 December 2018, the Directors considered the Group had not breached the covenant relating to this drawn facility.

31. OTHER BORROWINGS *(Continued)*

Notes: *(Continued)*

(i) Huarong Loan *(Continued)*

As at 31 December 2019, the aggregate loan balance was US$50,000,000 (equivalent to approximately HK$390,506,000) (2018:US$50,000,000, equivalent to approximately HK$389,955,000) (the "Huarong Loan") and the accrued interest payable was HK$77,853,000 (2018: HK$39,497,000) (details are set out in note 29).

Pursuant to the Huarong Loan Agreement, the borrowing is subject to the fulfilment of covenant relating to certain ratio of the Group's financial position ratio which is commonly found in lending arrangements with financial institutions. If the Group breaches the covenants, the drawn down facilities would become repayable on demand. Further, the Huarong Loan Agreement imposes a covenant that the Borrowers are required to pay the interest in accordance with the schedule as specified in the Huarong Loan Agreement. Otherwise, Huarong has the right to declare the Huarong Facility to be cancelled and/or all or part of outstanding amounts under the Huarong Facility, together with accrued interest and all other sums that would become repayable on demand.

Pursuant to notice issued by Huarong to the Company on 25 September 2019, Huarong transferred the Huarong Loan to its wholly-owned subsidiary, Pure Virtue Enterprises Limited.

Since 2018, the Group did not make the scheduled interest payment. Accordingly, pursuant to the relevant clauses of Huarong Loan Agreement, the Huarong Loan and the accrued interest payment are repayable on demand. Thus, the entire Huarong Loan was classified as current liability as at 31 December 2019.

(ii) RMB Loan

On 19 April 2018, 中石百納(深圳)股權投資管理有限公司, a wholly-owned subsidiary of the Company entered into a facility agreement (the "RMB Loan Agreement") with a PRC Entity ("RMB Loan Lender") in relation to a 9% per annum 90 days loan facility in an aggregate principal amount of up to RMB32,000,000 (the "RMB Loan Facility"). RMB Loan Facility was secured by personal guarantee provided by two former directors of the Company.

Pursuant to the first loan extension agreement on 24 July 2018, the maturity of the RMB Loan Facility was extended to 16 December 2018 and thus the interest rate was increased from 9% to 14%. In addition, pursuant to the second extension agreement on 16 December 2018, the maturity of the RMB Loan Facility was further extended to 16 December 2019. However, the Group did not make the scheduled principal and interest payment. Accordingly, pursuant to the relevant clauses of the RMB Loan Agreement and the subsequent extension agreements, the RMB Loan, the accrued interest and the other sums of payable, if any, are repayable on demand.

As at 31 December 2019, the outstanding loan balance was RMB24,500,000 (equivalent to approximately HK$27,406,000) (2018: RMB24,500,000, equivalent to approximately HK$27,890,000) (the "RMB Loan") and the accrued interest payable was HK$3,890,000 (2018:HK$1,769,000) (details are set out in note 29).

31. OTHER BORROWINGS *(Continued)*

Notes: (Continued)

(iii) HK$ Loan

Pursuant to the loan facility agreement between Double Management Fund SP Of Forward Fund SPC, a wholly-owned subsidiary of the Company and the general partner of Forward Fund SPC, Leader SP Of Forward Fund SPC, in relating to a loan facility of HK$500,000, the interest rate was 5% per annum from 10 May 2019 to 31 August 2019 and the interest rate was increased to 15% from 1 September 2019.

As at 31 December 2019, the outstanding loan balances was HK$500,000, which is non-secured and repayable on demand.

(iv) Other Loan

Pursuant to the loan facility agreement between the Company and a company incorporated in Cayman Islands, in relating to a loan facility of HK$10,000,000, the interest rate was 15% per annum (2018: 15% per annum), secured by corporate guarantee provided by China Gem Financial Group Limited, a shareholder of the Company and personal guarantee provided by a former director and repayable on 30 December 2018. The loan was fully settled on 2 January 2019.

As at 31 December 2019 and up to the date of approval of these consolidated financial statements, the Group has not received any requests from the lenders of the Huarong Loan and RMB Loan to settle any outstanding amounts due to them. The management of the Company is ongoing to negotiate and convince the lenders of the Huarong Loan and RMB Loan which are scheduled to be repaid in 2019, not to exercise their contractual rights to request the Group for immediate repayment of the principal amounts and any accrued interest. Based on the latest information available to the Group, in the opinion of the Directors, there is no indication that the lenders have any current intention to exercise their right to demand immediate repayment thereon.

32. SENIOR NOTES

	2019	2018
	HK$'000	HK$'000
Senior Notes	**179,967**	178,688

Pursuant to the Company's announcements on 3 November 2017 and 6 November 2017, the Company, as the note issuer, entered into a note purchase agreement (the "Senior Note Agreement") with Prosper Talent Limited (the "Investor"), a wholly-owned subsidiary of CCB International (Holdings) Limited in relation to two-year notes in an aggregate principal amount of up to HK$180,000,000 (the "Senior Notes"). The purpose of the Senior Notes is for funding the general working capital of the Company and its subsidiaries and project investments. The Senior Notes are repayable on the maturity date falling immediately before the second anniversary of the date of issue of the Senior Notes.

Pursuant to terms and conditions of the Senior Notes Agreement, China Gem Financial Group Limited ("CG Financial"), a substantial shareholder of the Company, is required to charge certain ordinary shares of the Company in favour of the Investor as security for the Senior Notes.

On 6 November 2017, an 8% per annum two-year note in the principal amount of HK$90,000,000 was issued to the Investor with the maturity date on 5 November 2019. On 5 December 2017, the Company further issued an 8% per annum two-year note in the principal amount of HK$90,000,000 to the Investor with the maturity date on 4 December 2019.

In view of the Group did not make the scheduled principal and interest payment and accordingly, pursuant to the relevant clauses of the Senior Note Agreement, the Senior Notes and the related accrued interest are repayable on demand.

As at 31 December 2019, the outstanding Senior Notes balances were HK$179,967,000 (2018: HK$178,688,000) and the accrued interest payable was HK$28,833,000 (2018:HK$16,037,000) (details are set out in note 29).

As at 31 December 2019 and up to the date of approval of these consolidated financial statements, the Group has not received any requests from the Investor of the Senior Notes to settle any outstanding amounts due to the Investor. The management of the Company is ongoing to negotiate and convince the Investor of the Senior Notes which are scheduled to be repaid in 2019, not to exercise its contractual rights to request the Group for immediate repayment of the principal amounts and any accrued interest. Based on the latest information available to the Group, in the opinion of the Directors, there is no indication that the Investor has any current intention to exercise its right to demand immediate repayment thereon.

33. DEFERRED TAX LIABILITIES

	Revaluation of investment properties HK$'000
At 1 January 2018	19,213
Charge to profit or loss *(note 14)*	7,465
At 31 December 2018 and 1 January 2019	26,678
Exchange alignments	(625)
Charge to profit or loss *(note 14)*	11,352
At 31 December 2019	37,405

At 31 December 2019, the Group has estimated unused tax losses of HK$135,972,000 (2018: HK$142,074,000) available for offsetting against future profits, which are subject to the agreement of the relevant tax authorities. Included in the estimated unused tax losses, HK$128,922,000 (2018: HK$123,276,000) can be carried forward indefinitely and HK$7,050,000 (2018: HK$18,798,000) will expire in one to five years. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams.

34. SHARE CAPITAL

	Number of shares	Amount HK$'000
Issued and fully paid:		
Ordinary shares		
At 1 January 2018	3,595,373,330	35,954
Issue of shares upon placing *(note (i))*	540,000,000	5,400
At 31 December 2018	4,135,373,330	41,354
Issue of shares upon exercise of share option *(note (ii))*	114,640,000	1,146
At 31 December 2019	4,250,013,330	42,500

Notes:

(i) On 15 May 2018, placing of 540,000,000 new shares (i.e. 13.06% of the enlarged shareholding) at HK$0.12 per share to not less than six places through a placing agent was completed. The net proceeds from the placing, after deducting the placing commission and other expenses in connection with the placing from the gross proceeds, are approximately HK$64,295,000. The proceeds are intended to be utilised for the property development related business and general working capital.

(ii) During the year ended 31 December 2019, 114,640,000 ordinary shares were issued upon exercise of a total 114,640,000 share options at exercise price HK$0.108 per share, giving rise to aggregate net proceeds of approximately HK$12,381,000.

35. LEASES

HKFRS 16 was adopted 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(f)A.

Nature of leasing activities (in the capacity as lessee)

The Group leases four properties in Hong Kong which the payments were fixed over the lease terms. One of the leases terminated before 31 December 2019 and was classified as short-term lease.

RIGHT-OF-USE ASSETS

	31 December 2019 HK$'000	1 January 2019 HK$'000
Ownership interests in leasehold land and buildings, carried at fair value with remaining lease term of:		
— 50 years or more	**340**	—
Other properties leased for own use, carried at depreciated cost	**5,271**	9,158
Ownership interests in leasehold investment property, carried at fair value, with remaining lease term of 50 years or more	**149,342**	—

LEASE LIABILITIES

Future lease payments are due as follows:

As at 31 December 2019	**Minimum lease payments HK$'000**	**Interest HK$'000**	**Present value HK$000**
Not later than one year	4,469	420	4,049
Later than one year and not later than two years	1,704	147	1,557
Later than two years and not later than five years	600	21	579
	6,773	588	6,185

35. LEASES *(Continued)*

Operating leases — lessee

The Group leases the majority of its properties. The terms of property leases tend to be tenant repairing with rent reviews every 2 to 5 years and many have break clauses. The total future minimum lease payments are due as follows:

	2018 HK$'000
Within one year	5,834
In the second to fifth years inclusive	4,864
	10,698

Initial application of HKFRS 16 at 1 January 2019

Short term leases

	2019 **HK$'000**
Within one year	408

Operating leases — lessor

Certain properties may have been vacated prior to the end of the lease term. Where possible the Group always endeavours to sub-lease such vacant space on short-term lets. An onerous provision is recognised where the rents receivable over the lease term are less than the obligation to the head lessor. The Group's investment property is also leased to a number of tenants for varying terms. The sub-lease rental income during the year ended 31 December 2019 was HK$2,551,000 (2018: HK$2,246,000).

The minimum rent receivables under non-cancellable operating leases are as follows:

	2019 **HK$'000**	2018 HK$'000
Within one year	**3,014**	3,031
In the second to fifth years inclusive	**1,510**	4,003
Over five years	**376**	817
	4,900	7,851

36. SHARE BASED PAYMENT

On 28 July 2010, the Company passed an ordinary resolution regarding the termination of the old share option scheme and adopted a new share option scheme (the "New Scheme") for the primary purpose of providing incentive to the eligible employees and Directors of the Company. Under the terms of the New Scheme, the board of Directors of the Company may, at their discretion, grant options to the participants who fall within the definition prescribed in the New Scheme including the employees and Executive Directors of the Company or its subsidiaries to subscribe for shares in the Company at a price equal to the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the shares on the Offer Date; (ii) the average closing price of the Shares as stated the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding to the Offer Date; and (iii) the nominal value of the shares. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% (2018: 1 %) of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Options granted to substantial shareholders or Independent Non-executive Directors in excess of 0.1% of the Company's share capital and with a value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders. Options granted under the New Scheme will entitle the holder to subscribe for shares from the date of grant up to ten years from the date of grant. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

The following share options were outstanding under the scheme during the year:

	Average exercise price 2019	**Number 2019**	Average exercise price 2018	Number 2018
Outstanding at beginning of the year	**HK$0.108**	**248,040,000**	—	—
Granted during the year	**—**	**—**	HK$0.108	248,040,000
Exercised during the year	**HK$0.108**	**(114,640,000)**	—	—
Lapsed during the year	**HK$0.108**	**(62,680,000)**	—	—
Outstanding at the end of the year	**HK$0.108**	**70,720,000**	HK$0.108	248,040,000
Vested and exercisable at the end of the year	**HK$0.108**	**70,720,000**	HK$0.108	24,804,000

No options expired, exercised or forfeited during the year covered by the above tables.

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Grant date	**Expiry date**	**Exercise price**	**Share options 2019**	**Share options 2018**
23 November 2018	22 November 2023	HK$0.108	70,720,000	24,804,000
Weighted average remaining contractual life of options outstanding at end of reporting period			3.89 years	4.89 years

The average fair value of each option granted during the year was 5 years.

36. SHARE BASED PAYMENT *(Continued)*

The following information is relevant in the determination of the fair value of options granted during the year under the equity-settled share based remuneration scheme operated by the Group:

Option pricing model used	**Binomial option pricing model**
Share price at date of grant	0.103
Contractual life	5
Expected volatility	47.12%
Expected dividend rate	0%
Risk-free interest rate	2.20%

The expected price volatility is based on the historic volatility of the share prices of publicly listed companies that are considered to be comparable to the Company.

The Group recognised the total expense of HK$3,546,000 for the year ended 31 December 2019 (2018: HK$3,658,000) in relation to share options granted by the Company.

37. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	**2019** **HK$'000**	2018 HK$'000
Non-current assets			
Property, plant and equipment		**1,225**	109
Interest in subsidiaries		**—**	—
Total non-current assets		**1,225**	109
Current assets			
Trade and other receivables		**—**	38,643
Deposits and prepayment		**846**	1,698
Amounts due from subsidiaries		**708,043**	1,046,969
Bank balances and cash		**302**	42
Total current assets		**709,191**	1,087,352
Current liabilities			
Other payables		**3,745**	397
Accruals		**118,161**	67,279
Lease liabilities		**1,273**	—
Other borrowings	31	**390,506**	48,355
Senior notes	32	**179,967**	178,688
Amounts due to subsidiaries		**446**	2,694
Total current liabilities		**694,098**	297,413
Net current assets		**15,093**	789,939
Total assets less current liabilities		**16,318**	790,048
Non-current liabilities			
Other borrowings	31	**—**	351,600
Total non-current liabilities		**—**	351,600
Net assets		**16,318**	438,448
Capital and reserves			
Share capital	34	**42,500**	41,354
Reserves	39	**(26,182)**	397,094
Total equity		**16,318**	438,448

38. PARTICULARS OF SUBSIDIARIES

The following list contains only the particulars of the principal subsidiaries as at 31 December 2019 which principally affect the results, assets or liabilities of the Group as the Directors are of the opinion that a full list of all the subsidiaries would be of excessive length.

Name of subsidiary	Place of incorporation or registration and operations@	Issued and fully paid ordinary share capital/ registered capital	Percentage of ownership interests/voting rights/profit share		Principal activities
			Directly	Indirectly	
Professional Wealth Creation Limited	Hong Kong	HK$1 (2018: HK$1)	100%	–	Money lending
Old Peak Capital Limited	Hong Kong	HK$10,500,000 (2018: HK$9,000,000)	–	100%	Advising on securities and asset management
Grand Plus Investment Limited	Hong Kong	HK$1 (2018: HK$1)	–	100%	Fund investment
Sky Horse INC Limited	Hong Kong	HK$1 (2018: HK$1)	100%	–	Provision of administrative services to the Group
China Gem Investment Limited	Hong Kong	HK$10,000,000 (2018: HK$10,000,000)	–	51%	Investment holding
China Rich Properties Limited	Hong Kong	HK$10,000,000 (2018: HK$10,000,000)	–	100%	Property development
Shunde China Rich Properties Limited	The PRC (b)	US$11,200,000 (2018: US$11,200,000)	–	100%	Property development
中石百納(深圳)股權投資管理有限公司	The PRC (b)	US$500,000 (2018: US$500,000)	–	100%	Money lending
中石(深圳)投資諮詢有限公司	The PRC (b)	RMB5,000,000 (2018: RMB5,000,000)	–	100%	Property investment

@ Unless otherwise stated, the place of operations is the same as the place of incorporations.

Notes:

(a) None of the subsidiaries had issued any debt securities at the end of reporting period.

(b) All PRC subsidiaries are corporations with limited liability.

The Directors of the Company made an assessment as at the date of initial application of HKFRS 12 and at the end of the reporting period. In the opinion of the Directors, there is no subsidiary that has non-controlling interest individually that is material to the Group and therefore no information is disclosed for those non-wholly owned subsidiaries.

39. RESERVES OF THE COMPANY

	Share premium HK$'000 *(note i)*	Contributed surplus HK$'000 *(note ii)*	Distributable reserve HK$'000 *(note iii)*	Share option reserve HK$'000 *(note 36)*	Accumulated losses HK$'000	Total HK$'000
At 1 January 2018	1,829,665	1,080,948	77,033	–	(2,601,036)	386,610
Loss for the year	–	–	–	–	(51,957)	(51,957)
Issue of ordinary shares upon placing *(note 34(i))*	58,895	–	–	–	–	58,895
Equity-settled share-based transactions	–	–	–	3,546	–	3,546
At 31 December 2018	1,888,560	1,080,948	77,033	3,546	(2,652,993)	397,094
Initial application of HKFRS 16	–	–	–	–	14	14
At 1 January 2019	1,888,560	1,080,948	77,033	3,546	(2,652,979)	397,094
Loss for the year	–	–	–	–	(438,182)	(438,182)
Issue of ordinary shares upon exercise of share options *(note 34(ii))*	15,747	–	–	(4,513)	–	11,234
Equity-settled share-based transactions *(note 36)*	–	–	–	3,658	–	3,658
At 31 December 2019	1,904,307	1,080,948	77,033	2,691	(3,091,161)	(26,182)

Notes:

(I) SHARE PREMIUM

Pursuant to the Companies Act 1981 of Bermuda, the Company's share premium account can be distributed in the form of fully paid shares.

(II) CONTRIBUTED SURPLUS

The Company passed a special resolution on 31 December 2014 for a capital reduction and the issued share capital of the Company was reduced from approximately HK$299,617,000 to HK$14,981,000 on 2 January 2015. The capital reduction resulted in reducing the issued share capital of the Company by approximately HK$284,636,000. Such amount was credited to the contributed surplus of the Company.

(III) DISTRIBUTABLE RESERVE

The distributable reserve of the Company represents the difference between the nominal value of shares of the acquired subsidiaries and the nominal value of the Company's share issued for the acquisition at the time of the group reorganisation in 1994.

40. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Save for those disclosed elsewhere in these financial statements, details of transactions between the Group and other related parties are disclosed below.

(a) During the year, the Group entered into the following transactions with related parties:

	2019	2018
	HK$'000	HK$'000
Interest expenses incurred on loans from shareholders	**(521)**	(516)
License service income *(note)*	**1,323**	2,405
Interest income from a related party	**260**	174

Note: The license service income was generated from the provision of administrative service provided to a fund in which a fellow subsidiary of the Group was the general partner of the fund. The transaction has been conducted on normal commercial terms.

(b) Compensation of key management personnel

The remuneration of Directors and other members of key management during the year were as follows:

	2019	2018
	HK$'000	HK$'000
Short-term benefits	**17,241**	23,480
Post-employment benefits	**110**	108
	17,351	23,588

(c) Amounts with related parties are summarised below:

	2019	2018
	HK$'000	HK$'000
Amount due from/(to)		
A related party *(note (i))*	**110**	3,589
A related company *(note (ii))*	**(179)**	(8,128)
Directors	**(889)**	—
Loan from a former shareholder	**(51,525)**	(49,598)

Notes:

(i) The related party was wife of a former director of the Company, who resigned on 22 January 2020.

(ii) Mr. Cui Lei, a former director of the Company, was also the director of the related company. He was resigned on 22 January 2020.

41. ACQUISITION OF A SUBSIDIARY ACCOUNTED FOR AS ASSETS ACQUSITION

On 29 June 2018, the Group acquired 100% equity interest of 中石(深圳)投資諮詢有限公司 ("China Gem (Shenzhen) Investment consulting Co., Ltd." or "CG Shenzhen") at a cash consideration of approximately RMB1,127,000 (equivalent to HK$1,332,000) from a fellow subsidiary of the Group. CG Shenzhen principally engaged in investment properties in PRC before they were acquired by the Group. The purpose of the acquisition was mainly for acquiring the PRC investment properties. Thus, the Directors were of the view that the acquisition is treated as acquisition of investment properties in substance.

Details of the aggregate fair values of the identifiable assets and liabilities of CG Shenzhen as at the date of acquisition are as follows:

	RMB'000	HK$'000
Bank balances	451	535
Other receivables	3,039	3,601
Investment properties *(note 18)*	46,545	55,140
Properties, plant and equipment *(note 17)*	12	14
Other payables	(48,920)	(57,958)
	1,127	1,332
Satisfied by:		
Consolidated payable	1,127	1,332
Net cash inflow arising from acquisition		
Bank balances acquired	451	535

42. NOTES SUPPORTING CASH FLOW STATEMENTS

Reconciliation of liabilities arising from financing activities

	Accrued interest expense HK$'000	Loans from shareholder HK$'000	Other borrowings HK$'000	Senior notes HK$'000	Lease liabilities HK$'000	Total HK$'000
As at 31 December 2018	59,928	49,598	427,845	178,688	–	716,059
Initial application of HKFRS 16	–	–	–	–	9,654	9,654
As at 1 January 2019	59,928	49,598	427,845	178,688	9,654	725,713
Changes from cash flows: Proceed from new borrowings	–	–	500	–	–	500
Repayment of borrowings	–	–	(10,000)	–	–	(10,000)
Repayment of lease liabilities	–	–	–	–	(3,469)	(3,469)
Interest paid	(2,020)	–	–	–	(767)	(2,787)
Total changes from financing cash flows	(2,020)	–	(9,500)	–	(4,236)	(15,756)
Interest expenses	55,697	–	–	1,279	767	57,743
Exchange adjustments	(310)	–	67	–	–	(243)
As at 31 December 2019	113,295	49,598	418,412	179,967	6,185	767,457
As at 1 January 2018	–	49,598	389,955	177,329	–	616,882
Changes from cash flows: Proceed from new borrowings	–	–	49,640	–	–	49,640
Repayment of borrowings	–	–	(8,630)	–	–	(8,360)
Interest paid	–	–	(843)	–	–	(843)
Total changes from financing cash flows	–	–	40,167	–	–	40,167
Interest expenses	–	–	843	1,359	–	2,202
Exchange adjustments	–	–	(3,120)	–	–	(3,120)
As at 31 December 2018	–	49,598	427,845	178,688	–	656,131

43. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

	2019	2018
	HK$'000	HK$'000
Financial assets		
Loans and receivables at amortised cost *(note (i))*	**177,586**	387,255
Financial assets at fair value through profit or loss	**499,905**	637,251
	677,491	1,024,506
Financial liabilities		
Financial liabilities, at amortised cost *(note (ii))*	**821,423**	769,023

Note (i): Loans and receivables comprises trade and other receivables, loan receivables, deposits and cash and cash equivalents.

Note (ii): Financial liabilities comprises trade and other payables, accruals, lease liabilities, loans from shareholders, other borrowings and senior notes.

44. FINANCIAL RISK MANAGEMENT

The Group's major financial instruments include trade and other receivables, loan receivables, deposits, financial assets at fair value through profit or loss, cash and cash equivalents, trade and other payables, accruals, loans from shareholders, senior notes and other borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with certain of these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The Group's overall strategy remains unchanged from prior year.

(a) Market risk

Currency risk

Most of the Group's financial assets and liabilities are denominated in HK$, United States dollars and RMB, which are the functional currencies of respective group companies, and Hong Kong dollars is pegged to United States dollars.

Management considered the foreign exchange risk with respect of RMB is not significant as the net exposure to RMB is not material. The exchange rate of RMB to HKD is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rates.

Interest risk

The Group's fair value interest-rate risk mainly arises from loan receivables, loan from shareholders, other borrowings and senior notes were issued at fixed rates which expose the Group to fair value interest-rate risk. The Group has no cash flow interest-rate risk as there are no financial instruments which bear floating interest rates. The Group has not used any financial instruments to hedge potential fluctuations in interest rates.

44. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Credit risk

The Group credit risk is primarily attributable to its trade and other receivables, loan receivables, financial assets at fair value through profit or loss and cash and cash equivalents. Management has a credit policy in place and the exposure to these credit risks are monitored on an ongoing basis.

Trade receivables and other receivables

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Each customer is given different credit terms and normally, the Group does not obtain collateral from customers.

Loans receivable

The Group assesses the credit quality of each potential client and defined limits for each client. The Group also demands certain client to provide corporate guarantees from their respective shareholders or related parties or stocks as collateral to the Group at the time the loan arrangement is entered into. Also, the Group take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate.

For all stage 1 loan receivables amounted to HK$5 million (2018: HK$65 milliono), the fair value of pledged assets secured by these customers, which mitigating a certain extent of credit risk, were amounted to HK$6 million (2018: HK$112 milliono).

Financial assets at fair value through profit or loss

The Group also invested in debt securities and convertible bonds designated as financial assets fair value through profit or loss which exposed to credit risk. The management of the Group reviews on a regular basis the portfolio of the debt securities and convertible bonds to ensure that the concentration risk is at an acceptable level. In this regard, the Directors of the Company consider that the credit risk relating to the debt securities and convertible bonds is closely monitored. The maximum exposure to credit risk at the end of the reporting period equal to carrying amounts of these instruments.

Bank balances

As at 31 December 2019 and 2018, the Group has bank balances and cash in certain corporations and banks in the PRC and Hong Kong. The credit risk on these deposits and other financial assets is insignificant as the counterparties are financial institutions with high credit rating or with good reputation.

At the end of the reporting period, the Group has a certain concentration of credit risk as 22% (2018: 15%) and 68% (2018: 56%) of total trade and other receivables and loan receivables were due from the Group's largest debtor and the five largest debtors respectively.

The credit risk of the Group's financial assets, which mainly comprise of cash and cash equivalents, trade receivables and loan and other receivables, arises from potential default of the counterparties, with maximum exposure equal to the carrying amounts of these instruments.

44. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Credit risk *(Continued)*

Impairment and provisioning policiesc

The impairment requirements under HKFRS 9 are based on an expected credit loss model. The Group applies simplified approach to measure ECL on trade receivable; and general approach to measure ECL on other receivables, loans receivable and bank balances. Under the simplified approach, the Group measures the loss allowance at an amount equal to lifetime ECL. Under the general approach, financial assets migrate through the following three stages based on the change in credit risk since initial recognition: Stage 1 includes financial instruments that have not had a significant increase in credit risk since initial recognition. For these assets, loss provisions are provided at 12-month ECL; Stage 2 includes financial instruments that have had a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment. For these financial instruments, lifetime ECL are recognised. Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognised. For these assets, lifetime ECL are recognised.

When determining whether the risk of default has increased significantly since initial recognition, the Group considers both quantitative and qualitative information and analysis based on the Group's historical experience and expert credit risk assessment, including forward-looking information. The trade and other receivables and loans receivable use the probability of default ("PD") and Loss Given Default ("LGD") to determine significant increase in credit risk.

Based on PD, LGD and internally derived credit ratings, trade and other receivables, loan receivables, financial assets at fair value through profit or loss and cash and cash equivalents are classified into 3 stages.

As at 31 December 2018, the Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except that the credit risks associated with loans receivable as disclosed in note 23 respectively.

Trade receivables

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which are calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

44. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Credit risk *(Continued)*

Trade receivables *(Continued)*

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables:

31 December 2019

	Expected loss rate (%)	Gross carrying amount HK$'000	Loss allowance HK$'000
Trade receivables arising from license and financial service business			
Current (not past due)	0%	795	—
365 days past due	100%	40,544	40,544
		41,339	40,544
Trade receivables arising from license and financial service business			
Current (not past due)	6%	3,432	202
		44,771	40,746

31 December 2018

	Expected loss rate (%)	Gross carrying amount HK$'000	Loss allowance HK$'000
Trade receivables arising from license and financial service business			
Current (not past due)	1%	1,563	16
1–90 days past due	7%	41,414	2,950
		42,977	2,966

Expected loss rates are based on PD and LGD to determine significant increase in credit risk. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

44. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Credit risk *(Continued)*

Loan and other receivables

The following table provides information about the Group's exposure to credit risk and ECLs for loan and other receivables:

	Expected loss rate (%)	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Gross carrying amount HK$'000	Loss allowance HK$'000
31 December 2019						
Loan receivables	3.7%-87.1%	**4,985**	**85,351**	**162,456**	**252,792**	**139,022**
Investment income receivables	68.80%	**—**	**—**	**136,549**	**136,549**	**102,040**
Interest income arising from loan receivables	3.7% - 68.8%	**39**	**14,828**	**17,742**	**32,609**	**15,988**
		5,024	**100,179**	**316,747**	**421,950**	**257,050**
31 December 2018						
Loan receivables	0.77-1.82%	262,210	—	—	262,210	3,214
Investment income receivables	7.17%-21.48%	—	68,023	—	68,023	12,194
Interest income arising from loan receivables	0%	13,207	—	—	13,207	—
		275,417	68,023	—	343,440	15,408

* Transfer of investment income receivables of HK$68,023,000 from stage 2 to stage 3 and resulting in an increase in loss allowance of HK$22,315,000. Classification of the stages is accordance with the policy of the Company and best estimate of the Directors.

Expected loss rates are based on PD and LGD to determine significant increase in credit risk. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

44. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Credit risk *(Continued)*

Loan and other receivables (Continued)

Movement in the loss allowance account in respect of trade, loan and other receivables during the year is as follows:

	Trade receivables HK$'000	Loan receivables HK$'000	Investment income receivables HK$'000	Interest income arising from loan receivables HK$'000	Total HK$'000
Balance at 1 January 2018	—	—	—	—	—
Impairment losses recognised during the year (Simplified approach)	2,966	—	—	—	2,966
Impairment losses recognised during the year (12 month ECL — stage 1)	—	3,214	—	—	3,214
Impairment losses recognised during the year (12 month ECL — stage 2)	—	—	12,194	—	12,194
Balance at 31 December 2018	**2,966**	**3,214**	**12,194**	**—**	**18,374**
Impairment losses recognised during the year (Simplified approach)	**202**	**—**	**—**	**—**	**202**
Impairment losses recognised during the year (12 month ECL — stage 1)	**—**	**197**	**—**	**2**	**199**
Impairment losses recognised during the year (12 month ECL — stage 2)	**37,578**	**25,165**	**—**	**3,660**	**66,403**
Impairment losses recognised during the year (12 month ECL — stage 3)	**—**	**110,512**	**89,969**	**12,334**	**212,815**
Exchange alignments	**—**	**(66)**	**(123)**	**(8)**	**(197)**
Balance at 31 December 2019	**40,746**	**139,022**	**102,040**	**15,988**	**297,796**

44. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Liquidity risk

In management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank and other borrowing and ensures compliance with loan covenants.

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

	Within 1 year or on demand HK$'000	More than 1 year but not more than 2 years HK$'000	More than 2 years but not more than 5 years HK$'000	More than 5 years HK$'000	Total contractual undiscounted cash flows HK$'000	Carrying amount HK$'000
2019						
Non-derivative financial liabilities						
Trade and other payables	39,319	–	–	–	–	39,319
Accruals	127,943	–	–	–	–	127,943
Loans from shareholders	49,598	–	–	–	–	49,598
Other borrowings	418,412	–	–	–	–	418,412
Senior notes	179,967	–	–	–	–	179,967
	815,239	–	–	–	–	815,239
2018						
Non-derivative financial liabilities						
Trade and other payables	38,237	–	–	–	38,237	38,237
Accruals	74,655	–	–	–	74,655	74,655
Loans from shareholders	49,598	–	–	–	49,598	49,598
Other borrowings	80,149	38,355	466,667	–	585,171	427,845
Senior notes	207,311	–	–	–	207,311	178,688
	449,950	38,355	466,667	–	954,972	769,023

44. FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Fair value

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets with standard terms and conditions are valued by an independent professional valuer; and
- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
2019				
Financial assets at fair value through profit or loss				
— Listed equity investments	56	—	—	56
— debt instruments, unlisted	—	—	499,849	499,849
— convertible bonds, unlisted	—	—	—	—
	56	—	499,849	499,905
2018				
Financial assets at fair value through profit or loss				
— Listed equity investments	62	—	—	62
— debt instruments, unlisted	—	—	512,759	512,759
— convertible bonds, unlisted	—	—	124,430	124,430
	62	—	637,189	637,251

44. FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Fair value *(Continued)*

Fair value measurements recognised in the consolidated statement of financial position *(Continued)*

Reconciliation for financial instruments carried at fair value based on significant unobservable inputs (Level 3) are as follows:

	2019	2018
	HK$'000	HK$'000
At beginning of the year	637,189	664,018
Change in fair value	(137,189)	(26,829)
Exchange alignments	(151)	—
At end of the year	499,849	637,189

45. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debt (which includes loans from shareholders, other borrowing and senior notes) and equity attributable to owners of the Company, comprising issued share capital and reserves. The Directors review the capital structure on a continuous basis. As part of this review, the Directors consider the cost of capital and the risks associated with capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends and issuance of new shares as well as the addition of new borrowings.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares to reduce debts. The Group has no plan to use special measures to adjust its gearing ratio in the foreseeable future.

46. SUBSEQUENT EVENTS

(a) Lapse of subscription agreement

On 20 January 2020, given that the conditions precedent for the subscription agreement that was between the Company and Pearl River Capital Limited, had not been fulfilled on or before 30 September 2019, the subscription agreement had lapsed and the subscription will not proceed. Either party to the subscription agreement shall have no claim against each other. Please refer to the announcements of Company dated 11 March 2019 and 20 January 2020 relating to the convertible bonds issued under the General Mandate in 2018 for further details.

(b) Issue of convertible bonds

Pursuant to the Company announcement on 26 February 2020, on 26 February 2020, the Company and Sunwah Fortune Limited (the "Subscriber") entered into an agreement (the "Subscription Agreement"), pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, the convertible bonds in the aggregate principal amount of HK$58,000,000 (the "Sunwah Convertible Bonds").

Assuming the conversion rights attaching to the Sunwah Convertible Bonds are exercised in full at the conversion price of HK$0.08, a maximum of 725,000,000 conversion shares (the "Conversion Shares") will be allotted and issued, representing (i) approximately 17.06% of the total number of issued shares as at 26 February 2020; and (ii) approximately 14.57% of the total number of issued shares as enlarged by the allotment and issue of the Conversion Shares under the Sunwah Convertible Bonds. The Conversion Shares, upon issue, shall rank pari passu in all respects with the shares then in issue.

The net proceeds from the subscription are expected to be approximately HK$58,000,000, which are intended to be used for (i) supplementing the working capital of the Company and (ii) developing new business of the Company if such opportunity arises.

Details of the above are set out in the Company's announcement dated 26 February 2020.

(c) Disposal of certain loan receivables and loan interest income receivables

Pursuant to the Company announcement on 26 March 2020, on 26 March 2020, the Group and Greater Bay Development (Hong Kong) Limited (the "Purchaser") entered into a debt assignment agreement, pursuant to which the Group agreed to sell, and the Purchaser agreed to purchase certain of loan receivables (the "Disposed Loan Receivables") and loan interest income receivable (the "Disposed Loan Interest Income Receivables") at a consideration of HK$51,470,000, which shall be settled by the Purchaser in a lump sum or by installments before 26 March 2021.

As at 31 December 2019, the carrying amount of Disposed Loan Receivables was HK$46,194,000, net of allowances of HK$73,650,000 while the carrying amount of Disposed Loan Interest Income Receivables was HK$3,292,000, net of allowances of HK$5,498,000.

46. SUBSEQUENT EVENTS *(Continued)*

(d) Novel Coronavirus

The wide spread of the novel Coronavirus in China since the beginning of 2020 is a fluid and challenging situation facing all the industries of the society. The Group has already assessed the overall impact of the situation on the operation of the Group and taken all possible effective measures to limit and keep the impact in control. The Group will keep continuous attention on the change of situation and make timely response and adjustments in the future.

Save as disclosed above, the Group does not have other significant subsequent events.

47. AUTHORISATION FOR ISSUE OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 30 March 2020.

FINANCIAL SUMMARY

RESULTS

The consolidated results, assets and liabilities of the Group for the last five financial years/period as extracted from the audited financial statements of the Group and restated as appropriate are summarised below:

	For the year ended 31 July 2015 HK$'000	For the year ended 31 July 2016 HK$'000	For the seventeen months ended 31 December 2017 HK$'000	For the year ended 31 December 2018 HK$'000	**For the year ended 31 December 2019 HK$'000**
Revenue					
— continuing operations	4,161	9,765	109,933	99,532	**103,938**
— discontinued operations	—	—	—	—	**—**
	4,161	9,765	109,933	99,532	**103,938**
Profit/(loss) before income tax					
— continuing operations	(22,124)	(21,115)	32,360	(59,910)	**(391,163)**
— discontinued operations	—	—	—	—	**—**
	(22,124)	(21,115)	32,360	(59,910)	**(391,163)**
Income tax credit/(expense)					
— continuing operations	(4,107)	(1,427)	9,098	(7,714)	**(11,352)**
— discontinued operations	—	—	—	—	**—**
	(4,107)	(1,427)	9,098	(7,714)	**(11,352)**
Profit/(loss) for the year/period					
— continuing operations	(26,231)	(22,542)	41,458	(67,624)	**(402,515)**
— discontinued operations	—	—	—	—	**—**
	(26,231)	(22,542)	41,458	(67,624)	**(402,515)**
Attributable to:					
Owners of the Company	(26,231)	(22,542)	41,465	(67,623)	**(402,514)**
Non-controlling interests	—	—	(7)	(1)	**—**
	(26,231)	(22,542)	41,458	(67,624)	**(402,514)**

FINANCIAL SUMMARY

ASSETS AND LIABILITIES

	As at 31 July 2015 HK$'000	As at 31 July 2016 HK$'000	As at 31 December 2017 HK$'000	As at 31 December 2018 HK$'000	**As at 31 December 2019 HK$'000**
Total assets	430,818	402,707	1,223,920	1,279,227	**955,159**
Total liabilities	(116,329)	(111,204)	(740,021)	(795,701)	**(858,829)**
	314,489	291,503	483,899	483,526	**96,330**
Attributable to:					
Owners of the Company	314,489	291,503	479,006	478,634	**91,439**
Non-controlling interests	—	—	4,893	4,892	**4,891**
	314,489	291,503	483,899	483,526	**96,330**

PARTICULARS OF MAJOR PROPERTIES

	Lease Expiry	Approx. gross floor area (Sq.m.)	Type	Effective % held	Stage of completion	Anticipated completion
Properties held for sale						
Regal Garden No. 888 Lunchang Road, Lunjiao Town, Shunde District, Foshan City, Guangdong Province, The PRC	December 2065	4,384	35 Residential units	100%	Completed	N/A
Properties under development						
Regal Garden No. 888 Lunchang Road, Lunjiao Town, Shunde District, Foshan City, Guangdong Province, The PRC	December 2065	18,804	169 Residential units	100%	The registration of the authentic rights (確權) at these units were not yet completed. Details are set out in note 21 to the financial statements	N/A
Investment properties						
Regal Garden No. 888 Lunchang Road, Lunjiao Town, Shunde District, Foshan City, Guangdong Province, The PRC	December 2065	11,391	Property held for further development	100%	Vacant land not yet developed	N/A
	December 2065	19,271	Retail shops	100%	Completed	N/A
	December 2065	6,696	Car park space	100%	Completed	N/A
47 residential units of a residential development named 太平湖金龍島 Huangshan District, Anhui Province, the PRC	November 2080	4,719	47 Residential units	100%	Completed	N/A
Property, Plant and Equipment						
Regal Garden No. 888 Lunchang Road, Lunjiao Town, Shunde District, Foshan City, Guangdong Province, The PRC	December 2065	400	Retail shops	100%	Completed	N/A