GOLDSTREAM INVESTMENT LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 1328)

2019
ANNUAL REPORT

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Zhao John Huan *(Chairman)*
Dr. Lin Tun *(Chief Executive Officer)*
Mr. Yuan Bing
Ms. Li Yin
Resigned with effect from 23 April 2019:
Mr. Lu Yan

INDEPENDENT NON-EXECUTIVE DIRECTORS

Appointed with effect from 1 December 2019:
Mr. Jin Qingjun
Mr. Lee Kin Ping Christophe
Mr. Shu Wa Tung Laurence
Resigned with effect from 1 December 2019:
Mr. Chen Xue Dao
Mr. Cheung Sai Ming
Mr. Liu Chun Bao

AUTHORIZED REPRESENTATIVES

Dr. Lin Tun
Ms. Chan Wai Ching

COMPLIANCE OFFICER

Mr. Lam Tsan Fai Fergus

COMPANY SECRETARY

Ms. Chan Wai Ching

AUDIT COMMITTEE

Appointed with effect from 1 December 2019:
Mr. Shu Wa Tung Laurence *(Chairman)*
Mr. Jin Qingjun
Mr. Lee Kin Ping Christophe
Resigned with effect from 1 December 2019:
Mr. Cheung Sai Ming *(Chairman)*
Mr. Chen Xue Dao
Mr. Liu Chun Bao

REMUNERATION COMMITTEE

Mr. Yuan Bing
Appointed with effect from 1 December 2019:
Mr. Jin Qingjun *(Chairman)*
Mr. Lee Kin Ping Christophe
Resigned with effect from 1 December 2019:
Mr. Cheung Sai Ming *(Chairman)*
Mr. Chen Xue Dao

NOMINATION COMMITTEE

Mr. Zhao John Huan *(Chairman)*
Appointed with effect from 1 December 2019:
Mr. Jin Qingjun
Mr. Shu Wa Tung Laurence
Resigned with effect from 1 December 2019:
Mr. Chen Xue Dao
Mr. Cheung Sai Ming

REGISTERED OFFICE

The Grand Pavilion Commercial Centre
Oleander Way, 802 West Bay Road
Grand Cayman KY1-1208
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 2701, One Exchange Square
Central
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Gilman Street Branch
136 Des Voeux Road
Central, Hong Kong

Citibank N.A.
21/F Tower 1, The Gateway
Harbour City, Tsimshatsui
Kowloon, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22nd Floor, Prince's Building
Central
Hong Kong

STOCK CODE

1328

CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board") of Goldstream Investment Limited (the "Company"), I am pleased to present the consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2019.

In 2019, the Group has broadened its customer base and successfully entered into a number of customer relationship management ("CRM") agreements with customers, including but not limited to Jieyang (揭陽), Zhongshan (中山), Zhuhai (珠海), Changha (長沙) and Huizhou (惠州) city branches of China United Network Communications Co., Ltd. (中國聯合網絡通信有限公司), and China Telecom Corporation Limited Guangzhou City Branch (中國電信股份有限公司廣州市分公司). With the success in the broadening of customer base and the development of various solutions, the leading position of the Group in both service and technology is affirmed and acknowledged through industry awards and certification granted.

The directors of the Company ("Director(s)") believe that the Group will continue to benefit from the opportunities arising from the favorable government policies in China including the growth in 4G mobile communications, the rapid development of 5G mobile communications technology, the "Internet Plus" strategy, the increase in domestic demand and China's 13th Five-Year Plan for the development of "Smart City". The Group is confident that in 2020, it will win more contracts from customers of both telecommunications and non-telecommunications segments in the provinces outside Guangdong, China. The Group is confident that it will achieve continuous business growth as it is well positioned to take the advantage of market expansion with its strong reputation, transparency and solid customer portfolio.

The Group acquired Goldstream Capital Management Limited ("GCML") and Goldstream Securities Limited ("GSL") in November 2018. The acquisition laid solid groundwork to develop its investment management business. Leveraging the acquired brainpower and infrastructure, the Group launched a number of new fund products in 2019. These products, managed by various Goldstream portfolio managers, invest in different capital markets and asset classes using different investment strategies. All our funds, including China equity long-short funds, China equity long-only funds, global macro fund, global healthcare funds, global fixed income fund, global commodity fund, and multi-strategy funds, recorded good returns in 2019. We believe that solid fund track records, in combination with our ever-developing and proprietary algorithm-based methods for manager selection, asset allocation and risk management, are crucial steps towards the IM segment's success in the future.

On behalf of the Board, I would like to thank all our staff for their passion and hard work in turning the Group's vision into reality. I also take this opportunity to extend my appreciation to our shareholders and business partners for their trust and support. The Group's management and staff will work cohesively under the leadership of the Board to overcome challenges in the coming year and generate returns for our shareholders.

ZHAO JOHN HUAN
Chairman

Hong Kong, 31 March 2020

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The Group is a customer relationship management ("CRM") outsourcing service provider with business focus in Hong Kong, Macau and the People's Republic of China (the "PRC") markets. CRM is a process of providing services to customers with the use of communication and computer networks. During the year under review, the Group continued to provide services to established telecommunications service providers, including Hutchison Telecommunications, HGC Global Communications, China Unicom Guangdong and Guangxi, China Telecom Guangzhou, Telecom Digital and PCCW Mobile. Besides, management continued to diversify the Group's CRM customer base to non-telecommunications industries, the clients of which include, but not limited to China Guangfa Bank, Pizza Hut (Hong Kong & Macau), KFC (Hong Kong & Macau) and Park'N Shop (PRC).

Upon the purchase of the entire issued share capital of GCML and GSL in November 2018, the Group is also engaged in investment management ("IM") business.

In the third quarter of 2019, the Group started making strategic direct investments to enhance the yield of idle cash while at the same time support our IM business by selectively subscribing to both externally and internally managed investment funds that meet the Group's risk and return requirements. These investments the Group made in 2019 met our target and generated more favorable returns compared with interest gains from keeping the same amount of excess idle cash in commercial bank deposit accounts.

The principal business of the Group is classified into the following three segments:

CRM Service ("CRMS") Business

CRMS business includes the provision of inbound services and outbound services. Inbound services comprise a range of customer hotline services, including general enquiry, technical support, broadband connection arrangement, service installation, account activation, subscriber details update, account enquiry, account termination, order placement, member registration, built-in secretary ("BIS") and super secretarial services ("Super BIS"). BIS service is a personalized message taking service, where its operators transmit messages left to the subscriber via SMS. The Super BIS service is a concierge service where the operators can provide advanced functions such as making restaurant reservation and purchasing flight tickets for high-end subscribers. Outbound services, on the other hand, include telesales services and market research services. The Group's operators run on behalf of their customers promotions and ongoing telemarketing via unsolicited phone calls (cold calls). The operators can also conduct large scale surveys to efficiently collect feedback, opinions, and in some cases, complaints for their customers.

Investment Management ("IM") Business

IM business of the Group includes (i) the provision of advisory services on securities and asset management; and (ii) securities trading.

Strategic Direct Investment ("SDI") Business

SDI business of the Group includes proprietary investments in the financial market.

BUSINESS ENVIRONMENT

Mature development of China's service outsourcing base cities leads to the fierce competition of CRM market. It becomes a big challenge to the Group. Due to the robust domestic demand for CRM services, the risk exposure to the operation of the Group is still at a manageable level. In 2019, China's economic growth rate reached 6.1% which met the economic growth target of 6% to 6.5% expected by the government of China earlier. Capitalizing on the valuable opportunities arising from a number of favorable government policies in China, including the growth in 4G mobile communications, the rapid development of 5G mobile communications technology, the "Internet Plus" strategy, the increase in domestic demand and the demand arising from the 13th Five-Year Plan for the development of "Smart City", the Group continues to explore the PRC market.

CRM outsourcing is relatively common in the traditional telecommunications industry. CRM customer base has been extended to a wide range of industries, stretching across finance, postal, travel, healthcare, logistics, information technology, online business, media, public utilities and retail. Meanwhile, new concepts such as "Services in China", online services, mobile internet applications ("APP") and the government's "Internet Plus" strategy are getting increasingly popular and these new elements have been integrated into traditional CRM services. In 2019, the Group continued to expand its internet CRM services to customers to operate intelligent online business for them. Therefore, the immense potential scale of a rising intelligent CRM market will be further enhanced along with the swift growth in China's booming consumer market. The Group is well-prepared for capturing the opportunities and meeting the challenges ahead.

The year under review was a challenging year to the CRMS business although the PRC government has been persevering in its reform and opening up the market, which has brought about unprecedented changes across the industries. Growth in China's economy has been slowing down. The Sino-US trade friction has intensified the global economic uncertainty. To alleviate the adverse situation the industry is facing, the Chinese government successively introduced a series of policies such as "The Private Economy Shall Grow Stronger, Not Weaker", "Taking Special Actions to Increase Financial Support to the Private Businesses to Ease Their Difficulty in Financing" and "Taking Innovation-Driven Development as a Major Strategy for the Future with Unremitting Determination" under the guidance of its core strategic policy of unremitting reform and opening up.

The performance of global capital markets were mixed in 2019. The Hang Seng Index (the "HSI") closed at 28,190 points which recorded year-on-year growth of 9%, while China and United States markets performed much stronger. China stock market surged in the review year leading the Shenzhen Stock Exchange Composite Index to close at 1,723 points which represented 36% rise in the year. The Dow Jones Industrial Average Index ("DJI") finished at 28,538 which was a 22% growth. While the returns of the China and US markets accumulated, the inherent risks also grew – neither market was cheap in terms of P/E valuation by the end of 2019.

The end of 2019 and beginning of 2020 witnessed a global outbreak of the novel coronavirus. The pandemic is causing a meltdown of global capital markets. Stock-market plunges and volatility are reminiscent of the 2008 crisis. Despite the global policy easing in all major economies, the health impact and economic aftermath still remain highly unknown at the moment.

With the return of market volatility combined with the factors described above, the business environment has exerted significant pressure on the fund management industry. Investment funds across the globe were generally down with some, through exceptional navigation in a highly turbulent markets and perhaps market conditions favourable to their investment strategies, managed to generate decent returns for the year. Funds that diversified in markets and strategies weathered the storm better than those which deployed single strategy or invest only in a single market.

Reducing costs, strengthening of risk management and improving operating model continued to be the first priority to protect assets and improve profit margins. The industry will continue to evolve and develop new operating models to deal with different market environments and volatility.

As we enter a more turbulent phase for investment management and strategic direct investment business, there are many reasons to remain positive. The outlook for Asia and China remains positive for fund managers and investor appetite for the region remains strong, as returns from traditional asset classes become challenging this arguable the time to increase allocation to alternative asset classes which the IM business focuses on.

The SDI business is a new business segment with the initial objective of enhancing the returns on idle cash balance. The Group is prudent in selecting its investments and has invested using market-neutral investment strategies with low exposure to market volatilities. During the year under review, the investments made met our objectives with returns more favorable than keeping cash in interest bearing commercial bank deposit accounts.

FINANCIAL REVIEW

Income

Service income from CRMS business for the year ended 31 December 2019 was approximately HK$239,412,000 (2018: approximately HK$268,975,000), representing a decrease of approximately 11.0% as compared with last year. With the new business driver, IM business, the Group recorded income stream of approximately HK$70,758,000 (2018: approximately HK$1,940,000) for the year ended 31 December 2019. The introduction of dividend income from investment funds of approximately HK$1,636,000 (2018: Nil), fair value gains on financial assets of fair value through profit or loss of approximately HK$2,511,000 (2018: Nil) also increased overall income of the Group. For the year ended 31 December 2019, income of the Group amounted to approximately HK$314,317,000, representing an increase of approximately 16.0% as compared with last year. Income from CRMS, IM and SDI businesses accounted for approximately 76.2%, 22.5% and 1.3% of the Group's total income for the year ended 31 December 2019 respectively.

Other income

The Group's other income was approximately HK$10,745,000 (2018: approximately HK$6,334,000), representing an increase of approximately 69.6% as compared with last year. The jump was mainly due to a rise of bank interest income of approximately HK$6,730,000 (2018: approximately HK$2,649,000).

Operating expenses

In terms of expense, the Group continued to exercise stringent cost discipline. Total expenses increased from approximately HK$305,483,000 for the year ended 31 December 2018 to approximately HK$373,245,000 in 2019. During the year, employee benefits expenses rose by approximately HK$16,613,000. It was attributable to full year impact of acquisition of Goldstream Companies since November 2018. As part of the Group's compensation policy, the Group distributes certain portion of its performance fee income to the Group's portfolio managers as discretionary bonus expense. It was in same pace with the increase in performance fee income.

The Group recorded amortisation expense and non-recurring expense including impairment provision for and written off of intangible assets of approximately HK$27,605,000 and HK$14,838,000 respectively. These expense items had no impact on cash flows.

Loss Attributable to Equity Holders of the Company

The Group's loss attributable to equity holders of the Company for the year ended 31 December 2019 was approximately HK$38,852,000 while the Group's profit attributable to equity holders of the Company for the year ended 31 December 2018 was approximately HK$76,446,000. The profit attributable to equity holders of the Company for the year ended 31 December 2018 was mainly attributable to the gains on distribution in specie of shares in Global Link Communications Holdings Limited ("GLCH") and the disposal of the entire issued share capital of Sunward Telecom Limited and MZone Network Limited in 2018 which were non-recurring in 2019 and therefore significantly reduced the gains for the year ended 31 December 2019.

CRMS BUSINESS

Business Review

Customers in Telecommunications Industry

In 2019, the Group continued to provide services to established telecommunications service providers. The Group continued to seek further cooperation with customers in the telecommunications industry, as well as business opportunities with other telecommunications service providers. The Group has successfully acquired service contracts/agreements from new customers, details of which are set out in the paragraph – "New Customers" of this report. However, due to the fierce competition in the CRM and telecommunications industry, there was a decrease in income of the Group from telecommunications service providers for the year ended 31 December 2019 of approximately 12.2% as compared with last year.

During the first quarter of 2019, the Group started to operate a new project for a client in the telecommunications industry: Internet Online project. The project utilizes manual online customer service of 7 days a week and 24 hours daily to provide services such as business consulting, business inquiry, business processing, fault reporting, and complaint acceptance to customers. Income is generated from monthly assessment. However, the demand for manual online customer service is decreasing due to the development of smart robots and higher percentage of usage of customer self-service. With the further increase in labour cost, the net profit of the project was decreasing until the Group adjusted its operation strategy from the third quarter of 2019 and the performance of the project was improved. The contract of the project ended in December 2019.

During the second quarter of 2019, the Group started to operate a new project for a client in the telecommunications industry: New Customer Development and Acquisition project. The project uses Baidu or new media channels to deliver advertisements so as to attract and acquire new customers. After the potential users filled in the information on the Internet, the operator will then call back and provide services or products by means of telesales. As the project was in its early stage and due to the impact of the unclear policies of the mobile network operator and portable number transfer policy, the income had not reached its expected level. With the policy supports of the client from the third quarter of 2019, the project was developing gradually in a steady pace. Furthermore, the Group expanded the project to other city branches of the client during the second half of 2019.

During the third quarter of 2019, the Group has successfully entered into a 12-month agreement to provide telesales services to the Guangzhou City Branch of China Telecom Corporation Limited (中國電信股份有限公司) ("China Telecom") in its annual tender for service provider to cooperate in fields such as products and services sale, Internet and channel agency. According to the preferential policies launched by China Telecom in different periods, the Group will provide telemarketing services to target customers, including but not limited to new acquisition, customer care, package upgrade, customer retention, 5G upgrade and network transfer. The Group suffered a slight loss during the early stage of the project. After modifying operational process in December 2019, it has been on the right track and is expected to expand its scale in the future.

Customers in Non-Telecommunications Industries

In 2019, the Group continued to develop its non-telecommunications customer base through active negotiation with potential customers in various industries such as finance, broadcast communication, social welfare, food and beverage, slimming and beauty shops, education, information technology, banking, exposition and property development, and has successfully acquired service contracts from new customers. There was an increase in income of the Group from non-telecommunications customers for the year ended 31 December 2019 of approximately 13.7% as compared with last year.

During the first half of 2019, the Group ran pilot operations for two new projects for clients in non-telecommunications industries: Self-media project and Educational Voice Outbound project. Self-media project generates income by interspersing clients' advertisements in WeChat and other public platforms to achieve traffic monetization. The project is committed to realizing traffic monetization for merchants of different types, which includes paid courses, paid communities, content e-commerce, service e-commerce and others. Though self-media marketing is a creative business mode that is relative popular these days, income from this project had not reached its expected level because of the lack of experience in the platform integration, traffic monetization and operation. The Educational Voice Outbound project is mainly targeted at prospective students' parents, who will be screened by artificial intelligence's voice outbound calls. After a successful preliminary interview, further telesales will be conducted to invite target customers to participate in course experience at designated campus. The commission income is generated from monthly assessment. Since the actual conversion rate of successful sales was much lower than expected, the relative growth of commission was not enough to justify the costs. Eventually, the two projects were suspended at the end of the second quarter of 2019.

During the third quarter of 2019, the Group started to operate a new project for a high-end hotel membership promotion and member data management service company in the PRC to cooperate in fields such as Business Process Outsourcing, Information Technology Outsourcing, artificial intelligence application and cross promotion between brands: Hotel Membership project. The project uses remote workstations, leased circuits and equipment to provide self-service remote telephone services for outbound and call-back to the clients. The hotel representatives can call the target customers through their own landlines. Since this is an Information Technology Outsourcing ("ITO") project, no labour costs incurred and it was operated smoothly during the second half of 2019.

During the fourth quarter of 2019, the Group started to operate two new projects for clients in non-telecommunications industries: Shuisanjia project and LCP project. The Shuisanjia project covers both inbound and outbound services, including but not limited to customer inquiries, order processing, customer complaints, call-back and customer retention. Income is the total service fee income calculated based on the number of water dispenser installed. The LCP project provides voice and online customer services of 7 days a week and 24 hours daily to provide services such as hotline service, online customer enquiry, outbound call services, after-sale service, data entry, customer complaint follow-up, online customer services and data processing. As the project was in its early stage, therefore, the income had not reached its expected level, but the Group is optimistic in the future prospect of the project.

The Group continued to cooperate with and provide CRM services to well-established customers and customers with business established outside Guangdong Province, China. These customers have stronger demand for the Group's services in line with their development and expansion. With the new and established customers, the Group has built a consolidated customer base and they have witnessed the achievement of the Group's development in non-telecommunications industries.

Multi-Skill Training

Benefiting from the government's favorable training policy for CRM industry in China, the Group provided various training programs for its staff, including a multi-skill-and-management training program. This training program is designed to imbue experienced operators with skills that will allow them to work on multiple projects. This makes the project teams more versatile and better allocates the Group's resources. Consequently, operators that would otherwise be idle can now serve customers of different projects. That has significantly enhanced the Group's efficiency, particularly in small projects with volatile call volume.

An additional benefit of the training program is the further improvement in service quality. The multi-skill operators who have attended at least two structured training programs have demonstrated superior performance in terms of customer satisfaction and telesales success rate. The Directors believe that the operators with multi-skills can form an elite CRM team that particularly caters high-end customers.

CRM Service Centres

The Group has established four CRM service centres and the current production capacity is at an impressive level of over 4,500 seats, securing the Group's leading position in China. During the year under review, the Group continued to improve facilities and environment of its CRM service centres so as to enhance the general operational efficiency.

New Customers

During the year under review, the Group has entered into service contracts/agreements with the following major customers for the provision of CRM services.

Customer	Service	Contract/ Agreement Date
China United Network Communications Co., Ltd. Jieyang City Branch (中國聯合網絡通信有限公司揭陽市分公司)	Telesales	January 2019
China United Network Communications Co., Ltd. Zhongshan City Branch (中國聯合網絡通信有限公司中山市分公司)	Telesales	January 2019
China Telecom Corporation Limited Guangzhou City Branch (中國電信股份有限公司廣州市分公司)	Telesales	September 2019
China United Network Communications Co., Ltd. Zhuhai City Branch (中國聯合網絡通信有限公司珠海市分公司)	Telesales	September 2019
China United Network Communications Co., Ltd. Changsha City Branch (中國聯合網絡通信有限公司長沙市分公司)	Telesales	September 2019
China United Network Communications Co., Ltd. Huizhou City Branch (中國聯合網絡通信有限公司惠州市分公司)	Telesales	December 2019

Awards and Certification

In May 2019, China Elite Info. Co., Ltd. ("China Elite") obtained the Business Licence for Cross-region Value-added Telecommunications Business from the Ministry of Industry and Information Technology of the PRC.

In May 2019, China Elite obtained the Customer Center – Capability Maturity Model Standard Certificate from CCM World Group.

Internet CRM

During the year under review, the Group continued to provide Internet CRM service named Intelligent Internet Chat Application ("iChat") service, to established telecommunications service providers as well as customers in non-telecommunications industries. The users' usage pattern nowadays is shifting from traditional voice services to value-added online services, therefore Internet CRM service will be the focus of the Group. With the introduction of iChat service, the labour force structure of the traditional CRM service has been optimized. Furthermore, iChat service creates unique value to the Group's customers. The Group believes that by changing the cost structure and increasing the income source, the new service will enhance profit margin of the Group. As the market trend changes and the artificial intelligent ("A.I.") industry rises, the Group will be exploring the application of A.I. technology in iChat to optimize its services.

The Group had previously developed an A.I. called the "CallVu" system and obtained services agreements, providing online service support to the customer over the past years. Such CallVu related services program had successfully ended in 2019.

In order to meet the requirements of market development, the Group continued to invest in research and development, and achieved a series of results, including: Shenghua A.I. telephone robot system (EliteUCVAI), integrated customer service system (EUC) and 20 other software copyrights.

The Chinese government has become more supportive of the development of A.I. industry. The Directors believe that the applications of A.I. will become an irresistible trend, and will further invest the Group's resources in the research and development of CRM-related A.I. applications, and seek further business opportunities.

Development

Reference is made to the composite offer and response document dated 6 December 2018 (the "Composite Document") jointly issued by the Company and Hony Gold Holdings, L.P. (the "Offeror"). As disclosed in the Composite Document, the Offeror intended to continue the development of the CRMS business of the Group in three ways, namely (i) improvement of infrastructure for the CRMS business; (ii) development of business with existing customers; and (iii) possible development of CRMS business with new customers introduced by the Offeror.

(i) Improvement of infrastructure

Based on the review of the business operation and financial position of the Group, in light of the adverse business environment, the Group intends to defer some of the infrastructure upgrades and business developments in respect of the CRM business until there is more clarity in the market conditions.

With the emergence of "portable number transfer" service and 5G technology, and the gaining momentum in 5G licensing in Hong Kong, the Group will continue to explore cooperation with operators to carry out related sales business projects in the future. The Group is adjusting its approach to identify and explore new business opportunities brought about by new technologies such as artificial intelligence, big data processing and virtualization.

(ii) Development of business with existing and new customers

The Group has continued to provide services to established telecommunications service providers and strive to increase the presence of its CRMS business in the PRC market and the possibility of developing non-telecommunications markets and has been constantly seeking business improvement.

During the first quarter of 2019, the Group has entered into two new contracts to provide telesales services to the Jieyang City Branch and Zhongshan City Branch of China United Network Communications Co., Ltd. (中國聯合網絡通信有限公司).

During the third quarter of 2019, the Group has entered into two new contracts to provide telesales services to the Zhuhai City Branch and Changsha City Branch of China United Network Communications Co., Ltd.. In addition, the Group has entered into a 12-month agreement to provide telesales services to the Guangzhou Branch of China Telecom Corporation Limited (中國電信股份有限公司).

During the fourth quarter of 2019, the Group expanded further to enter into a new contract to provide telesales services to the Huizhou City Branch of China United Network Communications Co., Ltd..

The Group has continued to develop new business initiatives through various projects. During the year under review, the Group operated two new projects for a client in the telecommunications industry. The Group also ran pilot operations for two new projects and operated three other new projects for clients in non-telecommunications industries. For details of such projects, please refer to the paragraphs — "Business Review — Customers in Telecommunications Industry" and "Business Review — Customers in Non-Telecommunications Industries" of this report.

(iii) Possible development with new customers introduced by the Offeror

During the year under review, the Group has made major effort in developing the CRMS business with clients in non-telecommunications industries covering:

- Food and Beverage – The Group negotiated with a few food chain stores to provide order hotline, online ordering and other client related services. During the third quarter of 2019, the Group entered into a memorandum of understanding with Hongfu Restaurant Management (Shenzhen) Co., Ltd. (宏福餐飲管理(深圳)有限公司), a wholly owned subsidiary of Best Food Holding Company Limited.

- Healthcare – The Group negotiated with a hospital management company to provide telephone appointment and customer hotline services.

- Media – The Group negotiated with different online shopping and internet service providers and cable TV companies to provide online customer services. During the third quarter of 2019, the Group established early stage commercial contact with a pay TV media in Hong Kong and is in discussion to provide CRM services and mobile communication sales for pay TV members.

- Tourism – The Group commenced negotiation with three tourist companies in mainland China to provide online bookings, booking hotline and client relationship management.

- Insurance – The Group's wholly-owned subsidiary has an insurance agency license issued by the Chinese Mainland government, and its business includes online and offline sales. The Group expects to provide specialized telemarketing and online sales services to insurance companies based on big data and artificial intelligence.

- Retail – The banking industry continues to transform and the Group plans to open up the market to the banking industry. At present, the Group has cooperated with a Chinese bank in financial business process outsourcing and will use this as a basis to develop businesses with more banks. The Group made some progress to establish initial commercial contacts with an international bank card financial service provider. The Group will vigorously deepen the sales and support service to banking products by applying artificial intelligence and big data.

Prospects

The Group is committed to enhancing the penetration in the PRC market and exploring the possibility of developing the non-telecommunications market. The Group expects that the launch of the 13th Five-Year Plan will bring new market opportunities and will attract more customers to recognize the importance of the Group's professional services and may cooperate with the Group to reduce operating costs, expand their market and enhance their customers' loyalty management. The Group expects to enter into service agreements with these potential customers.

Within the technologically innovative environment in China, including but not limited to the growth of 4G mobile communications, the rapid development of 5G mobile communication technologies, the popularization of mobile Internet in daily life, the emerging of "Smart City" related applications and the "Internet plus" strategy, the Directors expect that there will be more opportunities in the PRC market for the Group to develop its business. Now that the Mainland China has entered into the "portable number transfer" and 5G commercial eras, and the gaining momentum in 5G licensing in Hong Kong, the Group will continue to conduct in-depth cooperation with operators to carry out related sales business projects in the future. In addition, the Group has the intellectual property rights of certain artificial intelligence voice technology. As the artificial intelligence application service matures, the Group will also accelerate the pace of applying artificial intelligence technology to CRMS business, thereby increasing service-added value.

In 2020, the Group will continue to identify business opportunities with government departments and companies with operations outside the provinces of Guangdong Province, China. In addition, the Group is leveraging on the Group's resources and applying its knowledge in non-telecommunications industries and is expected to provide CRM services to a large food chain company as well as CRM services and mobile communication sales for pay TV members.

IM BUSINESS

Business Review

After the acquisition of the IM business at the end of November 2018, the Group continued to develop the business by setting up new investment products and establishing new relationships with institutional clients both within and outside mainland China.

The global fund industry enjoyed a positive year in 2019. Most asset classes produced solid returns in the year after a challenging 2018. Markets oscillated around the US-China trade rhetoric but generally maintained their positive momentum. American equity market hit new highs with double-digit gains and China-A shares also rebounded more than twenty percent during the year. Hong Kong equity market produced a weaker gain of nearly 9%. Bond yields plummeted on recession fears resulting in healthy returns for fixed income investors. Oil prices also bounced back from their late-2018 lows. Gold prices also spiked at the height of summer's recession fears and during the low point of the US-China trade talks.

The Group took advantage of favorable market environments in 2019 and launched a number of new funds including global macro fund, global health care funds, China/Hong Kong long-only funds, commodity funds and global fixed income fund. All of these new funds, together with the existing China long-short equity fund and multi-strategy fund, posted good risk-adjusted returns during the year. Throughout the year, the Group continued developing its proprietary algorithm-based methods for asset allocation, manager selection and risk management.

During the year, the Group also successfully expanded the client base. The Group continued to build relationships with mainland financial institutional clients covering mainly banks, insurance companies, securities companies, product distributors and high net worth individuals. The Group targets to step up its fund raising and marketing efforts and is now at a stage ready to cooperate with fund distributors to market our products to raise new fundings. Significant additional investment was received from one of our key banking institutional clients during the review period.

The Group enhanced and automated our operating platform by introducing a series of automation in order to support the daily operations in managing an extended number of products and developing new investment paradigm. These upgrades in technologies will help support our increasing number of product offerings to cater to different clients. The Group has continued to invest efforts in digitizing investment and research data and developing quantitative analytical models to extract information for direct investments and capital allocation.

In parallel to product and strategy development, the Group has continued to develop its operating platform to offer our investors value-added services. The Group remains positive that Hong Kong and China offer attractive long term investment opportunities with limited correlation to other markets and local investment managers with the right expertise required to deliver risk adjusted returns.

Prospects

Based on the Directors' review of the business operation and the financial position of the Group, the Group intends to continue to develop its IM business with a focus on becoming a provider of products, solutions, platform and infrastructure.

(1) The Group shall continue building sound track-records for all our products. These fund products generally fall under two broad categories. One category is managed by the Group's portfolio managers. A diverse yet coherent talent pool is essential for our success. We aim to build a career home for talented and entrepreneurial analysts, traders and portfolio managers. The other category is managed by the Group's proprietary quantitative models. These proprietary quantitative models differ from other quantitative models in its focus on screening and ranking ideas rather than underlying assets.

(2) The Group shall continue developing its asset allocation models and risk management models. These models, together with our fund products, enable us to provide holistic investment solutions to our clients – with a particular focus on Chinese investors investing into global markets and global investors investing into Chinese markets.

(3) The Group shall promote its funds to institutional clients and family offices to extend our client base geographically and increase our assets under management. We will develop our business relationships with financial institutions, mainly banks and insurance companies, product distributors like securities companies, high net worth individuals and large conglomerates, both in China and outside China.

(4) The Group shall continue its investment in financial technologies and in our operating platform to enhance our client services, risk management and operations capabilities to support our diversifying set of products and business services.

SDI BUSINESS

Business Review

During the year under review, the Group maintained a healthy financial position. For the first half of 2019, the Group placed most of the cash balances in time deposit bank account ready for deployment for developing both the CRMS and IM businesses. Due to the unfavorable business environment as reported in the CRMS business review section, capital expenditure on the CRMS business was significantly lower than the Group anticipated. Having taking into consideration of the cash requirements of the Group for the next 12 months and the level of cash and cashflow position of the Group at end of second quarter of 2019, the Board considered various alternative investment opportunities, including placing cash as fixed deposit in commercial banks, making investment in securities and investing in external funds as passive investors or in funds set up by GCML, to generate better return on idle cash for the Group. The Group decided to explore in developing our own strategic direct investment initiatives.

SDI is to leverage on the Group's human and physical capital in pursuit of outstanding risk-adjusted returns. This also strategically supports growth of the Group's new business initiatives such as the IM segment. The investments include funds, debt and equity investments and exchange traded funds ("ETF").

The Directors continued to explore ways to improve the efficiency of the use of the funds of the Group by utilising our own resources. The Group has experienced licensed representatives under the Securities and Futures Ordinance (the "SFO") as portfolio managers after completion of acquisition of IM Business last year. Aiming to spread risks, to earn a higher return on investments, to utilise the professional advantages, talent advantages and management advantages of the Group, the Group started to make portfolio investments through the subscription of liquid assets investments including seeding a few funds managed by GCML.

During the third quarter of 2019, the Group subscribed a non-listed pooled investment fund, Prelude Opportunity Fund, LP, for HK$78.0 million. A wholly owned subsidiary of the Group was appointed as sub-advisor to the fund to manage part of the fund's assets. The Board considered the investment generated higher potential return for the Group using an enlarged capital base comparing to limited return on idle cash for the Group. The investment leveraged the talents of human resources of the Group. Please refer to the announcements of the Company dated 1 July 2019 and 14 August 2019 for further details of the investment.

During the fourth quarter of 2019, the Group has injected a certain amount of our own fund under management based on a proprietary asset allocation model developed in-house. It contributed approximately HK$39.0 million and HK$62.4 million to the Goldstream China A Share Equity Fund SP and Goldstream Stable Fixed Income Fund I SP respectively as seed monies.

The Group is deemed to hold controlling interest in both the Goldstream China A Share Equity Fund SP and Goldstream Stable Fixed Income Fund I SP. These two funds invest in China A shares and global fixed income products respectively. All assets and liabilities of these funds are consolidated within the Group's consolidated statement of financial position.

SDI is managed by Goldstream Capital portfolio managers. These managers operate a variety of strategies and investment targets including Greater China long and short position fund, Greater China long position fund, global macro, global healthcare industry stocks and bonds. Our objective is to deliver long-term capital growth to our shareholders by leveraging a diverse yet complementary portfolio of businesses.

As of 31 December 2019, the total subscribed amount of investment the Group made to three investments funds was approximately to HK$179.4 million. The Group did not further invest or early redeem any investment during the year. Coupled with reasonable returns from investment and seed monies, the segment recorded a segment profit of approximately HK$6,879,000, which would recovered the finance costs of discounting of borrowings from a former director amounted to approximately HK$4,048,000. During the year under review, profit was mainly due to the investment return generated from the dividend income amounted to approximately HK$1,636,000 and fair value gains on financial assets through profit and loss amounted to approximately HK$2,511,000 respectively.

Prospects

The Group looks for investment opportunities for the Group to enhance the return on its financial resources as a whole. The Group recognises market instability and volatility, and struck a balance between the risk and return, especially at a time of great uncertainty. Our cautious and balanced allocation among Chinese and global assets, together with diversified strategies investing into different markets, are expected to deliver relatively stable returns to our investments. If we succeed in building a good track record in such a difficult time, we expect to attract more clients for our IM business once the market calms down.

CAPITAL STRUCTURE

As at 31 December 2019, the Group's shareholders' equity was approximately HK$792,942,000 and the total number of shares issued was 11,346,472,321. The Group obtained an unsecured, non-interest bearing loan from a former director, Mr. Li Kin Shing in November 2018 and approximately HK$214,999,000 was drawndown as at 31 December 2019. The loan will mature and repayable in full amount on 29 November 2020. As at 31 December 2019, the gearing ratio (being ratio of total borrowings outstanding less cash and deposits to the sum of total equity and total borrowings) was therefore not applicable.

LIQUIDITY AND FINANCIAL POSITION

	2019 HK$'000	2018 HK$'000
Cash at banks and on hand	**423,816**	116,821
Money market funds	**23,036**	–
Fixed-term bank deposits	**37,523**	343,531
Total cash and deposits	**484,375**	460,352

The Group adopts a sound financial policy, and the surplus cash is deposited at banks and invested in money market funds to facilitate extra operation expenditure or investment. Management makes financial forecast on a regular basis. As at 31 December 2019, the Group's balance of cash and deposits was approximately HK$487,375,000, which was attributable to the cashflow from operations and the borrowings from a former director.

The Group normally finances its operations with internally generated cash flows. Cash and deposits increased by approximately HK$24,023,000 in 2019.

The current ratio and quick ratio was 2.26 as at 31 December 2019, which is lower than 9.72 as at 31 December 2018.

FOREIGN EXCHANGE RISK

The Group manages its exposures to foreign currency transactions by monitoring the level of foreign currency receipts and payments. The Group ensures that the net exposure to foreign exchange risk is kept to an acceptable level from time to time. The Group has not entered into any forward exchange contract to hedge its exposure to foreign exchange risk.

ASSET MORTGAGE

The Group had no outstanding asset mortgage as at 31 December 2019 (2018: Nil).

CONTINGENT LIABILITIES

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

SIGNIFICANT ACQUISITION, DISPOSAL OR INVESTMENT

The Group did not have any material acquisition and disposal of subsidiaries, associates and joint ventures, and investment during the year under review.

GEARING RATIO AND INTEREST CAPITALIZATION

As at 31 December 2019, the Group had outstanding unsecured, non-interest bearing loan due to Mr. Li Kin Shing, a former executive director of the Company, of approximately HK$209,617,000 and repayable in full amounted to approximately HK$214,999,000 on 29 November 2020. The imputed interest of approximately HK$6,875,000 was recognized initially and finance cost of approximately HK$4,048,000 was incurred for the year ended 31 December 2019. The gearing ratio (being ratio of total borrowings outstanding less cash and deposits to total equity and total borrowings) was inapplicable as sum of the Group's cash and deposits was more than its total borrowings.

During the year under review, no interest was capitalized by the Group (2018: Nil).

CAPITAL COMMITMENTS

As at 31 December 2019, there was no significant capital commitment contracted and not provided for in the financial statements (2018: approximately HK$1,149,000).

SEGMENT REPORTING

In accordance with IFRS 8 *Operating Segments*, operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the key management team of the Company. The CODM reviews the Group's internal reports in order to assess performance, allocate resources and determine the operating segments.

The Group has identified three reportable segments which are CRMS, IM and SDI businesses. Details of the segment reporting are set out in note 6 to the consolidated financial statements of the Group for the year ended 31 December 2019.

STAFF AND REMUNERATION POLICY

As at 31 December 2019, the Group had 1,777 employees (2018: 2,740 employees). Among them, 1,748 employees worked in the PRC, 28 employees worked in Hong Kong and 1 employee worked in Macau.

Breakdown of the Group's staff by function as at 31 December 2019 is as follows:

Function	As at 31 December 2019	As at 31 December 2018
Management	12	13
Operation	1,660	2,595
Financial, administrative and human resources	64	82
Sales and marketing	5	2
Research and development	16	23
Repair and maintenance	20	25
	1,777	2,740

The total staff remuneration including Directors' remuneration paid by the Group in 2019 was approximately HK$254,732,000 (2018: approximately HK$238,119,000). The remuneration paid to the staff, including Directors, is based on their qualification, experience, performance, and market rates, so as to maintain a competitive remuneration level. The Group also offers various staff welfare, including housing fund, social insurance and medical insurance. We believe that in Goldstream Investment Limited, our employees are the most valuable assets.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group will be issuing a separate environmental, social and governance ("ESG") report for the financial year ended 31 December 2019 and in accordance with the Environmental, Social and Governance Reporting Guide of the Stock Exchange. The ESG report will disclose information on the Group's ESG management approach, strategy, priorities and objectives.

DISCLOSURE UNDER CHAPTER 13 OF THE RULE GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE ("THE LISTING RULES")

The Directors confirmed that they were not aware of any circumstances which would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules during the year under review.

REPORT OF DIRECTORS

The Directors present their annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES AND ANALYSIS OF OPERATION LOCATION

The principal activity of the Company is investment holding. Activities and the analysis of operation location of its subsidiaries are set out in note 29 to the consolidated financial statements.

PRINCIPAL PLACE OF BUSINESS

The principal places of business include Hong Kong, the PRC and Macau.

BUSINESS REVIEW

A review and outlook of the business of the Company and a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position are provided in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" respectively on page 3 and pages 4 to 15 of this report.

Principal Risks and Uncertainties

Apart from those stated in the Chairman's Statement and Management Discussion and Analysis sections of this report, the Group is exposed to the following principal risks and uncertainties.

Risks Relating to the Industry

The Group operates in an industry which requires rapid deployment of new technologies. There can be no assurance that the Group will necessarily be able to offer the latest technology or services to its customers, nor develop the expertise, experience and resources to offer the latest technology or services required by customers on a timely and competitive basis. The Group may incur significant expense in developing services and expertise in order to closely follow the latest technology.

The Group faces increasing competition in the business areas in which it operates. The Directors expect this trend to continue and to accelerate. There is no assurance that competitors will not develop the expertise, experience and resources to provide services that offer greater competitiveness in both price and quality as compared to the services offered by the Group, or that the Group will be able to maintain and enhance its competitive edge.

As at the latest practicable date, there is no legal requirement pursuant to which the Group must obtain a licence under the Regulations on Telecommunications in the PRC (中華人民共和國電信條例) to operate as a CRM outsourcing service provider in the PRC. In the event that the PRC government imposes any such law and/or regulations which impacts on the Group's business, the Directors will use its best endeavours to comply with such laws and/or regulations as required. However, there can be no assurance that the changes in the regulatory environment will not have an adverse effect on the Group's business and results of operation.

Reliance on Major Customers

The Group derives a significant portion of its turnover from the provision of services to a certain number of its key customers.

In addition, some of the contracts entered into between certain of the major customers and the Group contain an exclusive clause restricting the provision of the Group's services to any companies which undertake competing business with those major customers in Hong Kong, Macau and the PRC, unless (i) prior written consent has been given by those major customers or (ii) those competitors were existing customers of the Group at the time when the Group entered into contracts with those major customers.

Reliance on the Telecommunications Industry

The Group currently derives a substantial portion of its turnover from telecommunications service providers in Hong Kong, Macau and the PRC. Demand for the services of the Group depends on the level of activities in the telecommunications industry in Hong Kong, Macau and the PRC and market competition. Any trend towards an increase in competition in the telecommunications industry in Hong Kong, Macau and the PRC, particularly amongst the telecommunications service providers which are the Group's direct and indirect customers, may put downward pressure on prices for their products and services, and consequently on their turnover. Should this happen, these telecommunications service providers may reduce CRM outsourcing fee they are willing to pay to the Group and attempt to maintain their profit margins by reducing their costs.

Potential Product and Service Liabilities

The Group's services may be critical to the operations of its customers' businesses. If the Group provides wrong information in delivering its services which subsequently adversely affect any of the Group's customers' businesses, the Group may incur additional costs in rectifying such errors or defending any legal proceedings and claims brought by its customers against the Group. Consequently, this may affect the Group's relationship with such customers and may result in negative publicity of the Group. The Group has no insurance cover on its potential liabilities. Any defects or errors in the Group's products or services could result in delayed or lost turnover, adverse customer relationship, negative publicity and additional costs.

The Trade Descriptions (Unfair Trade Practices) Ordinance ("TDO") (Amendment) 2012 was passed by the Legislative Council on 17 July 2012 and has come into effect on 19 July 2013. It extends the coverage to prohibit specified unfair trade practices deployed by traders against consumers, including false trade descriptions of services, misleading omissions, aggressive commercial practices, bait advertising, bait-and-switch and wrongly accepting payment. To control the risk and to comply with the regulation, the Group is using its best endeavours to train and manage the employees involved. As at the latest practicable date, the Directors are not aware of any complaints and/or claims against the Group for violation of TDO. However, there is no assurance that employees of the Group will not violate of TDO in the future.

Reliance on Key Management

To a significant extent, the Group's success depends on the experience, expertise and the continuous services of the Group's executive Directors and members of the senior management. The Group's performance also depends on its ability to retain and motivate its key officers. However, there is no assurance that the Group will be able to retain the continuous services of the executive Directors and the members of the senior management. If the Group is unable to retain their services, the operations of the Group may be adversely affected, if for any reason, replacement cannot be found in a timely and commercially viable manner.

Failure to Recruit and Retain Competent Employees

The success of the Group especially its CRM business depends heavily upon the continuous services provided by a huge quantity of employees whose industry expertise and experience in the business e.g. business vision, operating skills, and working relationship with customers and regulatory authorities are relied. If many of the employees are unable or unwilling to continue providing their services to the Group, or join competitors of the Group, or form competing companies, the Group's business may be adversely affected.

The sustainability and growth of the Group depend on the devotion of its employees. If the Group is unable to identify, hire and retain qualified employees, it may be unable to meet its business and financial goals.

The Stability of the Network of the Group

The Group's operational systems utilized by the CRM service centres are vulnerable to damage from fire, flood, power loss, telecommunications failures, computer virus, hackings and similar events. Any network interruption or inadequacy that causes interruptions in the connectivity of the system of the Group or deterioration in the quality of access to the system of the Group or failure to maintain the network and server or failure to solve such problems quickly could reduce the Group's customers' satisfaction. In addition, any security breach caused by hackings, which involve efforts to gain unauthorized access to information or systems, or to cause intentional malfunctions or loss or corruption of data, software, hardware or other computer equipment, and the inadvertent transmission of computer viruses could have a material adverse effect on the business, financial condition and results of operations. The Group maintains insurance policies covering losses relating to the systems of the Group and does not have business interruption insurance.

Infringement or Misappropriation of Intellectual Property rights

The Group's CRM business heavily relies on the operating systems in its daily operations which are developed by the Group's research and development department. The Group obtained registration certificate issued by the National Copyright Administration (國家版權局) in respect of internet CRM systems in 2011. The Group remains as one of the few operation systems owners who applied for protection for these intellectual property rights. The Group also relies on non-disclosure of confidential information agreements provided by the Group's research and development personnel to protect the Group's intellectual property rights on the operating systems currently in use.

There is no assurance that the current protection measures adopted by the Group provide adequate protection against infringement of any intellectual property rights attributable to the Group. Any unauthorized use, infringement or misappropriation of such rights by third parties may adversely affect the Group's business.

Inadequate Protection of Personal Data

The Group, acting as a CRM outsourcing service provider, obtains a significant amount of personal data from its customers, in particular, personal data of subscribers of the Group's telecommunications customers. Pursuant to contracts entered into between the Group and its customers and in compliance with the Personal Data (Privacy) Ordinance (Chapter 486), the Group is obliged to keep all such data confidential. In the event that there is a breach of confidentiality by the Group and data is leaked to third parties, the subscribers may take legal action against the Group's customers for loss and/or damages. In addition, the Group's customers may exercise their rights under the contract to terminate the contract and proceed to institute legal proceedings to claim damages for any loss sustained as a result of the Group's breach. Further, the contracts entered into by the Group with its customers contain general indemnity clauses which cover amongst others, such circumstances.

The Group has implemented internal control procedures to safeguard confidential data, including (1) restricted physical access to the designated working areas; (2) prohibited use of information storage devices; and (3) non-disclosure and confidentiality agreements with the Group's employees. However, there is no assurance that there will not be any leakage of personal data that may adversely affect the Group's business and reputation.

The Effect of the Unsolicited Electronic Messages Ordinance ("UEMO")

The UEMO governs the sending of commercial electronic messages which, for the purposes of the UEMO, include a message in any form sent over a public telecommunications service (including among others, SMS, faxes or emails) to an electronic address and includes but is not limited to a text, voice, sound, image or video message; and a message combining text, voice, sound, image or video for the purpose of advertising, promoting or offering any goods, services, business opportunities or the organizations themselves. The UEMO also governs the use of address harvesting software i.e. software which is specifically designed or marketed for use for searching the Internet or a public telecommunications network and collecting electronic addresses such as telephone numbers or email addresses in connection with or to facilitate the sending of such commercial electronic messages. The UEMO does not apply to person-to-person telemarketing calls. The Group's current business does not involve the sending of commercial electronic messages and the Group does not use any address harvesting software. Therefore the Group's business activities are not under the scope of the UEMO. However, there can be no assurance that the Group's future business activities will not fall under the scope of the UEMO. Should this happen, the Group's operations may be adversely affected by the costs and time involved in ensuring that the Group's activities comply with the UEMO. In addition, should the Group fail to comply with the UEMO, it may be liable for fines.

Risk Relating to the PRC

The Group's CRM service centres are located in Guangdong Province, the PRC, the operations of which are therefore subject to the laws and regulations prevailing in the PRC. The Group's operations may be adversely affected should there be any changes in the political, economic and legal environment in the PRC or changes in the policies or regulations in the PRC relating to the industry in which the Group operates.

At present, RMB is not freely convertible into other currencies. Pursuant to the current relevant regulations in the PRC, foreign investment enterprises are permitted to remit their profit or dividends in foreign currencies overseas or repatriate such profit or dividends after converting the same from RMB into foreign currencies through banks which are authorised to engage in foreign exchange business. Foreign investment enterprises are permitted to convert RMB into foreign currencies for items in their current accounts (including dividend payment to foreign investors) and that the control over conversion of RMB into foreign currencies for items in their capital accounts (including direct investment, loan and investment in securities) is more stringent. The Group's business operations are, to a significant extent, undertaken by China Elite, wholly foreign-owned enterprise established in the PRC, which are subject to the above regulations.

The Group is subject to restrictions on foreign investment policies imposed by the PRC law from time to time. For instance, under the Foreign Investment Catalogue, some industries are categorized as sectors which are encouraged, restricted or prohibited for foreign investment. As the Foreign Investment Catalogue is updated every few years, there can be no assurance that the PRC government will not change its policies in a manner that would render part or all of the businesses of the Group to fall within the restricted or prohibited categories. If the Group cannot obtain approval from relevant approval authorities to engage in businesses which become prohibited or restricted for foreign investors, it may be forced to sell or restructure the businesses which have become restricted or prohibited for foreign investment. If the Group is forced to adjust the corporate structure or business line as a result of changes in government policy on foreign investment, the business, financial condition and results of operations of the Group may be materially adversely affected.

Risks Relating to Investment Management Business and Strategic Direct Investment Business

The Group started engaging in the investment management business since November 2018. Goldstream Companies perform the role of an Investment Manager in providing investment management services. The income are primarily derived from management fees and performance fees for providing such services to our Collective Investment Schemes (CIS) and managed accounts (generally referred to as Funds). The total income is dependent on the Asset Under Management (AUM), fee rates and appreciation of the investments.

Management fees are recognized as services are performed and are primarily based on percentage of the AUM. The demand for alternative investment strategies although has a growing trend in Asia, large investment outflows have been recorded in recent years due to circumstances described in the business environment section of this report. This puts pressure on growing our AUM which will impact our fee incomes directly. Furthermore, there is pressure in this industry to reduce fee rates in order to sustain and attract new investments. Both these factors will have negative impact on delivering stable management fee incomes.

Performance fees are significant sources of income and normally charged as a percentage of the appreciation of the AUM over a defined period of time. The investment performance may be adversely affected by lack of investment opportunities, a reduction in market liquidity, unforeseen events involving, without limitation, such matters as changes in interest rates or the credit status of an issuer, forced redemptions of securities, unexpected changes in relative value or changes in tax treatment.

Other risk factors and uncertainties which could affect the business and income include but not limited to the following:

(1) General economic and market conditions

The investment performance of any Fund may be adversely affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, trade barriers, tax treatment, currency exchange controls and national and international political circumstances. These factors may affect the level and volatility of securities prices and the liquidity of a Fund's investments. Volatility or illiquidity could impair any investment profitability or result in losses.

(2) Availability of investment strategies

The investment returns of the our strategies will depend on our ability to identify overvalued and undervalued investment opportunities and to exploit price discrepancies in the financial markets, as well as to assess the importance of news and events that may affect the financial markets. Identification and exploitation of the investment strategies to be pursued involves a high degree of uncertainty. No assurance can be given that we will be able to locate suitable investment opportunities in which to deploy all of the assets attributable to an investment strategies. Market factors including, but not limited to, a reduction in market liquidity or the pricing inefficiency of the markets in which we will seek to invest may reduce the scope for the investment strategy of the relevant Fund.

(3) Trading strategies

There can be no assurance that the specific trading strategies utilised for any Fund will produce profitable results. Any factor which would make it difficult to execute trades, such as reduced liquidity or extreme market developments resulting in limit moves, could also be detrimental to profits. No assurance can be given that the techniques and strategies will be profitable in the future.

(4) Cybersecurity risk

The Investment Manager and/or one or more of its service providers may be prone to operational, information security and related risks resulting from failures of or breaches in cybersecurity.

A failure of or breach in cybersecurity ("cyber incidents") refers to events that may cause the relevant party to lose proprietary information, suffer data corruption, or lose operational capacity. Cyber attacks include, but are not limited to, gaining unauthorised access to digital systems (e.g. through "hacking" or malicious software coding) for purposes of misappropriating assets or sensitive information, corrupting data, causing denial-of-service or causing operational disruption.

Cyber incidents may cause disruption and impact business operations, potentially resulting in financial losses, impediments to trading, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs.

(5) Market disruptions and liquidity

A Fund may incur major losses in the event that disrupted markets and/or other extraordinary events affect markets in a way that is not consistent with historical pricing relationships. In addition, market disruptions caused by unexpected political, military and terrorist events may from time to time cause dramatic losses for the Fund, and such events may result in otherwise historically low-risk strategies performing with unprecedented volatility and risk. A financial exchange may from time to time suspend or limit trading. Such a suspension could render it difficult or impossible for the Investment Manager to liquidate affected positions and thereby expose it to losses. A Fund may be adversely affected by a decrease in market liquidity for the instruments in which such Fund is invested which may impair the ability of the Investment Manager to adjust positions. The size of a Fund's positions may magnify the effect of a decrease in market liquidity for such instruments.

(6) Regulatory risks

The regulatory environment for the alternative investment management industry is evolving and changes therein may adversely affect the value of investments held by the Fund and/or the ability of the Fund to obtain the leverage it might otherwise obtain or to continue to implement its investment approach and achieve its investment objective. In addition, securities and futures markets are subject to comprehensive statutes, regulations and margin requirements. Regulators and exchanges are authorised to take extraordinary actions in the event of market emergencies. In addition, the regulatory or tax environment may adversely affect the value of the investments held by the Fund. The effect of any future regulatory or tax change on the Fund is impossible to predict.

The effect of any future regulatory change on the Fund could be substantial and adverse including, for example, increased compliance costs, increased disclosure requirements, the prohibition of certain types of trading and/or the inhibition of a Fund's ability to implement its investment approach and achieve its investment objective.

(7) Tax considerations

Where the Investment Manager, in respect of any Fund, invests in securities that are not subject to withholding tax at the time of acquisition, there can be no assurance that tax may not be withheld in the future as a result of any change in applicable laws, treaties, rules or regulations or the interpretation thereof. The Investment Manager may not be able to recover such withheld tax and so any such change could have an adverse effect on the Net Asset Value of the relevant Fund.

Financial Risk

The Group is exposed to a variety of financial risks, such as foreign exchange risks, interest rate risks, credit risks, liquidity risks and price risk. The Group reviews regularly and manages its capital structure to maintain a sound capital position. Certain portion of the Group's trade receivables and deposits with banks is denominated in foreign currency i.e. Renminbi ("RMB"). The Group currently does not have hedging policy in respect of the foreign exchange risk. Nevertheless, the Group has continuously evaluated and monitored the fluctuation of RMB and may consider entering into forward contracts in order to manage its exposure to adverse fluctuations in foreign currency exchange rate. For details of the Group's financial management policies and strategies in managing these financial risks, please refer to note 3 to the consolidated financial statements.

Major Financial and Business Performance Indicators

Major financial and business performance indicators include income, net profit margin, current and quick ratio etc. Details of these indicators are set out in the section "Management Discussion and Analysis" of this report.

Environment Policies and Performance

The Group has committed to be an environmentally-friendly corporation that pays close attention to conserve natural resources. It strives to minimize environmental impact by saving electricity and encouraging recycle of office supplies and other materials. The Group also requests factories of its suppliers to operate in strict compliance with the relevant environmental regulations and rules.

Compliance with Laws and Regulations

The Group recognises the importance of compliance with the requirements of relevant laws and regulations, and any failure to comply with such requirements may result in interruptions in, or termination of the operation. The Group has allocated systems and human resources to ensure continuing compliance with rules and regulations and sound working relationships with regulators through effective communications. During the year under review, to the best of our knowledge, the Group has complied with the Listing Rules, the SFO (Chapter 571), the Companies Ordinance (Chapter 32), Anti-Money Laundering and Counter-Terrorist Financing institution Ordinance Cap 615 of the laws of Hong Kong, the Trade Descriptions Ordinance (Chapter 362), the Personal Data (Privacy) Ordinance (Chapter 486), the Unsolicited Electronic Messages Ordinance (Chapter 593), the Company Law of the PRC (中華人民共和國公司法), the PRC Foreign Investment Law (中華人民共和國外資企業法), the PRC Administration of Tax Collection (中華人民共和國税收徵收管理法), Regulations on Telecommunications in the PRC (中華人民共和國電信條例), the Environmental Protection Law of the PRC (中華人民共和國環境保護法), the Law of the PRC on Work Safety (中華人民共和國安全生產法), the Labor Law of the PRC (中華人民共和國勞動法), the Labor Contract Law of the PRC (中華人民共和國勞動合同法), the Computer Software Protection Regulations Rules (計算機軟件保護條例), the Code of Computer Software Copyright Registration (計算機軟件著作權登記辦法) and other relevant rules and regulations.

Relationships with Major Stakeholders

The Group's success relies on the support of major stakeholders including customers, employees, suppliers, regulators and shareholders.

Customers

The Group is committed to providing its customers with quality products and services so as to strive for sustained growth in respect of revenue and profitability. The Group has adopted various means to strengthen communication with its customers to provide excellent and quality products and services so as to increase market penetration and expand its various businesses.

Employees

Employees are considered to be the most important and valuable assets of the Group. The purpose of human resources management of the Group is to reward the staff with excellent performances through the provision of generous remuneration package and the implementation of the comprehensive performance evaluation plan. Besides, the Group formulates an appropriate training plan based on various positions and duties and titles and provides certain opportunities and platforms to assist them to develop and get promoted within the Group.

Suppliers

Maintaining good relationships with the suppliers is essential to the Group in respect of the supply chain and when facing business challenges and regulatory requirements. It can achieve cost efficiency and promote long term commercial benefits. Major suppliers include system and equipment suppliers, external consultants providing professional services, suppliers of office supplies or commodities and other business partners providing the Group with value added services.

Regulator

As a company listed in Hong Kong and certain licensed corporations licensed under the SFO, Cap 561 (the "SFO"), the Company is subject to the regulation of the Securities and Futures Commission of Hong Kong (the "SFC"), the Hong Kong Stock Exchange and other relevant regulators. With operations in the PRC, the Group is also subject to the regulation of the PRC of the Ministry of Commerce (商務部), the State Administration for Industry and Commerce (工商行政管理總局), the State Administration of Taxation (稅務總局), the Ministry of Human Resources and Social Security Bureau (人力資源和社會保障部), the National Copyright Administration (國家版權局) and other relevant regulators. The Group expects to constantly update and ensure compliance with new rules and regulations.

Shareholders

One of the corporate objectives of the Group is to enhance the corporate value for its shareholders. The Company will distribute dividends or issue bonus shares to its shareholders in recognition of their continual support while boosting the Group's business development to achieve the sustainable profit growth and taking into account the capital adequacy level, liquidity and business expansion needs. The Company has adopted a Dividend Policy on payment of dividends. Details of the Dividend Policy have been disclosed in the paragraph "Dividends" of this report.

FINANCIAL INFORMATION

Five-Year Financial Summary

A summary of the consolidated income statement and the assets and liabilities of the Group for the last five financial years is set out on page 132 of this report.

Results and Appropriations

The results of the Group for the year ended 31 December 2019 are set out in the consolidated income statement, on page 51 of this report.

Major Customers and Suppliers

For the year ended 31 December 2019, the income attributable to the largest customer and the five major customers accounted for approximately 21% and approximately 74% of the Group's income respectively.

For the year ended 31 December 2019, provision of services from the largest supplier accounted for approximately 44% of the Group's total purchases. Provision of services from the five largest suppliers accounted for approximately 70% of the Group's total purchases.

None of the Directors, or any of their respective associates, or any Shareholders (whom to the knowledge of the Directors own more than 5% of the issued share capital of the Company), had any interests in any of the Group's five largest customers or five largest suppliers during the year.

DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2019.

The Company has adopted a Dividend Policy. Subject to the relevant laws and the articles of association of the Company (the "Articles"), the Company, through a general meeting, may declare dividends in any currency but no dividends shall exceed the amount recommended by the Board. The Articles provide that dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. Dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law of the Cayman Islands.

Declaration of dividend is subject to the discretion of the Board, taking into consideration of, among others, the following factors:

(i) general business and financial conditions;
(ii) earnings;
(iii) cash flow;
(iv) financial condition;
(v) capital requirements; and
(vi) other conditions as deemed relevant at such time by the Board.

Share Capital

Details of movements in the share capital of the Company during the year are set out in note 23 to the consolidated financial statements.

Debentures

The Group has not issued any convertible debentures, futures, or granted any options, or other similar rights for the year ended 31 December 2019.

Reserves

Details of movements in reserves of the Group and of the Company during the year are set out in notes 24 and 32 to the consolidated financial statements respectively.

Distributable Reserve and Share Premium

Under the Companies Law of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its memorandum and articles of association of the Company and provided that immediately following the distribution of dividends, the Company is able to pay its debts as they fall due in the ordinary course of business.

As at 31 December 2019, the Company had approximately HK$1,709,869,000 (2018: approximately HK$1,709,869,000) available for distribution to equity shareholders of the Company, subject to immediately following the distribution of dividends, the Company is able to pay its debts as they fall due in the ordinary course of business.

Property, Plant and Equipment

Details of movements in property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

Goodwill and Intangible Assets

Goodwill and intangible assets arising from acquisition of Goldstream Companies last year accounted for significant portion in the Group's total assets. At 31 December 2019, under IFRS we had approximately HK$197,833,000 of goodwill and HK$72,775,000 of intangible assets (HK$9,978,000 of which are intangible assets with indefinite lives). Goodwill and intangible assets with indefinite lives are tested at the cash generating unit level ("CGU") or group of CGUs level. A CGU comprises the smallest group of assets that are capable of generating largely independent cash flows and is either a business segment or a level below. Management performed test on 29 November 2019 and the year ended 31 December 2019 demonstrated that there was no impairment of goodwill or intangible assets with indefinite lives.

The recoverable amount of the IM business CGUs was based on its value-in-use and was determined with reference to the valuation performed by RHL Appraisal Limited, an independent professional qualified valuer not connected with the Group. The calculation uses cash flow projections based on financial budgets covering a four year period and terminal growth. The growth rates used to extrapolated cash flow projections beyond the four year period do not exceed the long-term average growth rate for the industry.

The key assumptions, such as budgeted AUM incremental rate ranged between 6% and 15% (2018: ranged between 14% and 86%) and portfolio return rate ranged between 4% and 15% (2018: ranged between 2% and 12%). No significant changes of key assumptions have been made in the current year. The key assumptions are determined with reference to historical performance of IM Business, market research of the assets management industry and specific business plans of the Group.

As at 31 December 2019, the recoverable amount of IM business amounted to approximately HK$303,093,000 (2018: approximately HK$340,041,000). As the carrying amount of the CGUs did not exceed its respective recoverable amount, certain headroom is available. Changes in key assumptions including discount rates and cash flow projections used in the determination of embedded values or reductions in AUM may result in impairment charges in the future, which could be material. Impairment charges could occur in the future as a result of changes in economic conditions. The goodwill testing for 2020 will be updated based on the conditions that exist in 2020 and may result in impairment charges, which could be material.

The Company acquired Goldstream Companies, forming certain customer contracts of approximately HK$106,281,000 in total with useful lives of 4 years. A written off expense and an impairment charges of intangible assets with definite lives approximately HK$7,952,000 and HK$6,876,000 were recognised in the consolidated income statement respectively in accordance with relevant accounting standards. Due to the unexpected changes of business environment, such as (i) new regulation requirement released in the PRC; (ii) lag of operating performance of particular customer contract; and (iii) redemption of investment from particular customer due to changes of its business plan, there are signs of impairment for certain customer contracts which were located last year in the Acquisition.

In the coming year, the Group will continue to increase our fund raising, marketing effort and identify other investment opportunities in respect of the SDI to maximise returns for its equity shareholder of the Company. Despite exploring opportunity of receiving additional investments from existing clients in the future, the Group also aim at sustainable growth of client portfolio with new institutional client at the same time. Details of which are set out in the paragraph — "Prospects of IM Business" of this report.

Continuing Connected Transactions

Management Agreements

Goldstream Capital Management (Cayman) Limited ("GCMC") is a wholly-owned subsidiary of Hony Capital Group, L.P., ("HCG") and is principally engaged in investment management. HCG is managed by Hony Group Management Limited (as sole general partner), 80% equity interest of which is held by Hony Managing Partners Limited. As at 31 December 2019, Hony Managing Partners Limited indirectly holds 80% of interests in Hony Gold Holdings, L.P.. After the completion of the sale and purchase certain shares of the Company pursuant to the Sale and Purchase Agreement dated 30 July 2018 and the acquisition of the entire issued share capital of GCML in November 2018, the transactions under the Management Agreements (as defined below) constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to the following management agreements (collectively, "Management Agreements"), GCMC as the fund manager ("Fund Manager") and GCML has been appointed as the investment manager ("Investment Manager") to manage and invest the portfolio of Fund I and GSD Fund in pursuit of certain investment objectives and subject to certain investment restrictions.

1. Fund I Management Agreement

   Date: 23 November 2015, amended and restated on 30 July 2018
   Parties: (i) Fund I; (ii) GCMC; and (iii) GCML
   Period: From 23 November 2015 to 31 December 2022

2. GSD Fund Management Agreement

   Date: 7 October 2016, amended and restated on 30 July 2018
   Parties: (i) GSD Fund; (ii) GCMC; and (iii) GCML
   Period: From 7 October 2016 to 31 December 2022

Pursuant to the fee letters of Fund I and GSD Fund (collectively, the "Fee Letters"), both with effect from 1 January 2017:

(1) Investment Manager, is remunerated by management fee equivalent to 95% of one twelfth (1/12th) of 2% per month;

(2) yearly incentive fee is remunerated at an arm's length principle and determined annually between the Fund Manager and Investment Manager, among factors including prevailing market practice, condition and extent of services rendered by Investment manager, which may vary from time to time. The final amount will be between 50% and 100% of the performance incentive fee received by the Fund Manager.

The Management Agreements and the Fee Letters may be terminated by one party giving to the other parties not less than 90 days' written notice. The Management Agreements and the Fee Letters may be terminated immediately by notice in writing by any party (the "notifying party"), if the other party (i) commits any material breach of its obligations and if such breach is capable of being made good, fails to make good such breach within 30 days of receipt of written notice from the notifying party requiring it to do so; or (ii) is liquidated or dissolved or is unable to pay its debts as they fall due or commits any act of bankruptcy or if a receiver is appointed over any of its assets.

The Management Agreements, including the management fee and the yearly incentive fee, were determined after arm's length negotiations between the parties with reference to market rates and the obligations and duties of GCML under the Management Agreements.

The management service annual caps for the amount of fees receivable by GCML under the Management Agreements was HK$74,000,000 for the year ended 31 December 2019 and will be HK$82,000,000, HK$102,000,000 and HK$114,000,000 for each of the three financial years ending 31 December 2022, respectively.

The management service annual caps have been calculated and determined after taking into account the following: (a) the historic rate of growth in the fees received under the Management Agreements; (b) the projected growth in the AUMs subject to the services to be provided under the Management Agreements; (c) the expected aggregated AUM of Fund I and GSD Fund, which was approximately US$209 million in 2018 and are estimated to be US$314 million, US$443 million, US$497 million and US$562 million for the four years ending 31 December 2022, and the expected annual return of 4% in 2018 and 8% for each of the following four years ending 31 December 2022; and (d) historical growth rate of Fund I, GSD Fund and the Hang Seng Index.

The Company was informed by HCG that it ceased to have any interests in GCMC since 1 January 2020. As such, since 1 January 2020, GCMC ceased to be a connected person of the Company and the transactions under the Management Agreement ceased to be continuing connected transactions under Chapter 14A of the Listing Rules.

Lease Agreement

Hony Capital Limited is a non-wholly-owned subsidiary of HCG and is principally engaged in investment holding. HCG is managed by Hony Group Management Limited (as sole general partner), 80% equity interest of which is held by Hony Managing Partners. As at 31 December 2019, Hony Managing Partners Limited indirectly holds 80% of interests in Hony Gold Holdings, L.P.. After the completion of the sale and purchase certain shares of the Company pursuant to the Sale and Purchase Agreement dated 30 July 2018 and the acquisition of the entire issued share capital of GCML and Goldstream Securities Limited ("GSL") in November 2018, the following lease agreement (the "Lease Agreement") constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to the Lease Agreement, Hony Capital Limited shall lease certain premises to GCML and GSL. The principal terms of the Lease Agreement are set out as follows:

Parties:	(1) Hony Capital Limited; (2) GCML; and (3) GSL.
Date:	8 January 2018
Premises:	27th Floor, One Exchange Square, 8 Connaught Road Central, Hong Kong
Term:	From 1 May 2017 and ending on 30 April 2020
Rent:	Rent of HK$120,555 per month
Other charges:	Management charges of HK$18,843 per month. Hony Capital Limited is a non-wholly-owned subsidiary of HCG and is principally engaged in investment holding. HCG is managed by Hony Group Management Limited (as sole general partner), 80% equity interest of which is held by Hony Managing Partners. Hony Managing Partners Limited indirectly holds 80% of interests in Jovial Elite Limited.

The annual cap for the amount of fees payable to Hony Capital Limited under the Lease Agreement was HK$1,672,776 and will be HK$557,592 respectively for each of the financial year ending 31 December 2020, which have been calculated and determined after taking into the agreed rate of rent and other charges provided under the Lease Agreement.

Please refer to the joint announcement of the Company and Hony Gold Holdings, L.P. dated 30 July 2018 and the circular of the Company dated 31 August 2018 for further details of the Management Agreements and the Lease Agreement.

The independent non-executive Directors have, for the purpose of Rule 14A.55 of the Listing Rules, reviewed the continuing connected transactions set out above and have confirmed that these continuing connected transactions have been entered into by the Group (i) in the ordinary and usual course of its business; (ii) on normal commercial terms or better; and (iii) according to the agreement governing them on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has not qualified its report in respect of the continuing connected transactions disclosed above by the Group. A copy of the auditor's letter confirming the matters set out under Rule 14A.56 of the Listing Rules has been provided by the Company to the Stock Exchange.

DIRECTORS

Executive Directors

Director who held office during the year and up to the date of this report:

- Mr. Zhao John Huan *(Chairman)*
- Dr. Lin Tun *(Chief Executive Officer)*
- Mr. Yuan Bing
- Ms. Li Yin

Director resigned with effect from 23 April 2019:

- Mr. Lu Yan

Independent Non-Executive Directors

Independent Non-Executive Directors have been appointed with effect from 1 December 2019:

- Mr. Jin Qingjun
- Mr. Lee Kin Ping Christophe
- Mr. Shu Wa Tung Laurence

Independent Non-Executive Directors resigned with effect from 1 December 2019:

- Mr. Chen Xue Dao
- Mr. Cheung Sai Ming
- Mr. Liu Chun Bao

Pursuant to Article 84(1) of the Articles, at each annual general meeting, one-third of the Directors for the time being (or, if their number is a multiple of three, the number nearest to but not less than one-third), shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. Accordingly, Mr. Zhao John Huan, Dr. Lin Tun and Mr. Yuan Bing being Directors to retire in rotation in accordance with the Articles, will retire and being eligible, offer themselves for re-election at the forthcoming AGM.

In addition, Mr. Jin Qingjun, Mr. Lee Kin Ping Christophe and Mr. Shu Wa Tung Laurence have been appointed as independent non-executive Director with effect from 1 December 2019. Pursuant to Article 83(3) of the Articles, Mr. Jin Qingjun, Mr. Lee Kin Ping Christophe and Mr. Shu Wa Tung Laurence shall hold office only until the next general meeting of the Company and shall be eligible for re-election. Accordingly, Mr. Jin Qingjun, Mr. Lee Kin Ping Christophe and Mr. Shu Wa Tung Laurence will retire and being eligible, offer themselves for re-election at the forthcoming AGM.

As at the date of this report, Mr. Jin Qingjun held directorships in more than seven listed companies including the Company. Notwithstanding his directorships in more than seven listed companies, the Board is satisfied with his contribution and proactive commitments to the Company as evidenced by his record of attendance and participation in meetings of the Board and its remuneration committee, audit committee and nomination committee since he joined the Company. Given the extensive knowledge and experience in corporate governance and his familiarity with the management of Hong Kong listed companies, the Board believes Mr. Jin will be able to devote sufficient time to the Board and continue to bring valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning and diversity.

Confirmation of Independence

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

Directors' Service Contracts

Each of Mr. Zhao John Huan, Mr. Lu Yan, Dr. Lin Tun and Mr. Yuan Bing has entered into a service agreement with the Company for a term of three years commencing on 28 December 2018. Mr. Lu Yan had resigned with effect from 23 April 2019.

Ms. Li Yin has entered into a service agreement with the Company with each renewal for an initial term of three years commencing on 16 October 2016 and such service agreement may be terminated by either party thereto giving to the other not less than three months' prior notice in writing.

Each of the independent non-executive Directors has entered into a service agreement or appointment letter with the Company. Each of Mr. Chen Xue Bao and Mr. Cheung Sai Ming entered into a service agreement with the Company for an initial term of three years commencing on 16 October 2016. Mr. Liu Chun Bo has signed an appointment letter with the Company and been appointed for a term of three years commencing from 3 June 2017. Each of these service contracts may be terminated by either party thereto giving to the other not less than three months' prior notice in writing. The appointment letter of Mr. Liu Chun Bo may be terminated by either party thereto giving to the other not less than one month prior notice in writing. Mr. Chen Xue Bao, Mr. Cheung Sai Ming and Mr. Liu Chun Bo had resigned with effect from 1 December 2019.

Each of Mr. Jin Qingjun, Mr. Lee Kin Ping Christophe and Mr. Shu Wa Tung Laurence entered into a service agreement with the Company for an initial term of three years commencing on 1 December 2019. Their directorships will be subject to retirement by rotation and re-election pursuant to the provisions of the Listing Rules and the Articles of Association of the Company.

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

Permitted Indemnity Provision

Pursuant to section 164 of the Articles, every Director is entitled to be indemnified out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he or she may sustain or concur in or omitted in or about the execution of his or her duties, provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the Directors.

The Company has arranged appropriate directors' liability insurance coverage for the Directors of the Group during the year ended 31 December 2019.

Contract of Significance

Save for the service contracts of the Directors and the contracts, details of which are set out in the paragraph – "Continuing Connected Transactions" as disclosed above, no contract of significance in relation to the Group's business to which the Company, its subsidiaries and controlling Shareholders was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year under review or at any time during the year under review.

DIRECTORS AND SENIOR MANAGEMENT

The brief biographical details of Directors and senior management are set out in pages 44 to 46 of this report. As at 31 December 2019, save for Mr. Zhao John Huan who has deemed interest in 7,802,539,321 shares of the Company through his controlled corporations, none of the Directors has any interest in the shares of the Company (within the meaning of Part XV of the SFO). None of the Directors and senior management has any relationship with any other Directors and senior management of the Company.

Directors Remunerations and Five Employees with Highest Emolument

Details of Directors' remunerations and five employees with highest emolument are set out in notes 8 and 33 to the consolidated financial statements, respectively.

No emoluments have been paid to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office during the year ended 31 December 2019 (2018: Nil). No Director waived or agreed to waive any emoluments during the year ended 31 December 2019 (2018: Nil).

During the year ended 31 December 2019, no emoluments were paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2018: Nil).

Defined Contribution Retirement Schemes

The amounts of contributions and details of the Group's defined contribution retirement schemes are set out in notes 8 and 2.17(a) to the consolidated financial statements.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 December 2019, so far as known to the Directors, the Directors and the chief executives of the Company had the following interests and short positions in the shares, underlying shares or the debentures of Company or any of its associated corporation within the meaning of part XV of the Securities and Futures Ordinance (Chapter 571 of The Laws of Hong Kong) (the "SFO"), which would have to be notified to the Company and the Stock Exchange pursuant to the provision of Divisions 7 and 8 of Part XV of the SFO (including interests, and/or short positions of which they were taken or deemed to have under such provisions of the SFO) and/or required to be entered in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Model Code for Securities Transaction by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules:

Interests in ordinary shares of the Company – long position

Name of Directors	Number of shares held	Capacity	Approximate percentage of interest
Mr. Zhao John Huan	7,802,539,321	Corporate interests (Note)	68.76%

Notes:

Hony Gold Holdings, L.P. is managed by Hony Gold GP Limited (as general partner). Hony Gold GP Limited is a wholly-owned subsidiary of Hony Group Management Limited, which is owned as to 80% by Hony Managing Partners Limited. Hony Managing Partners Limited is a wholly-owned subsidiary of Exponential Fortune Group Limited, which is owned by Mr. Zhao John Huan as to 49%. As such, Mr. Zhao John Huan, Exponential Fortune Group Limited, Hony Managing Partners Limited, Hony Group Management Limited and Hony Gold GP Limited are deemed to be interested in the shares in which Hony Gold Holdings, L.P. is interested under the SFO.

Save as disclosed above, as at 31 December 2019, none of the Directors nor the chief executives of the Company had any interests or short positions in any shares, underlying shares and/or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and/or short positions which were taken or deemed to have under such provisions of the SFO), or which were recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or which would have to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 December 2019, so far as known to the Directors, the persons (other than the Directors or chief executives of the Company) with interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register of the Company required to be kept under section 336 of the SFO or who are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group were as follows:

Interests in ordinary shares of the Company – long position

Name	Capacity	Number of Shares	Approx. percentage of interests
Hony Gold Holdings, L.P.	Beneficial owner	7,802,539,321 (Note 1)	68.76%
Hony Gold GP Limited	Interest in controlled corporation	7,802,539,321 (Note 1)	68.76%
Hony Group Management Limited	Interest in controlled corporation	7,802,539,321 (Note 1)	68.76%
Hony Managing Partners Limited	Interest in controlled corporation	7,802,539,321 (Note 1)	68.76%
Exponential Fortune Group Limited	Interest in controlled corporation	7,802,539,321 (Note 1)	68.76%
Glory Moment Investments Ltd.	Beneficial owner	840,000,000 (Note 2)	7.40%
Mr. Fang Shin	Interest in controlled corporation	840,000,000 (Note 2)	7.40%
Ms. Kwok King Wa	Beneficial owner	684,900,000 (Note 3)	6.04%
Mr. Li Kin Shing	Interest of spouse	684,900,000 (Note 3)	6.04%

Notes:

1. Hony Gold Holdings, L.P. is managed by Hony Gold GP Limited (as general partner). Hony Gold GP Limited is a wholly-owned subsidiary of Hony Group Management Limited, which is owned as to 80% by Hony Managing Partners Limited. Hony Managing Partners Limited is a wholly-owned subsidiary of Exponential Fortune Group Limited, which is owned by Mr. Zhao John Huan as to 49%. As such, Mr. Zhao John Huan, Exponential Fortune Group Limited, Hony Managing Partners Limited, Hony Group Management Limited and Hony Gold GP Limited are deemed to be interested in the shares in which Hony Gold Holdings, L.P. is interested under the SFO.

2. The 840,000,000 Shares are held by Glory Moment Investments Ltd., which is wholly owned by Mr. Fang Shin.

3. The 684,900,000 Shares are held by Ms. Kwok King Wa in person. Mr. Li Kin Shing is the spouse of Ms. Kwok King Wa and therefore deemed to have 684,900,000 Shares held by Ms. Kwok King Wa under the SFO.

Save as disclosed above, as at 31 December 2019, so far as known to the Directors, there was no other person (other than the Directors or chief executives of the Company) with interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register of the Company required to be kept under section 336 of the SFO or who are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme (the "Share Option Scheme") in the written resolutions of the shareholders passed on 4 May 2010, for the purpose of providing incentives or rewards to eligible participants (including employees, executives or officers, directors including non-executive directors and independent non-executive directors, advisers, consultants, suppliers, customers and agents of the Company or any of its subsidiaries) for their contribution to the long term growth of the Group and to enable the Company to attract and retain high caliber employees. Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for 10 years from 4 May 2010.

The maximum number of shares which may be issued upon exercise of all options granted and to be granted under the Share Option Scheme is 283,860,000 shares, representing 10% of the shares of the Company in issue as at the date of adoption of the Share Option Scheme as adjusted following the completion of the bonus issue of shares of the Company as disclosed in the announcement of the Company dated 30 March 2015. The maximum number of shares issuable under share options granted to each eligible participant in the Share Option Scheme (including both exercised and outstanding options) within any 12-month period is limited to 1% of the shares of the Company in issue. Any grant or further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting. A grant of share options under the Share Option Scheme to a director, chief executive or substantial shareholder of the Company, or to any of their associates, is subject to approval in advance by the independent non-executive directors (excluding any independent non-executive director who is the grantee of the Option). In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, which would result in the shares issued and to be issued, upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding), to such person in the 12-month period up to and including the date of the grant in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5 million, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determined by the directors, save that such a period shall not be more than 10 years from the date of offer of the share options and subject to the provisions for early termination as set out in the Share Option Scheme. There is no requirement of a minimum period for which an option must be held before it can be exercised.

The exercise price of the share options shall be not less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of a share of the Company on the date of offer.

As at 31 December 2019, no option has been granted under the Share Option Scheme.

The Share Option Scheme will expire on 3 May 2020. In view of (a) the expiration of the Share Option Scheme on 3 May 2020; and (b) no further options can be granted pursuant to the Share Option Scheme after its expiration, the Board proposes to take the opportunity to adopt a new share option scheme at the forth coming AGM.

THE PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles or the laws of the Cayman Islands. According to the laws of the Cayman Islands, the Company should issue new shares on a pro-rata basis to existing shareholders of the Company.

CLOSURE OF REGISTER OF MEMBERS

The AGM will be held on Thursday, 4 June 2020. The register of members will be closed from Monday, 1 June 2020 to Thursday, 4 June 2020, both days inclusive. In order to ascertain the members' entitlement to the attendance of the forthcoming AGM, all share transfers documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, namely Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 29 May 2020.

DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this report, during the year under review, there was no rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or chief executive of the Company 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 or chief executives of the Company to acquire such rights in any other body corporate.

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

During the year ended 31 December 2019, the Company has not redeemed any of its shares, and neither the Company nor any of its subsidiaries has purchased or sold any share of the Company.

During the year ended 31 December 2019, neither the Company nor any of its subsidiaries has redeemed, purchased or cancelled any redeemable securities of the Company.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to the date of this report, none of the Directors nor their respective associates is considered to have interests in a business that competes or is likely to compete, either directly or indirectly, with the businesses of the Group other than those businesses where the Directors have been appointed or were appointed as directors to represent the interests of the Company and/or the Group.

CORPORATE GOVERNANCE

The corporate governance report adopted by the Company is set out on pages 34 to 43 of this report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public during the year under review and as at the date of this report.

AUDITOR

The accompanying consolidated financial statements have been audited by PricewaterhouseCoopers who will retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM.

AUDIT COMMITTEE

The annual results for the year ended 31 December 2019 have been reviewed by the audit committee of the Company.

On behalf of the Board
Goldstream Investment Limited

ZHAO JOHN HUAN
Chairman

Hong Kong, 31 March 2020

CORPORATE GOVERNANCE REPORT

The Company has committed to maintaining high standards of corporate governance to protect the interests of the shareholders of the Company. The Company has complied with all the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 of the Listing Rules.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted its own code of conduct which is not more lenient than Appendix 10 of the Listing Rules. Specific enquiry to all Directors has been made and the Company has confirmed that the Directors have complied with the required standard set out in the code of conduct during the year ended 31 December 2019.

BOARD OF DIRECTORS

Board Composition

As at 31 December 2019 and the date of this report, the Board comprises seven Directors. The following are the members of the Board:

Executive Directors

- Mr. Zhao John Huan *(Chairman)*
- Dr. Lin Tun *(Chief Executive Officer)*
- Mr. Yuan Bing
- Ms. Li Yin

Independent Non-Executive Directors

- Mr. Jin Qingjun
- Mr. Lee Kin Ping Christophe
- Mr. Shu Wa Tung Laurence

The profile of Chairman and other Directors of the Board is set out in pages 44 to 46 of this report.

In conformity to the board diversity policy adopted by the Company in August 2013, the composition of the Board reflects the necessary balance of skills, experience and diversity of perspectives desirable for effective leadership of the Company and independence in decision-making.

In addition, the functions of the Board and the management are clearly established and set out in writing for delegation of day-to-day operational responsibility to the management of the Company.

Function and duties of the Board

The Board is responsible for the Company's business strategy, interim and annual results, succession planning, risk management, significant acquisitions, sales, capital transactions, and other significant operational and financial issues. The Board delegates to the Company's management the following duties: preparation of interim and annual reports for the Board's review before their publication, formulation of business execution strategy, definition and enforcement of company policies, implementation of adequate internal control systems, design of sound risk management, guidance, and compliance with the relevant laws and regulations.

The Directors may have access to the advice and services of the company secretary of the Company with a view to ensure that the board procedures, and all applicable rules and regulations, are followed.

In addition, the Directors may, upon reasonable request, seek independent professional advice in appropriate circumstance at the Company's expenses. The Board shall resolve to provide separate appropriate independent professional advice to the Directors to assist the relevant Directors to discharge their duties.

Appointment, Re-election and Removal of Directors

In compliance with Rules 3.10(1) and (2) of the Listing Rules, the Company has appointed sufficient number of independent non-executive Directors with at least one of them having appropriate professional qualifications or accounting or related financial management expertise. The independent non-executive Directors, together with the executive Directors, ensure that the Board prepares its financial and other mandatory reports in strict compliance with the relevant standards and that appropriate systems are in place to protect the interest of the Company and its shareholders. The Company has received an annual confirmation of independence from each of the independent non-executive Directors and considers that their independence is in compliance the Listing Rules as at the date of this report.

The term of appointment of each independent non-executive Director is for a period of three years, subject to retirement by rotation and re-election at the AGM in accordance with the Articles.

In accordance with the Articles, at each AGM one third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. Such retiring Directors may, being eligible, offer themselves for re-election at the AGM. All Directors appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of shareholders after their appointment and be subject to re-election at such meeting and all Directors appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM and shall then be eligible for re-election.

Board Meetings

The Board regularly meets in person or through other electronic means of communication at least four times every year to determine overall strategic direction and objectives and approve interim and annual results, and other significant matters. Notices of regular Board meetings are duly given to all Directors, who are all given an opportunity to attend and include matters in the agenda for discussion. Apart from regular meetings, senior management from time to time provides Directors information on activities and development of the businesses of the Group. The company secretary records the proceedings of each Board meeting by keeping minutes, including the record of all decisions by the Board together with concerns raised and dissenting views expressed (if any). Draft of Board minutes are circulated to all Directors for comment and approval as soon as practicable after the meeting. All minutes are open for inspection at any reasonable time on request by any Director.

Each Director ensures that he/she can give sufficient time, commitments and attention to the affairs of the Company for the year.

During the year under review, the Board of Directors held four meetings. The following is the attendance record of the Board meetings:

Name of Directors	Number of Meetings Attended (Note)
Mr. Zhao John Huan *(Executive Director and Chairman)*	2/4
Mr. Lu Yan *(Executive Director)* (Resigned with effect from 23 April 2019)	1/1
Dr. Lin Tun *(Executive Director and Chief Executive Officer)*	4/4
Mr. Yuan Bing *(Executive Director)*	4/4
Ms. Li Yin *(Executive Director)*	4/4
Appointed with effect from 1 December 2019:	
Mr. Jin Qingjun *(Independent Non-Executive Director)*	N/A
Mr. Lee Kin Ping Christophe *(Independent Non-Executive Director)*	N/A
Mr. Shu Wa Tung Laurence *(Independent Non-Executive Director)*	N/A
Resigned with effect from 1 December 2019:	
Mr. Chen Xue Dao *(Independent Non-Executive Director)*	4/4
Mr. Cheung Sai Ming *(Independent Non-Executive Director)*	4/4
Mr. Liu Chun Bao *(Independent Non-Executive Directors)*	4/4

Note: N/A means not applicable as no meeting was held from their appointments to 31 December 2019

Besides the meetings held above, Directors also discussed special issues from time to time.

Director’s Training

As part of an ongoing process of directors’ training, the Directors are updated with latest developments regarding the Listing Rules and other applicable regulatory requirements from time to time to ensure compliance of the same by all Directors. All Directors are encouraged to attend external forum or training courses on relevant topics which may count towards continuous professional development training. Continuing briefings and professional development to Directors will be arranged whenever necessary.

Pursuant to the code provision A.6.5 of the CG Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the board remains informed and relevant. During the year and up to the date of this report, all Directors have participated in appropriate continuous professional development activities either by attending training courses or by reading materials relevant to the Company’s business or to the Directors’ duties and responsibilities.

The participation by individual Directors during the year ended 31 December 2019 is recorded in the table below.

Name of Directors	Attending (Note)
Mr. Zhao John Huan *(Executive Director and Chairman)*	✓
Mr. Lu Yan *(Executive Director)* (Resigned with effect from 23 April 2019)	✓
Dr. Lin Tun *(Executive Director and Chief Executive Officer)*	✓
Mr. Yuan Bing *(Executive Director)*	✓
Ms. Li Yin *(Executive Director)*	✓
Appointed with effect from 1 December 2019:	
Mr. Jin Qingjun *(Independent Non-Executive Director)*	✓
Mr. Lee Kin Ping Christophe *(Independent Non-Executive Director)*	✓
Mr. Shu Wa Tung Laurence *(Independent Non-Executive Director)*	✓
Resigned with effect from 1 December 2019:	
Mr. Chen Xue Dao *(Independent Non-Executive Director)*	✓
Mr. Cheung Sai Ming *(Independent Non-Executive Director)*	✓
Mr. Liu Chun Bao *(Independent Non-Executive Director)*	✓

Note:

- seminar(s)/course(s)/conference(s)/forums relevant to the business or directors’ duties and responsibilities
- reading newspaper, journals, regulatory updates and relevant materials

Directors’ and Officers’ Liabilities Insurance

Pursuant to the code provision A.1.8 of the CG Code, appropriate insurance cover for the Directors’ and officers’ liabilities in respect of legal actions against the Directors and officers of the Company arising out of corporate activities of the Group has been arranged by the Company.

BOARD COMMITTEES

The Company has established three Board committees (the "Board Committees"), namely the audit committee, the remuneration committee and the nomination committee to assist the Board in discharging its duties and responsibilities. The Board Committees are provided with sufficient resources to discharge their duties and are able to obtain outside independent professional advice in connection with their duties at the Company's expenses.

Audit Committee

The Company has established an audit committee ("Audit Committee") with written terms of reference in accordance with the requirements of the CG Code. The primary duties of the Audit Committee are among others, to review and supervise the financial reporting processes and internal control procedures of the Group and to provide advice and comments to the Board accordingly. The Audit Committee consists of the three independent non-executive Directors of the Company, namely, Mr. Jin Qingjun, Mr. Lee Kin Ping Christophe and Mr. Shu Wa Tung Laurence. Mr. Shu Wa Tung Laurence is the chairman of the Audit Committee.

During the year under review, the Audit Committee held two meetings to review the Company's interim and annual reports and the consolidated financial statements of the Group and consider any significant or unusual items and discuss with external auditors before submission to the Board, review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement and review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

The attendance record of the meetings is as follows:

Name of Directors	Number of Meetings Attended (Note)
Appointed with effect from 1 December 2019:	
Mr. Shu Wa Tung Laurence *(Independent Non-Executive Director and Chairman of the Audit Committee)*	N/A
Mr. Jin Qingjun *(Independent Non-Executive Director)*	N/A
Mr. Lee Kin Ping Christophe *(Independent Non-Executive Director)*	N/A
Resigned with effect from 1 December 2019:	
Mr. Cheung Sai Ming (*Independent Non-Executive Director and Chairman of the Audit Committee)*	2/2
Mr. Chen Xue Dao *(Independent Non-Executive Director)*	2/2
Mr. Liu Chun Bao *(Independent Non-Executive Director)*	2/2

Note: N/A means not appliable as no meeting was held from their appointments to 31 December 2019.

The audit committee of the Company has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2019 and is of the opinion that the audited consolidated financial statements complied with applicable accounting standards, Listing Rules and that adequate disclosures have been made.

Auditors' Remuneration

The audit committee of the Company is responsible for considering the appointment of the external auditors and reviewing other non-audit functions performed by the external auditors, including whether such non-audit functions have any potential significant negative impact on the Company.

Remuneration for auditing services and non-auditing services provided by the external auditors for the year ended 31 December 2019 are set out in note 10 to the consolidated financial statements. Auditors' remuneration for non-auditing services includes remuneration paid/payable to auditors for providing certain tax advisory service and others.

Nomination Committee

The Company has established a nomination committee ("Nomination Committee") with written terms of reference in accordance with the requirements of the CG Code. The Nomination Committee comprises one executive Director namely Mr. Zhao John Huan and two independent non-executive Directors namely Mr. Jin Qinjun and Mr. Shu Wa Tung Laurence. Mr. Zhao John Huan has been appointed as the chairman of the Nomination Committee. The Nomination Committee is mainly responsible for (i) formulating nomination policy for the Board's consideration and implementing the Board's approved nomination policy; (ii) reviewing the structure, size and composition of the Board and the board diversity policy; (iii) make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (iv) identify individuals suitably qualified to become Board members; and (v) assess the independence of independent non-executive Directors.

The Nomination Committee met once during the year under review to review the structure, size and composition of the Board and the independence of the independent non-executive directors, and to consider the qualifications of the retiring directors standing for election at the Annual General Meeting and to consider and recommend to the Board on the appointment of new directors. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

Pursuant to the code provision A.4.3 of the CG Code, (a) having served the Company for more than 9 years could be relevant to the determination of an independent non-executive Director's independence; and (b) if an independent non-executive Director has served more than 9 years, his further appointment should be subject to a separate resolution to be approved by shareholders.

Mr. Zhao John Huan, Mr. Yuan Bing and Dr. Lin Tun, being Directors to retire in rotation in accordance with the Articles, will retire and being eligible, offer themselves for re-election at the forthcowing AGM.

Notwithstanding that each of Mr. Chen Xue Dao and Mr. Cheung Sai Ming had served as an independent non-executive Director for more than 9 years since September 2007, the Board is of the view that their independence are not affected by their long service with the Company. Mr. Chen Xue Dao and Mr. Cheung Sai Ming meet the independence guideline set out in Rule 3.13 of the Listing Rules. They and each of their immediate family members (as defined in the Listing Rules) are independent of the management and free from any business or other relationship or circumstances which would materially interfere with the exercise of his independent judgement. Hence, the Board considered Mr. Chen Xue Dao and Mr. Cheung Sai Ming as independent during the year. In addition, Mr. Chen Xue Dao, Mr. Liu Chun Bao and Mr. Cheung Sai Ming had resigned as independent non-executive directors with effect from 1 December 2019 and Mr. Jin Qingjun, Mr. Lee Kin Ping Christophe and Mr. Shu Wa Tung Laurence have been appointed as independent non-executive directors with effect from the same date.

Pursuant to the Articles, Mr. Jin Qingjun, Mr. Lee Kin Ping Christophe and Mr. Shu Wa Tung Laurence shall hold office only until the next general meeting of the Company and shall be eligible for re-election. Accordingly, Mr. Jin Qingjun, Mr. Lee Kin Ping Christophe and Mr. Shu Wa Tung Laurence will retire and being eligible, offer themselves for re-election at the forthcoming AGM.

The attendance record of the meeting is as follows:

Name of Directors	Number of Meeting Attended (Note)
Mr. Zhao John Huan *(Executive Director, Chairman of the Board and Nomination Committee)*	1/1
Appointed with effect from 1 December 2019:	
Mr. Jin Qingjun *(Independent Non-Executive Director)*	N/A
Mr. Shu Wa Tung Laurence *(Independent Non-Executive Director)*	N/A
Resigned with effect from 1 December 2019:	
Mr. Chen Xue Dao *(Independent Non-Executive Director)*	1/1
Mr. Cheung Sai Ming *(Independent Non-Executive Director)*	1/1

Note: N/A means not applicable as no meeting was held from their appointments to 31 December 2019

Furthermore, the nomination committee has reviewed the annual confirmation of independence submitted by the independent non-executive Directors, assessed their independence and reviewed the structure, size and composition including the skills knowledge and experience of the Board.

The Company has recognised the importance of diversity in the boardroom and its benefits to the Company, and the Board has revised the terms of reference of nomination committee to incorporate the elements of board diversity. Thereafter, the board diversity policy was adopted in August 2013. The following is a summary of the board diversity policy:

- reviewing and assessing the composition of the Board to maintain an appropriate range and balance of talents, skills, experience and background on the Board;

- recommending candidates for appointment to the Board by considering merit against objective criteria and with due regard for the benefits of diversity on the Board; and

- conducting the annual review of the effectiveness of the Board by considering the balance of talents, skills, experience, independence and knowledge of the Board and the diversity of the Board.

The achievement of these criteria will be measurable on an objective review, which can enhance the diversity of background and experience of individual directors and the effectiveness of the Board in promoting shareholders' interests.

REMUNERATION COMMITTEE

The Company has established a remuneration committee ("Remuneration Committee") with written terms of reference in compliance with the CG Code. The Remuneration Committee comprises one executive Director, namely, Mr. Yuan Bing and two independent non-executive Directors, namely Mr. Jin Qingjun and Mr. Lee Kin Ping Christophe. Mr. Jin Qingjun has been appointed as the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee are, amongst other things, to review and determine the terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management and to make recommendation to the Board on the Group's policy and structure for all remuneration of the Directors and senior management.

During the year under review, the remuneration committee held one meeting and the attendance record of the meeting is as follows:

Name of Directors	Number of Meeting Attended (Note)
Mr. Yuan Bing *(Executive Director)*	1/1
Appointed with effect from 1 December 2019:	
Mr. Jin Qingjun *(Independent Non-Executive Director and Chairman of the Remuneration Committee)*	N/A
Mr. Lee Kin Ping Christophe *(Independent Non-Executive Director)*	N/A
Resigned with effect from 1 December 2019:	
Mr. Cheung Sai Ming *(Independent Non-Executive Director and Chairman of the Remuneration Committee)*	1/1
Mr. Chen Xue Dao *(Independent Non-Executive Director)*	1/1

Note: N/A means not applicable as no meeting was held from their appointments to 31 December 2019

The Remuneration Committee members have considered and reviewed the service contracts of the executive Directors, the independent non-executive Directors and senior management. The Remuneration Committee members are of the opinion that the provisions of the service contracts of the executive Directors, the independent non-executive Directors and senior management and are fair.

In addition, the Remuneration Committee has made recommendations to the Board to establish a more formal and transparent procedure for determining the remuneration packages of individual senior management.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in notes 8 and 33(a) to the consolidated financial statements.

In addition, pursuant to the code provision B.1.5 of the CG Code, the annual remuneration of members of the senior management by band for the year ended 31 December 2019 is set out below:

Remuneration band	Number of individuals
HK$ Nil to HK$500,000	4
HK$6,500,001 to HK$7,000,000	1

CORPORATE GOVERNANCE FUNCTIONS

The Board has delegated the corporate governance functions to the Audit Committee with the following duties:

- to develop and review the Company's policies and practices on corporate governance and make recommendations on changes and updating;
- to review and monitor the training and continuous professional development of Directors;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors;
- to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report; and
- such other corporate governance duties and functions set out in the CG Code (as amended from time to time) for which the Board are responsible.

FINANCIAL REPORTING

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Group in accordance with the statutory requirements and accounting standards and other financial disclosure requirements under the Listing Rules. The Directors also acknowledge their responsibilities to ensure that the consolidated financial statements of the Group are published in a timely manner as required by the Listing Rules.

The external auditor's statement about reporting responsibility is set out on pages 47 to 50 of this report.

COMPANY SECRETARY

Ms. Chan Wai Ching is an employee of the Company and has been appointed as the company secretary of the Company since 1 June 2007. As the company secretary, Ms. Chan supports the Board, ensures good information flow within the Board and Board policy and procedures are followed; advises the Board on governance matters, facilitates induction and, monitors the training and continuous professional development of Directors. The biographical details of Ms. Chan is set out in the section of Profile of Directors and Senior Management on pages 44 to 46 of this report.

Pursuant to Rule 3.29 of the Listing Rules, Ms. Chan has undertaken not less than 15 hours of relevant professional training to update her skill and knowledge.

BUSINESS STRATEGIES AND OBJECTIVES

The Group's objectives are to expand its geographical coverage, customer base and type of services. The current business strategy is disclosed in the section of Management Discussion and Analysis of this report.

INTERNAL CONTROL

The Company has conducted a review of its system of internal control periodically to ensure the effectiveness and adequacy of the internal control system. The Company convened meeting periodically to discuss financial, operational and risk management control. The Directors are of the opinion that internal controls at present have been valid and adequate.

INVESTOR RELATIONS

The Company has disclosed necessary information in compliance with the Listing Rules. The Company meets the media and investors on a regular basis and answers questions of the Shareholders.

The attendance of members of the Board to the general meeting held during the year ended 31 December 2019 is as follows:

Name of Directors	Number of Meeting Attended (Note)
Mr. Zhao John Huan *(Executive Director and Chairman)*	1/1
Mr. Lu Yan *(Executive Director)* (Resigned with effect from 23 April 2019)	0/0
Dr. Lin Tun *(Executive Director and Chief Executive Officer)*	1/1
Mr. Yuan Bing *(Executive Director)*	1/1
Ms. Li Yin *(Executive Director)*	1/1
Appointed with effect from 1 December 2019:	
Mr. Jin Qingjun *(Independent Non-Executive Director)*	N/A
Mr. Lee Kin Ping Christophe *(Independent Non-Executive Director)*	N/A
Mr. Shu Wa Tung Laurence *(Independent Non-Executive Director)*	N/A
Resigned with effect from 1 December 2019:	
Mr. Chen Xue Dao *(Independent Non-Executive Director)*	1/1
Mr. Cheung Sai Ming *(Independent Non-Executive Director)*	1/1
Mr. Liu Chun Bao *(Independent Non-Executive Director)*	1/1

Note: N/A means not applicable as directors have been appointed with effect from 1 December 2019 and no general meeting was held from 1 to 31 December 2019

In addition, interim/annual reports, announcements and press releases are posted on the Company's website at https://www.goldstreaminvestment.com/ as well as the website of the Stock Exchange at www.hkexnews.hk which are constantly being updated in a timely manner and contain additional information on the Group's business.

SHAREHOLDERS' RIGHT

Convening an extraordinary general meeting

Pursuant to article 58 of the Articles, extraordinary general meetings of the Company (the "EGM(s)") shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Company Secretary for the purpose of requiring an EGM 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 requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s), as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting enquiries to the Board

Shareholders may at any time make enquiries to the Board or make a request for the Company's information to the extent such information is publicly available. Any such questions shall be first directed to the Company Secretary at the Company's head office and principal place of business in Hong Kong at Suite 2701, One Exchange Square, Central, Hong Kong.

Putting forward proposals at Shareholders' meeting

The procedures for shareholders to put forward proposals at general meeting include a written notice of proposals being submitted by shareholders, addressed to the Company Secretary of the Company at our head office. Specific enquiries by shareholders requiring the Board's attention can be sent in writing to the Company Secretary at the Company's head office. Other general enquiries can be directed to the Company through the Company's website.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

MR. ZHAO JOHN HUAN (趙令歡), aged 57, is an executive Director of the Company and the Chairman of the Board. He is the founder, chairman and chief executive officer of Hony Capital Limited ("Hony Capital") which is a private equity firm in the PRC. Mr. Zhao has extensive experience in senior management positions at several companies in the United States and the PRC. Mr. Zhao is currently an executive director and an executive vice president of Legend Holdings Corporation (Stock Code: 3396), a company listed on the Main Board of the Stock Exchange carrying out strategic investments and financial investments in different business segments. He is also a non-executive director of Lenovo Group Limited (Stock Code: 0992), the chairman and a non-executive director of Hospital Corporation of China Limited (Stock Code: 3869), the non-executive director of China Glass Holdings Limited (Stock Code: 3300), an executive director, the chairman of the board and the chief executive officer of Best Food Holding Company Limited (Stock Code: 1488) and a non-executive director of Zoomlion Heavy Industry Science and Technology Co., Ltd. (Stock Code: 1157), which are listed on the Stock Exchange, and a director of Shanghai Jin Jiang International Hotels Development Co., Ltd. (上海錦江國際酒店發展股份有限公司), a company listed on the Shanghai Stock Exchange (Stock Code: 600754 (A shares) and 900934 (B shares)). Mr. Zhao holds a MBA degree from the Kellogg School of Management at Northwestern University and dual Master's degrees in Electronic Engineering and Physics from Northern Illinois University.

DR. LIN TUN (林暾), aged 45, is an executive Director and chief executive officer of the Company. He is also the general manager and a director of GCML, a subsidiary of the Company, and managing director of Hony Capital. He joined Hony Capital in 2013. Prior to that, Dr. Lin worked at China International Capital Corporation as an executive director. Dr. Lin had more than ten years' experience in project investment, market analysis and policy research at different banks and educational institutes, including the Asia Development Bank, the World Bank and the University of Cambridge. He published extensively in areas of environmental economics and development economics. Dr. Lin obtained his doctoral degree in philosophy and master in philosophy in economics with finance degree from the University of Cambridge. He also received a master of science degree from the University of Vermont, and a bachelor degree in International Trade and Economics from Renmin University of China. Dr. Lin was a director of Hospital Corporation of China Limited (Stock Code: 3869) from June 2015 to May 2017.

MR. YUAN BING (袁兵), aged 51, is an executive Director of the Company. He is also a director of two subsidiaries of the Company. He is a managing director of Hony Capital, and a member of Hony Capital's Executive Committee, responsible for its equity investment operations. Mr. Yuan is currently a non-executive director of Haichang Ocean Park Holdings Ltd. (Stock Code: 2255) and a non-executive director of Hydoo International Holding Limited (Stock Code: 1396). Mr. Yuan joined Hony Capital in April 2009 and has served as a managing director of private equity department since January 2010. Prior to joining Hony Capital, Mr. Yuan served as a managing director of the fixed income division of Morgan Stanley Asia Limited from October 2006 to 2009. Before that, Mr. Yuan worked at Morgan Stanley Asia Limited from April 2004 to June 2006. Mr. Yuan also served as a vice president of the investment banking division of Credit Suisse First Boston (Hong Kong) Limited from September 2001 to March 2004. During his investment banking time, Mr. Yuan has assisted numerous prominent Chinese state-owned enterprises and private sector companies in completing their IPO, corporate finance and M&A transactions. Mr. Yuan was a director of Hospital Corporation of China Limited (Stock Code: 3869) from December 2015 to May 2017. Mr.Yuan received a Bachelor of Arts degree in English from Nanjing University in July 1990. He also obtained a Master's degree in International Relations in June 1993 and a Juris Doctorate's degree in October 1998 from Yale University.

MS. LI YIN (李燕), aged 45, is an executive Director of the Company. She is also the chairwoman and the general manager of China Elite, a subsidiary of the Company. She is responsible for the Group's overall management, corporate planning and business development. Ms. Li obtained a diploma in Finance from Guangzhou University in 1998. Ms. Li has over 20 years of experience in the telecommunications industry. She resigned as the chief operation officer of the Company in December 2018. She had been the assistant to the general manager of the Company from 2000 to 2018. She is the sister of Mr. Li Kin Shing, a former executive Director and former chief executive officer of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

MR. JIN QINGJUN (靳慶軍), aged 62, was appointed as an independent non-executive Director on 1 December 2019. Mr. Jin is currently a partner of King & Wood Mallesons. His major areas of practice include securities, finance, investment, corporate, insolvency as well as foreign-related legal affairs. Mr. Jin has solid jurisprudence theory base and extensive legal practice experience. He has been adhering to work on major jobs in the past three decades, winning a higher reputation in the industry and among peers. Mr. Jin is one of the first lawyers who are granted Security Qualification Certificate in the People's Republic of China (the "PRC"), focusing on securities-related legal affairs for more than 30 years. Mr. Jin has previously worked as general counsel of Shenzhen Stock Exchange and a member of its Listing Supervisory Council, and he is currently a legal counsel for various financial institutions, securities companies, and listed companies at home and abroad.

Mr. Jin currently serves as an independent non-executive director of Times Property Holdings Limited (a company listed on the Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"), stock code: 1233), Central Development Holdings Limited (a company listed on the Hong Kong Stock Exchange, stock code: 475), Sino-Ocean Group Holding Ltd. (a company listed on the Hong Kong Stock Exchange, stock code: 3377) and Bank of Tianjin Co., Ltd. (a company listed on the Hong Kong Stock Exchange, stock code: 1578); an independent director of Asiantime International Construction Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 002811), Guotai Junan Securities Co., Ltd. (a company listed on Hong Kong Stock Exchange, stock code: 2611; a company listed on the Shanghai Stock Exchange, stock code: 601211) and Invesco Great Wall Fund Management Company Limited, and a director of Shenzhen Kondarl (Group) Co., Ltd (a company listed on the Shenzhen Stock Exchange, stock code: 000048). Mr. Jin was an independent director of Gemdale Corporation (a company listed on the Shanghai Stock Exchange, stock code: 600383), Masterwork Group Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 300195), Konka Group Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 000016, 200016), Xi'an Dagang Road Machinery Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 300103) and CSG Holding Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 000012, 200012), and was an external supervisor of China Merchants Bank Co., Ltd. (a company listed on the Hong Kong Stock Exchange, stock code: 3968; a company listed on the Shanghai Stock Exchange, stock code: 600036).

Mr. Jin is the adjunct professor at China University of Political Science and Law and the School of Law, Renmin University of China; co-tutor for students of master's degree at the School of Law, Tsinghua University; arbitrator of Shenzhen Court of International Arbitration, mediator of Shenzhen Securities and Futures Dispute Resolution Centre; the PRC legal counsel of US Court of Appeals for the Washington D.C Circuit, and a member of the National Equities Exchange and Quotations Review Committee. Mr. Jin obtained his B.A. in English from Anhui University in 1982. He received his master's degree in International Law from China University of Political Science and Law in 1987. Mr. Jin also received a completion certificate for a program from Harvard Kennedy School of Harvard University in 2009.

MR. LEE KIN PING CHRISTOPHE (李建平), aged 50, was appointed as an independent non-executive Director on 1 December 2019. Mr. Lee is currently the chief executive officer of Lotus Asset Management Limited responsible for its overall management, as well as its responsible officer for Type 4 and Type 9 regulated activities under the SFO. He has over 16 years of experience in asset management. From June 2019 to September 2019, he was a licensed representative of Zheng He Capital Management Limited for Type 4 and Type 9 regulated activities under the SFO. From January 2019 to May 2019, he was a responsible officer of Lotus Asset Management Limited for Type 4 and Type 9 regulated activities under the SFO. From July 2015 to July 2018, he was a responsible officer of MZ Asset Management Limited for Type 9 regulated activities under the SFO. From May 2014 to August 2014, he was a responsible officer of Fenex Capital Management Limited for Type 9 regulated activities under the SFO. He was a licensed representative for Type 9 regulated activities under the SFO from September 2010 to November 2011 and a responsible officer for Type 9 regulated activities under the SFO from November 2010 to March 2011 of FrontPoint Management (Hong Kong), Ltd. He was the chief financial officer of OrbusNeich Medical Company Ltd. from March 2012 to March 2017, and its senior advisor from March 2017 to June 2018. He worked in Sun Hung Kai & Co. group companies from August 2000 to August 2010 with his last position as Head of Corporate Development. He worked in Goldman Sachs (Asia) LLC from February 1997 to July 2000 with his last position as executive director of the Investment Management Division. Mr. Lee was appointed as a committee member of the New Business Committee of the Financial Services Development Council of Hong Kong by the Hong Kong SAR government from March 2013 to March 2019. He was the chairman of the Hong Kong Branch of the Alternative Investment Management Association from September 2004 to August 2012. Mr. Lee was appointed as a member of the Securities and Futures Commission Advisory Committee by the Hong Kong SAR government from June 2007 to May 2009. He obtained a Bachelor of Applied Science Degree from the University of Pennsylvania in 1991.

MR. SHU WA TUNG LAURENCE (舒華東), aged 47, was appointed as an independent non-executive Director on 1 December 2019. Mr. Shu was the chief financial officer of Brainhole Technology Limited (a company listed on the Hong Kong Stock Exchange, stock code: 2203), primarily responsible for its overall financial strategies and daily management of the group's financial and investment functions from August 2018 to November 2019. Mr. Shu has over 25 years of experience in audit, corporate finance, investment banking and financial management. He joined Deloitte Touche Tohmatsu ("Deloitte") in 1994 and later became a manager of the Reorganisation Services Group of Deloitte and joined Deloitte & Touche Corporate Finance Limited (a corporate finance service company of Deloitte) as a manager from 2001 to 2002. From 2002 to 2005, Mr. Shu was an associate director of Goldbond Capital (Asia) Limited. From May 2005 to July 2008, he served as the chief financial officer and company secretary of Texhong Textile Group Limited (a company listed on the Hong Kong Stock Exchange, stock code: 2678) overseeing the group's financial management functions. From July 2008 to June 2010, Mr. Shu served as the chief financial officer of Rongsheng Heavy Industries Holdings Limited (熔盛重工控股有限公司) and oversaw the group's financial management functions and corporate finance activities as well as the daily management of the group's finance department. From July 2010 to July 2018, he served as the chief financial officer of Petro-king Oilfield Services Limited (a company listed on the Hong Kong Stock Exchange, stock code: 2178) and was responsible for the group's financial, accounting and legal functions. Mr. Shu is an independent non-executive director of Chengdu Expressway Co., Ltd. (a company listed on the Hong Kong Stock Exchange, stock code: 1785), Riverine China Holdings Limited (a company listed on the Hong Kong Stock Exchange, stock code: 1417) and Twintek Investment Holdings Limited (a company listed on the Hong Kong Stock Exchange, stock code: 6182).

Mr. Shu graduated from Deakin University, Australia in 1994 with a bachelor degree in Business majoring in Accounting. He received his CPA accreditation from both the Hong Kong Institute of CPAs and the Australian Society of CPAs in 1997 and completed his CFO Programme at 中歐國際工商學院 (China Europe International Business School) in 2009. He became a member of the Hong Kong Independent Non-Executive Directors Association since May 2019.

SENIOR MANAGEMENT

MR. LAM TSAN FAI FERGUS (林贊輝), aged 59, is the chief financial officer and the chief operating officer of the Company. He is also a director of GCML. He is responsible for the business operations of GCML and GSL, both SFC licensed corporations and subsidiaries of the Company. Mr. Lam joined Hony Capital in 2015 with over 23 years of experience in the financial sector serving various senior management positions. He is experienced in business and risk management, compliance, back office operations, technology and finance. Before joining Hony Capital, Mr. Lam worked at Keywise Capital Management (HK) Limited for 5 years as managing director, chief compliance officer and chief operating officer. Prior to that, Mr. Lam served as chief operating officer and director of business operations for 6 years at Chi Capital Securities Limited, a SFC licensed corporation. Before that, Mr. Lam worked at Goldman Sachs, Hong Kong and New York from 1994 to 2002 as executive director. He was head of Asia Equities Technology responsible for Goldman Sachs' global institutional sales and trading systems development. Mr. Lam received a First Class Honor Bachelor degree in Computing Science from Imperial College, University of London in 1982 and a Master degree in Computing from Birkbeck College, University of London in 1985.

MS. CHAN WAI CHING (陳惠貞), aged 58, joined the Group in 2007 and is the company secretary of the Company. Ms. Chan has over 37 years of experience in accounting, finance, taxation and corporate governance and is an associate member of the Hong Kong Institute of Certified Public Accountant and a fellow member of the Association of Chartered Certified Accountants. Ms. Chan obtained a master's degree of professional accounting from The Hong Kong Polytechnic University in 2008. Ms. Chan had been the company secretary of Directel Holdings Limited from August 2009 to June 2016. She is also the company secretary of GLCH since 2016.

MS. XUAN JING SHAN (禤靜珊), aged 51, joined the Group in 1999 and is the finance manager of China Elite. Ms. Xuan worked as the accounts manager in Guangzhou Talent Information Engineering Company (廣州天龍信息工程公司) from 1992 to 1999. Ms. Xuan graduated from the Guangzhou Radio and TV University (廣州市廣播電視大學) with a diploma in Financial Accounting in 1992. She has over 22 years of experience in the finance field.

MS. LIN YUAN YI (林原翼), aged 45, joined the Group in 2005 and is the assistant general manager and manager of customer service department of China Elite. Ms. Lin graduated from the Tai Shan Panshi TV University with a Diploma in Pedagogic English in 1994. Ms. Lin has 26 years of experience in customer relationship management. Prior to joining the Group, Ms. Lin worked for a Telecommunications service provider for over 10 years.

MS. PENG JIAN TAO (彭健濤), aged 44, joined the Group in 2005 and is the assistant general manager and manager of mobile relationship management centre of China Elite. Ms. Peng obtained a Certificate in Administrative Management from the University of Macau in 2000. And in 2018, she obtained a Diploma in Human Resource Management from South China Normal University. Ms. Peng has 23 years of experience in customer relationship management. Prior to joining the Group, Ms. Peng worked for a Telecommunications service provider for 7 years.

羅兵咸永道

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

OPINION

What we have audited

The consolidated financial statements of Goldstream Investment Limited (the "Company") and its subsidiaries (the "Group") set out on pages 51 to 131, which comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

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

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

KEY AUDIT MATTERS

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

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KEY AUDIT MATTERS (CONTINUED)

Key audit matter identified in our audit is impairment assessment of goodwill.

Key audit matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill Refer to Note 2.7(a), 4(a)(ii) & 18 to the consolidated financial statements As at 31 December 2019, the Group has a goodwill of HK$197,833,000 arising from the acquisition of Goldstream Capital Management Limited and Goldstream Securities Limited (collectively the "Goldstream companies") in 2018. Goodwill with an indefinite useful life is subject to impairment assessment annually or when there is an indication of impairment. Management performed goodwill impairment assessment on an operating segment – the investment management business, and assessed the recoverable amount based on value in use with reference to a valuation report prepared by an independent external valuer. The value in use were determined by using the discounted cash flow forecast and various key assumptions and estimates including revenue growth rate, discount rate and terminal growth rate. The recoverable amount of the operating segment estimated by management exceeded the carrying value and the directors were of the opinion that no impairment was necessary as at 31 December 2019. We focused on this area because balance of goodwill is significant to the consolidated financial statements. Furthermore, the valuation methodology and key assumptions require the use of significant management's judgements and estimates. These estimations are also subject to uncertainties.	We evaluated the independent external valuer's competency, capabilities and objectivity. We read the valuation report issued by the independent external valuer and involved our in-house valuation expert in our discussion with management and the independent external valuer to understand and assess the methodology used and the key assumptions applied in the discounted cash flow forecast. Based on our knowledge of the financial services business and industry, we assessed the reasonableness of the key assumptions applied in the discounted cash flow forecast. For revenue growth rate, we compared these assumptions to the historical performance of the Goldstream companies and the approved budget prepared by management. For the discount rate, we compared it to the cost of capital of the Goldstream companies and other comparable companies. For terminal growth rate, we compared it to the industry research and market data. We tested the mathematical accuracy of the calculations of recoverable amount based on the discounted cash flow forecast. Based on the procedures performed above, we considered the key assumptions and estimates applied by management in the impairment assessment of goodwill were supported by available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the "Corporate Information", "Report of Directors", "Corporate Governance Report", "Management Discussion and Analysis", "Profile of Directors and Senior Management", "Chairman's Statement", "Five-year Financial Summary" (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the "Environmental, Social and Governance Report", which is expected to be made available to us after that date.

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

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

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

When we read the "Environmental, Social and Governance Report", if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and take appropriate action considering our legal rights and obligations.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs 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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Lam Hiu Yam, Winnie.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 31 March 2020

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2019

	Note	2019 HK$'000	2018 (Restated) (Note 2.1(iii)) HK$'000
Continuing operations			
Income			
Customer relationship management ("CRM") services income		239,412	268,975
Investment management ("IM") services income		70,758	1,940
Dividend income from investments		1,636	–
Net fair value gains on financial assets at fair value through profit or loss		2,511	–
	5, 6	314,317	270,915
Other income	7	10,745	6,334
Expenses			
Employee benefits expenses		(254,732)	(238,119)
Depreciation and amortisation expenses		(37,715)	(10,706)
Impairment provision for intangible assets	17	(6,876)	(10,078)
Written off of intangible assets	17	(7,952)	–
(Provision for)/reversal of loss allowances		(204)	240
Subcontracting charges		(13,080)	(382)
Operating lease charges		(6,270)	(11,195)
Utilities		(4,724)	(5,296)
Legal and professional fees		(5,675)	(8,263)
Other expenses		(36,017)	(21,684)
Total expenses	10	(373,245)	(305,483)
Operating loss		(48,183)	(28,234)
Finance income		6,875	2,609
Finance costs		(4,511)	(54)
Finance income, net	11	2,364	2,555
Loss before income tax		(45,819)	(25,679)
Income tax credit/(expenses)	12	6,967	(840)
Loss from continuing operations		(38,852)	(26,519)
Profit from discontinued operations	13	–	100,908
(Loss)/profit for the year		(38,852)	74,389
(Loss)/profit attributable to:			
Owners of the Company			
Continuing operations		(38,852)	(26,519)
Discontinued operations		–	102,965
		(38,852)	76,446
Non-controlling interests			
Discontinued operations		–	(2,057)
		–	(2,057)
(Loss)/earnings per share attributable to the owners of the Company during the year (expressed in HK cents per share)			
Basic and diluted			
Continuing operations		(0.34)	(0.29)
Discontinued operations		–	1.11
Total	14	(0.34)	0.82

The above consolidated income statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2019

	Note	**2019 HK$'000**	2018 HK$'000
(Loss)/profit for the year		**(38,852)**	74,389
Other comprehensive loss			
Item that may be reclassified to profit or loss			
Continuing operations:			
– Currency translation differences		**(3,539)**	(6,955)
Discontinued operations:			
– Currency translation differences	13(a)	**–**	(6,253)
– Exchange reserves released upon disposals of businesses	13(a)	**–**	(86,241)
Other comprehensive loss for the year, net of tax		**(3,539)**	(99,449)
Total comprehensive loss for the year, net of tax		**(42,391)**	(25,060)
Total comprehensive loss for the year is attributable to			
– Owners of the Company		**(42,391)**	(22,291)
– Non-controlling interests		**–**	(2,769)
		(42,391)	(25,060)
Total comprehensive (loss)/income for the year is attributable to the owners of the Company arises from:			
Continuing operations		**(42,391)**	(33,474)
Discontinued operations		**–**	11,183
Total		**(42,391)**	(22,291)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	43,105	47,379
Goodwill	18	197,833	197,833
Intangible assets	17	72,775	115,208
Right-of-use assets	16	7,676	–
Long term deposits	20	490	615
Financial assets at fair value through profit or loss	22	78,000	–
		399,879	361,035
Current assets			
Trade receivables	20	110,430	98,294
Prepayments, deposits and other receivables	20	50,213	44,017
Financial assets at fair value through profit or loss	22	89,125	–
Cash and cash equivalents	21	484,375	460,352
		734,143	602,663
Total assets		1,134,022	963,698
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	23	113,465	113,465
Reserves	24	679,477	721,868
Total equity		792,942	835,333
LIABILITIES			
Non-current liabilities			
Borrowings from a former director	26	–	47,445
Lease liabilities	16	4,114	–
Deferred tax liabilities	19	12,008	18,891
		16,122	66,336
Current liabilities			
Borrowings from a former director	26	209,617	–
Trade and other payables	25	110,505	60,935
Lease liabilities	16	3,793	–
Contract liabilities		370	309
Income tax payable		673	785
		324,958	62,029
Total liabilities		341,080	128,365
Total equity and liabilities		1,134,022	963,698

The consolidated financial statements on pages 51 to 131 were approved by the Board of Directors on 31 March 2020 and were signed on its behalf.

Zhao John Huan
Director

Lin Tun
Director

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019

	Attributable to equity holders of the Company								
	Share capital HK$'000	Share premium HK$'000	Other reserve HK$'000	Statutory reserve HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-Controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2018	90,835	1,481,785	1,504,296	3,016	99,939	(2,570,197)	609,674	63,796	673,470
Change in accounting policy	–	–	–	–	–	(2,714)	(2,714)	(3,775)	(6,489)
Restated total equity as at 1 January 2018	90,835	1,481,785	1,504,296	3,016	99,939	(2,572,911)	606,960	60,021	666,981
Comprehensive income/(loss)									
Profit/(loss) for the year	–	–	–	–	–	76,446	76,446	(2,057)	74,389
Other comprehensive loss									
Currency translation differences	–	–	–	–	(12,496)	–	(12,496)	(712)	(13,208)
Exchange reserves released upon disposals of businesses (Note 13)	–	–	–	–	(86,241)	–	(86,241)	–	(86,241)
Total other comprehensive loss, net of tax	–	–	–	–	(98,737)	–	(98,737)	(712)	(99,449)
Total comprehensive (loss)/income	–	–	–	–	(98,737)	76,446	(22,291)	(2,769)	(25,060)
Transactions with owners in their capacity as owners									
Reserves released upon disposals of businesses (Note 24(ii))	–	–	(45,880)	(50)	–	45,880	(50)	–	(50)
Non-controlling interests in relation to discontinued operations (Note 13)	–	–	–	–	–	–	–	(57,252)	(57,252)
Issuance of shares (Note 23)	22,630	328,137	–	–	–	–	350,767	–	350,767
Transaction cost attributable to the issuance of new shares (Note 18(a))	–	(540)	–	–	–	–	(540)	–	(540)
Distribution in specie (Note 9)	–	(99,513)	–	–	–	–	(99,513)	–	(99,513)
Transfer to statutory reserve (Note 24(i))	–	–	–	175	–	(175)	–	–	–
Total transactions with owners in their capacity as owners	22,630	228,084	(45,880)	125	–	45,705	250,664	(57,252)	193,412
Balance at 31 December 2018	113,465	1,709,869	1,458,416	3,141	1,202	(2,450,760)	835,333	–	835,333

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

for the year ended 31 December 2019

	Attributable to equity holders of the Company						
	Share capital HK$'000	Share premium HK$'000	Other reserves HK$'000	Statutory reserve HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 1 January 2019	113,465	1,709,869	1,458,416	3,141	1,202	(2,450,760)	835,333
Comprehensive loss							
Loss for the year	–	–	–	–	–	(38,852)	(38,852)
Other comprehensive loss							
Currency translation differences	–	–	–	–	(3,539)	–	(3,539)
Total other comprehensive loss, net of tax	–	–	–	–	(3,539)	–	(3,539)
Total comprehensive loss	–	–	–	–	(3,539)	(38,852)	(42,391)
Transactions with owners in their capacity as owners							
Transfer to statutory reserve (Note 24(i))	–	–	–	1,464	–	(1,464)	–
Total transactions with owners in their capacity as owners	–	–	–	1,464	–	(1,464)	–
Balance at 31 December 2019	113,465	1,709,869	1,458,416	4,605	(2,337)	(2,491,076)	792,942

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
Cash flows from operating activities			
Cash generated from operations	27	22,999	31,539
Income tax paid		–	(20)
Net cash used in operating activities from discontinued operations	13(c)	–	(28,670)
Net cash generated from operating activities		22,999	2,849
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	18(a)	–	15,954
Payment for property, plant and equipment		(1,193)	(837)
Interest received		6,730	2,649
Purchase of financial assets at fair value through profit or loss		(164,614)	–
Proceeds from sale of property, plant and equipment	27(a)	7	11
Dividend income received from financial assets at fair value through profit or loss		1,636	–
Payment for cost of issuance of share capital	18(a)	–	(540)
Net cash generated from investing activities from discontinued operations	13(c)	–	11,015
Net cash (used in)/generated from investing activities		(157,434)	28,252
Cash flows from financing activities			
Proceed from borrowings from a former director	27(c)	164,999	50,000
Principal elements of lease payments		(5,826)	–
Net cash generated from financing activities		159,173	50,000
Net increase in cash and cash equivalents		24,738	81,101
Cash and cash equivalents at beginning of year	21	460,352	383,856
Exchange loss on cash and cash equivalents		(715)	(4,605)
Cash and cash equivalents at end of year	21	484,375	460,352

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Goldstream Investment Limited (formerly known as "International Elite Ltd.") (the "Company") and its subsidiaries (collectively, the "Group") is principally engaged in the provision of CRM services, which include inbound services and outbound services, to companies in various service-oriented industries, and the provision of IM services following the acquisition of Goldstream Capital Management Limited ("GCML") and Goldstream Securities Limited ("GSL") ("Goldstream Companies") in November 2018. To support the growth of IM business, the Group commenced to engage in strategic direct investment ("SDI") during the year.

The Group is no longer engaged in passenger information management system ("PIMS") business and radio-frequency subscriber identity module ("RF-SIM") business following the completion of disposal of interest in Global Link Communications Holdings Limited ("GLCH") through distribution in specie in October 2018 and disposal of interest in Sunward Telecom Limited in November 2018 respectively.

The Company was incorporated in the Cayman Islands on 18 September 2000 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is the Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Road, Grand Cayman KY1-1208, Cayman Islands. The Company has been listed on the Main Board of the Hong Kong Stock Exchange since 25 May 2009.

These consolidated financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost basis, except for financial assets at fair value through profit or loss measured at fair value.

The preparation of the consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(i) New, amended standards and interpretation adopted by the Group

The following new, amended standards and interpretation have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2019:

Annual improvements project	Annual Improvements to IFRSs 2015 – 2017 cycle
IAS 19 (Amendment)	Plan Amendment, Curtailment or Settlement
IAS 28 (Amendment)	Long-term Interests in Associates and Joint Ventures
IFRS 9 (Amendment)	Prepayment Features with Negative Compensation
IFRS 16	Leases
IFRIC – Int 23	Uncertainty over Income Tax Treatments

The Group had to change its accounting policies as a result of adopting IFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019. This is disclosed in Note 2.2 below.

The adoption of other amended standards and new interpretation did not have any material impact on the current year or any prior periods.

(ii) New and amended standards and new interpretation that have been issued but are not yet effective during the year and have not been early adopted by the Group

		Effective for accounting periods beginning on or after
IAS 1 and IAS 8 (Amendments)	Definition of Material	1 January 2020
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2020
IFRS 3 (Amendment)	Definition of a Business	1 January 2020
IFRS 17	Insurance Contracts	1 January 2021
Conceptual Framework for financial reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020

The Group will adopt the new and amended standards and conceptual framework when they become effective. The Group has already commenced an assessment of the related impact of adopting the above new and amended standards and conceptual framework, none of which is expected to have a significant effect on the consolidated financial statements of the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(iii) Changes in presentation of the consolidated income statement

In previous years, the Group presented an analysis of the Group's income and expenses on the face of its consolidated income statement using a classification based on their function within the Group.

Following the disposals of manufacturing and trading businesses and acquisition of IM business in 2018, the directors reviewed the presentation of the Group's consolidated income statement taking into account of the changes that the Group's core business become mainly engaging in providing service to customers and the presentation adopted by certain companies within the same industry, and concluded that to present an analysis of the Group's income and expenses using a classification based on their nature would be more appropriate to the Group's circumstances and more relevant to users of the Group's consolidated financial statements. Consequently, the presentation of the consolidated income statement for the year from 1 January 2019 to 31 December 2019 has been revised and the comparative figures have been reclassified in order to conform to the current year's presentation.

The changes in presentation of the consolidated income statement did not have any impact on the Group's loss for the year or the calculation of the Group's loss per share.

2.2 Changes in accounting policies

This note explains the impact of adoptions of IFRS 16 on the Group's consolidated financial statements.

As indicated in Note 2.1(i) above, the Group has adopted IFRS 16 "Leases" retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening statement of financial position on 1 January 2019. The new accounting policies are disclosed in Note 2.21.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.35% to 4.41%.

(a) Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (continued)

(a) *Practical expedients applied* (continued)

- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying IAS 17 and Interpretation 4 "Determining whether an Arrangement contains a Lease".

(b) *Measurement of lease liabilities*

	HK$'000
Operating lease commitments disclosed as at 31 December 2018	3,110
Less: short-term leases and low value leases not recognised as a liability	(1,018)
Add: adjustments as a result of a different treatment of extension and termination options	10,636
Discounted using the lessee's incremental borrowing rate at the date of initial application	(1,019)
Lease liabilities recognised as at 1 January 2019	11,709
Of which are:	
Current lease liabilities	4,787
Non-current lease liabilities	6,922
	11,709

(c) *Measurement of right-of-use assets*

Right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	1 January 2019 HK$'000
Properties	10,663
Equipment	1,046
Total right-of-use assets	11,709

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (continued)

(d) Adjustments recognised in the consolidated statement of financial position on adoption on 1 January 2019

The change in accounting policy affected the following items in the consolidated statement of financial position on 1 January 2019:

- Right-of-use assets – increase by HK$11,709,000
- Lease liabilities – increase by HK$11,709,000

2.3 Consolidation

2.3.1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (see Note 2.3.2).

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

2.3.2 Business combination

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

2.3 Consolidation (continued)

2.3.2 Business combination (continued)

The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity.

Over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in the consolidated income statement as a bargain purchase.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in the consolidated income statement.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in the consolidated statement of comprehensive income.

2.3.3 Change in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the consolidated income statement or transferred to another category of equity as specified/permitted by applicable IFRSs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

2.3 Consolidation (continued)

2.3.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as key management team that makes strategic decisions.

2.5 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balance

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

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

2.5 Foreign currency translation (continued)

(c) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is 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 any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the consolidated income statement during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, where appropriate, over their estimated useful lives as follows:

Buildings	39 years
Leasehold improvements	The shorter of the unexpired term of lease or 5 years
Facilities equipment	5 years
Office equipment	3-5 years
Vehicles and other equipment	3-5 years

Construction in progress represented leasehold improvements under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

2.7 Intangible assets

(a) Goodwill

Goodwill is measured as described in Note 2.3.2. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units ("CGUs") or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments (Note 6).

(b) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of three to ten years. Cost associated with maintaining computer software programmes are recognised as an expense as incurred.

(c) Research and development cost

Research costs are expensed as incurred. Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development of the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

2.7 Intangible assets (continued)

(c) *Research and development cost* (continued)

Directly attributable costs that are capitalised as part of the software product cost includes employee costs for software development and on appropriate portion of relevant overheads.

Other development costs that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an assets in a subsequent period.

The Group will amortise the intangible asset from the point at which the asset is ready for use on a straight-line basis over its estimated useful lives.

The Group had developed an artificial intelligence "CallVu" system and the related development expenditures were capitalised as intangible assets. CallVu is a visual customer service system and an extension of the Group's call center system and CRM system. The amount initially recognised for intangible assets was the sum of the expenditure incurred from the date when the intangible asset first met the recognition criteria listed above. The development of CallVu was completed in January 2016 and was amortised over 5 years until there was change in the estimated useful life to 10 months in 2018. See note 4(b) for further details.

(d) *Licenses*

The licenses acquired in a business combination are recognised at fair value at the acquisition date. Subsidiaries of the Company, GSL and GCML are licensed corporation under the Securities and Futures Ordinance ("SFO") to engage Type 1 (dealing in securities) and Type 4 (advising on securities) and Type 9 (asset management) regulated activities as defined under the SFO respectively. The licenses have an indefinite useful life and therefore they will not be amortised until their useful life is determined to be finite.

(e) *Customer contracts*

Customer contracts acquired in a business combination are recognised at fair value at the acquisition date. Those customer contracts have a finite useful lives and are carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method over the expected lives of 4 years.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

2.8 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows are largely independent of the cash inflows from other assets or group of assets (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.9 Investments and other financial assets

(i) *Classification*

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) *Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. The fair value of quoted financial assets is based on last traded market prices.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

2.9 Investments and other financial assets (continued)

(iii) *Measurement* (continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in administrative and other operating expenses together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in administrative and other operating expenses and impairment expenses are presented as separate line item in the consolidated income statement.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within income in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at FVPL. Changes in the fair value of the financial assets at FVPL are recognised as income in the consolidated income statement. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised as income in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) *Impairment*

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVPL. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Notes 3.1.3(c) and Note 20 for further details

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

2.10 Offsetting financial instruments

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

As at 31 December 2019 and 2018, there were no financial assets or financial liabilities which were subject to offsetting, enforceable master netting or similar agreements.

2.11 Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade and other receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 3.1 for description of the Group's impairment policies.

2.12 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, short-term bank deposits with original maturities of three months or less and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.13 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.14 Trade payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

2.15 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) *Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) *Deferred income tax*

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.16 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

2.17 Employee benefits

(a) *Pension and employee social security and benefits obligations*

The subsidiaries in Hong Kong participate in a defined contribution scheme as defined in mandatory provident fund scheme ("MPF Scheme"). The assets of the MPF Scheme are held separately from those of the Group under independently administered funds. Contributions to the schemes by the employers and employees are calculated as a percentage of employees' basic salaries. Under the MPF Scheme, each of the company (the employer) and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. The monthly contributions of each of the employer and the employees are subject to a cap of HK$1,500 and thereafter contributions are voluntary. The Group has no further obligations for the actual payment of post-retirement benefits beyond the contributions.

The subsidiaries in the People's Republic of China ("PRC") participate in defined contribution retirement plans and other employee social security plans, including pension, medical, other welfare benefits, organised and administered by the relevant governmental authorities for employees in the PRC. The Group contributes to these plans based on certain percentages of the total salary of employees, subject to a certain ceiling, as stipulated by the relevant regulations.

The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) *Bonus plan*

The Group recognises a provision for bonus when contractually obliged or where there is a past practice that has created a constructive obligation.

(c) *Share-based payments*

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted including any market performance conditions (for example, an entity's share price); but excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiaries undertakings, with a corresponding credit to equity in the parent equity account.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

2.18 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.19 Borrowings and borrowing costs

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

2.20 Revenue recognition

The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) *CRM services*

CRM services comprise inbound services which include customer hotline services and built-in secretarial services, a personalised message taking services, and outbound services which include telesales services and market research services under fixed-price and variable price contracts.

Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised over time because the customer receives and uses the benefits simultaneously. For variable-price contracts, which charges based on actual volume of transactions provided is recognised at point in time when the transaction is delivered, the service has rendered.

(b) *IM services*

Revenue comprise (1) management income, and (2) performance fee income. Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably. Management income is recognised when services are performed over time. Performance fees are recognised on the performance fee valuation day of the investment funds and managed accounts when there is a positive performance for the relevant performance period and it is determined that they are no longer highly probable of significant reversal in a subsequent period, taking into consideration the relevant basis of calculation for the investment funds and managed accounts.

(c) *Interest income*

Interest income is recognised as it accrues using the effective interest method. Imputed interest income recognised in respect of borrowings from a former director is presented as finance income, see Note 11 and Note 26 below. Any other interest income is included in "other income" in the consolidated income statement.

(d) *Dividend income*

Dividends are received from financial assets measured at FVPL. Dividends are recognised as income in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognised in OCI if it relates to an investment measured at FVOCI. However, the investment may need to be tested for impairment as a consequence.

2.21 Leases

As explained in Note 2.2 above, the Group has changed its accounting policy for leases where the Group is the lessees. The new policy is described below and the impact of the changes in Note 2.2.

Until 31 December 2018, leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

2.21 Leases (continued)

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable, and

- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and

- makes adjustments specific to the lease, eg term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;

- any lease payments made at or before the commencement date less any lease incentives received; and

- any initial direct costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

2.22 Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. A structured entity often has some or all of the following features or attributes; (a) restricted activities, (b) a narrow and well-defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors, (c) insufficient equity to permit the structured entity to finance its activities without subordinated financial support and (d) financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches).

The Group considers certain of its investments funds to be investments in unconsolidated structured entities. The Group invests in certain investment funds whose objectives range from achieving medium to long term capital growth. The private investment funds are managed by unrelated asset managers and apply various investment strategies to accomplish their respective investment objectives. The private investment funds finance their operations by issuing redeemable shares which are puttable at the holder's option and entitles the holder to a proportional stake in the respective investment fund's net assets. The Group holds redeemable shares in certain of its investment funds.

The change in fair value of certain investment funds is included in the consolidated income statement as "Income".

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

3.1.1 Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various foreign currency exposures, primarily with respect to Renminbi ("RMB") and United States dollars ("US$"). As the HK$ is pegged to the US$, the Group believes the exposure of transactions denominated in US$ which are entered into by Group companies with a functional currency of HK$ to be insignificant. Foreign exchange risk arises from recognised assets and liabilities which are denominated in a currency that is not the entity's functional currency.

The Group manages its exposures to foreign currency transactions by monitoring the level of foreign currency receipts and payments. The Group ensures that the net exposure to foreign exchange risk is kept to an acceptable level from time to time. The Group is presently not using any forward exchange contracts to hedge against foreign exchange risk as management considers its exposure minimal.

At 31 December 2019, if HK$ had strengthened/weakened by 2% (2018: 5%) against RMB with all other variables held constant, the Group's post-tax loss for the year would have been HK$180,000 (2018: HK$193,000) higher/lower mainly as a result of foreign exchange losses/gains on translation of RMB denominated recognised assets and liabilities.

3.1.2 Interest rate risk

The Group's interest rate risk arises from cash balances placed with reputable banks and financial institutions.

As at 31 December 2019, if the interest rate on the cash at bank and financial institutions and had been 25 basis points higher or lower with all other variables held constant, the impact on the Group's post-tax loss for the year would have been approximately HK$1,209,000 (2018: HK$1,111,000) lower/higher.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

3.1.3 Credit risk

The credit risk of the Group mainly arises from cash and cash equivalents, trade and other receivables carried at amortised cost and FVPL.

(a) Risk management

Credit risk is managed on a group basis. For credit exposures to cash and cash equivalents, bank deposits are only placed with reputable banks. For credit exposures to customers, management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. 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 customer.

At 31 December 2019, the Group had a concentration of credit risk as 85% (2018: 84%) of the total trade receivables were due from the Group's five largest customers and 26% (2018: 37%) of the total trade receivables were due from the Group's largest customer.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

3.1.3 *Credit risk* (continued)

(b) Security

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position. The Group does not provide any guarantees which would expose the Group to credit risk.

(c) Impairment of financial assets

Trade receivables and contract assets, deposits and other receivables are subject the expected credit loss model.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Trade receivables and contract assets

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets related to unbilled receivables and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2019 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjust the historical loss rate based on expected changes in these factors.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery includes, amongst other, the failure of a debtor to engage in a repayment plan within the Group, and a failure to make contractual payments for a period of greater than 180 to 365 days past due.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit/(loss). Subsequent recoveries of amounts previously written off are credited against the same line item.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

3.1.3 *Credit risk* (continued)

(c) ***Impairment of financial assets*** (continued)

The Group uses two categories for those trade receivables and contract assets which reflect their credit risk and how the loss allowance is determined for each of those categories.

Individual basis

For trade receivables and contract assets relating to corporate customers of the Group which are relatively long overdue, they are assessed individually for impairment allowance.

The following tables present the balances of gross carrying amounts and loss allowance in respect of the individually assessed trade receivables and contract assets as at 31 December 2019 and 31 December 2018:

Continuing operations

		Past due						
31 December 2019	**Not yet due**	**Within 30 days**	**31-60 days**	**61-180 days**	**181-365 days**	**366-730 days**	**Over 730 days**	**Total**
Expected loss rate	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**100.00%**	
Gross carrying amount (HK$'000)								
– Trade receivables	**37,533**	**7,110**	**9,411**	**2,568**	**8,357**	**–**	**385**	**65,364**
– Contract assets	**25,228**	**1,878**	**952**	**96**	**–**	**–**	**–**	**28,154**
Loss allowance (HK$'000)	**–**	**–**	**–**	**–**	**–**	**–**	**385**	**385**

		Past due						
31 December 2018	Not yet due	Within 30 days	31-60 days	61-180 days	181-365 days	366-730 days	Over 730 days	Total
Expected loss rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%	
Gross carrying amount (HK$'000)								
– Trade receivables	40,643	14,963	4,619	1,226	549	13,295	181	75,476
– Contract assets	14,757	–	–	5,544	–	–	–	20,301
Loss allowance (HK$'000)	–	–	–	–	–	–	181	181

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

3.1.3 *Credit risk* (continued)

(c) *Impairment of financial assets* (continued)

Individual basis (continued)

Discontinued operations

9 October 2018	Not yet due	Past due: Within 30 days	31-60 days	61-180 days	181-365 days	366-730 days	Over 730 days	Total
Expected loss rate	0.07%	0.09%	0.14%	1.99%	8.42%	66.68%	67.74%	
Gross carrying amount (HK$'000)								
– Trade receivables	27,004	4,643	6,374	6,177	974	1,981	31	47,184
– Contract assets	–	–	–	–	–	–	–	–
Loss allowance (HK$'000)	19	4	9	123	82	1,321	21	1,579

29 November 2018	Not yet due	Past due: Within 30 days	31-60 days	61-180 days	181-365 days	366-730 days	Over 730 days	Total
Expected loss rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount (HK$'000)								
– Trade receivables	958	749	177	58	286	58	–	2,286
– Contract assets	–	–	–	–	–	–	–	–
Loss allowance (HK$'000)	–	–	–	–	–	–	–	–

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

3.1.3 *Credit risk* (continued)

(c) ***Impairment of financial assets*** (continued)

Collective basis

Other than those trade receivables and contract assets which were disclosed in Note 3.1.3(c) "Individual Basis", trade receivables and contract assets are assessed collectively for impairment allowances.

The following tables present the balances of gross carrying amounts and loss allowance in respect of the collectively assessed trade receivables and contract assets as at 31 December 2019 and 31 December 2018 :

Continuing operations

		Past due						
31 December 2019	**Not yet due**	**Within 30 days**	**31-60 days**	**61-180 days**	**181-365 days**	**366-730 days**	**Over 730 days**	**Total**
Expected loss rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount (HK$'000)								
– Trade receivables	13,527	629	13	23	40	–	–	14,232
– Contract assets	2,282	682	101	–	–	–	–	3,065
Loss allowance (HK$'000)	–	–	–	–	–	–	–	–

		Past due						
31 December 2018	Not yet due	Within 30 days	31-60 days	61-180 days	181-365 days	366-730 days	Over 730 days	Total
Expected loss rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount (HK$'000)								
– Trade receivables	1,539	421	12	4	8	–	–	1,984
– Contract assets	714	–	–	–	–	–	–	714
Loss allowance (HK$'000)	–	–	–	–	–	–	–	–

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

3.1.3 *Credit risk* (continued)

(c) *Impairment of financial assets* (continued)

Collective basis (continued)

Discontinued operations

9 October 2018	Not yet due	Past due Within 30 days	31-60 days	61-180 days	181-365 days	366-730 days	Over 730 days	Total
Expected loss rate	7.33%	56.00%	0.00%	74.13%	100%	100%	100%	
Gross carrying amount (HK$'000)								
– Trade receivables	3,630	25	–	777	1,162	3,863	5,351	14,808
– Contract assets	–	–	–	–	–	–	–	–
Loss allowance (HK$'000)	266	14	–	576	1,162	3,863	5,351	11,232

29 November 2018	Not yet due	Past due Within 30 days	31-60 days	61-180 days	181-365 days	366-730 days	Over 730 days	Total
Expected loss rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount (HK$'000)								
– Trade receivables	575	–	–	–	–	–	–	575
– Contract assets	–	–	–	–	–	–	–	–
Loss allowance (HK$'000)	–	–	–	–	–	–	–	–

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

3.1.3 *Credit risk* (continued)

(c) ***Impairment of financial assets*** (continued)

The loss allowances for trade receivables and contract assets as at 31 December 2019 and 31 December 2018 as follows:

	Continuing operations 2019 HK$'000	Continuing operations 2018 HK$'000	Discontinued operations 2018 HK$'000	Total 2019 HK$'000	Total 2018 HK$'000
Opening loss allowance on 1 January	(181)	(421)	(9,618)	(181)	(10,039)
Increase in loss allowance recognised in profit or loss during the year	(204)	–	(3,654)	(204)	(3,654)
Reversal of loss allowances	–	240	172	–	412
Exchange differences	–	–	289	–	289
Disposals of businesses	–	–	12,811	–	12,811
Closing loss allowance at 31 December	(385)	(181)	–	(385)	(181)

Net impairment losses on trade receivables and contract assets amounted HK$204,000, (2018: HK$3,482,000) is included in the consolidated income statement (2018: consolidated income statement of discontinued businesses).

Other receivables

Management considers that its credit risk has not increased significantly since initial recognition with reference to the counterparty historical default rate and current financial position. The impairment provision is determined based on the 12-month expected credit losses which was immaterial.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

3.1.4 *Liquidity risk*

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's policy to managing liquidity risk is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from shareholders to meet its liquidity requirements in the short and longer term. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within 1 year HK$'000	Over 1 year and within 2 years HK$'000	Over 2 years HK$'000	Total HK$'000
At 31 December 2019				
Lease liabilities	**3,804**	**1,426**	**3,069**	**8,299**
Trade and other payables	**63,726**	**–**	**–**	**63,726**
Borrowings from a former director	**214,999**	**–**	**–**	**214,999**
At 31 December 2018				
Trade and other payables	51,792	–	–	51,792
Borrowing from a former director	–	50,000	–	50,000

3.1.5 *Price risk*

The Group's exposure to equity securities and investment funds price risk arises from investments held by the Group and classified in the consolidated statement of financial position at FVPL (Note 22).

To manage its price risk arising from investments in equity securities and investment of funds, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

The table below summarises the Group's investments by industry category as at 31 December 2019.

	2019 Fair value HK$'000
Financial assets at fair value through profit or loss	
Financial	**5,423**
Consumer Staples	**3,961**
Consumer Discretionary	**3,583**
Health Care	**3,208**
Industrials	**2,796**
Technology	**1,005**
Materials	**779**
Investment of funds	**146,370**
Total financial assets at fair value though profit or loss	**167,125**

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

3.1.5 *Price risk* (continued)

Sensitivity

The Group held multi strategic funds and they had diversity portfolio. For the sole purpose of sensitivity analysis, there are no standardised benchmarks can be adopted. The table below summarises the impact of increases/decreases of the price of investments on the funds' post-tax profit for the year. The analysis presented is based upon the portfolio composition as at 31 December 2019. The Group expects to have movements in the price of the investments and that movements in those prices will have a proportional impact on the post-tax profit of the Group.

	Impact on post-tax profit 2019 HK$'000
Movement in price of investments – increase/(decrease) 2.9%	+/-73

Post-tax profit for the period would increase/decrease as a result of gains/losses on financial assets classified as at FVPL.

3.2 Capital risk management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and maintain an optimal capital structure to reduce the cost of capital. The Group's overall strategy remains unchanged from 2018.

In addition, subsidiaries of the Group licensed by the SFC are obliged to meet the regulatory liquid capital requirements under the Securities and Futures (Financial Resources) Rules ("SF(FR)R") at all times.

For the licensed subsidiaries, the Group ensures each of them maintains a liquid capital level adequate to support the activities level with sufficient buffer to accommodate the increase in liquidity requirements arising from potential increases in business activities. SF(FR)R returns are filed to the SFC by the licensed subsidiaries on a monthly or semi-annually basis as required. During the current and prior financial years, all the licensed subsidiaries complied with the liquid capital requirements under the SF(FR)R.

The Group defines capital as total equity attributable to equity holders of the Company, comprising issued share capital and reserves, as shown in the consolidated statement of financial position. The Group actively and regularly reviews and manages its capital structure to ensure capital and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, projected operating cash flows and projected capital expenditures.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated statement of financial position plus net debt.

As at 31 December 2019 and 31 December 2018, the Group had net cash amounted to HK$266,851,000 and HK$412,907,000 respectively (Note 27(c)). Gearing ratio is not applicable to the Group.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation

(i) Fair value hierarchy

The carrying amounts of the Group's financial assets, including cash and cash equivalents, and trade and other receivables and financial liabilities including trade and other payables approximate to their fair values due to their short maturities. The fair value of non-current borrowings from a former director is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the consolidated financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

Recurring fair value measurements	Level 1 HK$'000	Level 2 HK$'000	Total HK$'000
At 31 December 2019			
Financial assets			
Financial assets at FVPL			
– US investments funds	–	78,000	78,000
– Cayman Islands investments funds	–	47,448	47,448
– PRC listed equity securities	20,755	–	20,755
– British Virgin Islands ("BVI") investments funds	–	20,112	20,112
– Ireland investments funds	810	–	810
Total financial assets	21,565	145,560	167,125

As 31 December 2019, the Group did not have any financial liabilities that were measured at fair value. As at 31 December 2018, the Group did not have any financial assets or financial liabilities in the consolidated statement of financial position that is measured at fair value.

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the year.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

(ii) *Valuation techniques used to determine fair values*

Specific valuation techniques used to value financial instruments include

- the use of quoted market prices or dealer quotes for similar instruments
- quoted bid prices (or net asset value) provided by fund administrators for unlisted investment funds.

(iii) *Investment in other funds that are not traded in an active market*

The right of the Group to request redemption of its investment funds ranges in frequency from monthly to quarterly.

The exposures to investment funds as classified by the Group by strategy were disclosed in the following table. These investments are included in financial assets at fair value through profit or loss in the statement of financial position.

Strategy	Number of Investee Funds	31 December 2019 Investment fair value HK$'000
Multi strategies	2	125,448
Credit strategies	1	20,112
		145,560

The Group's holding in investment funds, as a percentage of the respective investment fund's total net asset value, will vary from time to time depending on the volume of subscriptions and redemptions at the investment funds level. It is possible that the Group may, at any point in future, hold a majority of an investment fund's total shares/units in issue.

The Group's maximum exposure to loss from its interests in investment funds is equal to the total fair value of its investments in investment funds.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

(iv) Valuation of investments in other funds

The Group's investments in other funds ("Investee Funds") are subject to the terms and conditions of the respective Investee Fund's offering documentation. The investments in Investee Funds are valued based on the latest available redemption price of such units for each Investee Fund, as determined by the Investee Funds' administrators. The Group reviews the details of the reported information obtained from the Investee Funds and considers:

- the liquidity of the Investee Fund or its underlying investments;
- the value date of the net asset value ("NAV") provided;
- any restrictions on redemptions; and
- the basis of accounting and, in instances where the basis of accounting is other than fair value, fair valuation information provided by the Investee Fund's advisors.

If necessary, the Group makes adjustments to the NAV of various Investee Funds to obtain the best estimate of fair value. Other net changes in fair value on financial assets and financial liabilities at fair value through profit or loss in the consolidated statement of comprehensive income include the change in fair value of each Investee Fund.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

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

(a) Provision for impairment of assets

(i) Estimated impairment of non-financial assets that are subject to amortisation

The Group tested assets that are subject to amortisation and depreciation whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, as set out in Note 2.8. The Group uses judgement in assessing the impairment and making inputs to the impairment calculation, based on the historical performance and the future cash flows of the assets.

As at 31 December 2019, the carrying amount of customer contracts is approximately HK$62,797,000 (2018: HK$104,510,000) (Note 17). During the year ended 31 December 2019, management had fully impaired two customer contracts and had written down the corresponding carrying amount by HK$7,952,000 (Note 17), and partially impaired one customer contract and had made provision of HK$6,876,000 (Note 17).

As at 31 December 2019, CallVu, an internally generated software was fully amortised (2018: the carrying amount was HK$720,000) (Note 17). During the year ended 31 December 2018, management had written down the carrying amount by HK$10,078,000 (Note 17).

(ii) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.8. Significant judgement is required in assessing the recoverable amount on which the goodwill is allocated to the specific CGUs.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) Provision for impairment of assets (continued)

(iii) Trade and other receivables

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the tables in Note 3.1.3.

(b) Depreciation of property, plant and equipment and amortisation of intangible assets

The Group depreciates the property, plant and equipment and intangible assets on a straight-line basis over their respective estimated useful lives. Management will revise the depreciation charge and amortisation charge where useful lives are different to previously estimated, or it will write-off or write-down technology obsolete or non-strategic assets that have been abandoned or sold. During the year ended 31 December 2018, the Group had reassessed the useful life of the CallVu, and considered a change to the remaining useful life of the CallVu from 5 years to 10 months since the Group was informed by certain customers that certain service contracts with the application of CallVu would not be renewed and therefore would be expired in 2019.

(c) Income taxes

The Group is subject to income taxes in various jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax provisions in the period in which such determination is made.

(d) Estimation of the fair value of financial assets at FVPL

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. For details of the key assumptions used and the impact of changes to these assumptions see Note 3.3.

5 INCOME

The amount of each category of income recognised during the year is as follows:

	2019 HK$'000	2018 HK$'000
Continuing operations		
– CRM services income	239,412	268,975
– IM services income	70,758	1,940
– Dividend income from investments (Note 22)	1,636	–
– Net fair value gains on financial assets at FVPL (Note 22)	2,511	–
	314,317	270,915

The Group has four customers whose transactions accounted for 10% or more of the Group's aggregate revenue for 2019 (2018: three customers). The amounts of revenue from the customers are as follows:

	2019 HK$'000	2018 HK$'000
Customer 1	65,811	108,998
Customer 2	54,077	54,000
Customer 3	43,726	78,837
Customer 4	33,661	–

6 SEGMENT INFORMATION

Operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the key management team of the Group. The CODM reviews the Group's internal reports in order to assess performance, allocate resources and determine the operating segments.

The CODM assesses the performance of the operating segments based on the results and assets attributable to each operating segment. Interest expense are not allocated to segment, as this type of activity is driven by the central treasury function, which manages the cash position of the Group.

The CODM has determined the operating segments based on these reports. The Group is organised into three operating segments.

(i) CRM services ("CRMS") business: this segment includes (a) inbound services which include customer hotline services and built-in secretarial services, a personalised message taking services; and (b) outbound services which include telesales services and market research services.

(ii) IM business: this segment includes (a) advisory services on securities and asset management; and (b) securities trading.

(iii) SDI business: this segment includes provision of making proprietary investments in the financial markets.

The Group no longer carried on the RF-SIM business and PIMS business following the disposals as disclosed in Note 13. The result of these businesses were classified as discontinued operations of the Group for the year ended 31 December 2018.

(iv) RF-SIM business: this segment includes (a) research and development, production and sales of RF-SIM products; (b) licensing of the RF-SIM operation rights; and (c) research and development and technology transfer of CA-SIM application rights to customers.

(v) PIMS business: this segment includes sales of PIMS products.

No other operating segments have been aggregated to form the operating segments.

(a) Segment results and assets

The CODM assesses the performance of the operating segments based on the income and reportable segment profit (i.e. earnings before interest, tax and amortization and impairment provision for and written off of intangible assets). In prior year, the CODM reviewed the reportable segment profit as income less cost of sales and services. With the change in the CODM's assessment on segment income and reportable segment (loss)/profit, certain prior year comparatives in this note are therefore restated.

Income and expenses are allocated to the reportable segments with reference to income generated by those segments and the expenses incurred by those segments including depreciation of assets attributable to those segments.

Segment assets include all tangible, intangible assets and current assets with the exception of deferred tax assets and other corporate assets.

Information relating to segment liabilities is not disclosed as such information is not regularly reported to the CODM.

6 SEGMENT INFORMATION (CONTINUED)

(a) Segment results and assets (continued)

The following tables present income, reportable segment (loss)/profit and certain assets and expenditure information for the Group's business segments for the years ended 31 December 2019 and 2018:

	Continuing operations			
	IM business HK$'000	CRMS business HK$'000	SDI business HK$'000	Total HK$'000
For the year ended 31 December 2019				
CRM services income	–	239,479	–	239,479
Inter-CRM segment services income	–	(67)	–	(67)
IM services income	70,783	–	–	70,783
Inter-IM segment services income	(25)	–	–	(25)
Dividend income from investments	–	–	1,636	1,636
Net fair value gains on financial assets at FVPL	–	–	2,511	2,511
Total segment income	70,758	239,412	4,147	314,317
Reportable segment (loss)/profit	(8,643)	2,889	6,879	1,125
Depreciation and amortisation	29,148	8,006	561	37,715
Provision for loss allowances	–	204	–	204
Reportable segment assets	331,787	133,090	184,770	649,647
Additions to non-current segment assets during the year	2,890	11,258	78,000	92,148

	Continuing operations			Discontinued operations				
	IM business HK$'000	CRMS business HK$'000	Total HK$'000	RF-SIM business HK$'000	PIMS business HK$'000	CRMS business HK$'000	Total HK$'000	Group HK$'000
For the year ended 31 December 2018								
CRM services income	–	268,975	268,975	–	–	29	29	269,004
IM services income	1,940	–	1,940	–	–	–	–	1,940
RF-SIM income	–	–	–	6,195	–	–	6,195	6,195
PIMS income	–	–	–	–	96,926	–	96,926	96,926
Total segment income	1,940	268,975	270,915	6,195	96,926	29	103,150	374,065
Reportable segment profit/(loss) (Restated)	(1,296)	(8,078)	(9,374)	(32,422)	(1,170)	29	(33,563)	(42,937)
Depreciation and amortisation	1,796	8,910	10,706	2,527	2,952	–	5,479	16,185
(Reversal of loss allowances)/provision for financial assets, net	–	(240)	(240)	–	3,482	–	3,482	3,242
Reportable segment assets	353,568	149,778	503,346	–	–	–	–	503,346
Additions to non-current segment assets during the year	116,328	769	117,097	85	725	–	810	117,907

6 SEGMENT INFORMATION (CONTINUED)

(b) Reconciliations of reportable segment income, profit or loss and assets

Continuing operations	2019 HK$'000	2018 (Restated) HK$'000
Income		
Reportable segment income	314,317	270,915
Consolidated income	314,317	270,915
Loss		
Reportable segment profit/(loss)	1,125	(9,374)
Impairment provision for and written off of intangible assets	(14,828)	(10,078)
Finance costs	(4,511)	(54)
Amortisation of intangible assets	(27,605)	(6,173)
Consolidated loss before income tax	(45,819)	(25,679)
Assets		
Reportable segment assets	649,647	503,346
Cash and cash equivalents	484,375	460,352
Consolidated total assets	1,134,022	963,698

Discontinued operations	2018 (Restated) HK$'000
Income	
Reportable segment income	103,150
Consolidated income	103,150
Profit	
Reportable segment loss	(33,563)
Impairment provision for intangible assets	(2,491)
Amortisation of intangible assets	(4,669)
Income tax expense	(763)
Gain on disposals of businesses	142,844
Consolidated profit from discontinued operations	100,908

6 SEGMENT INFORMATION (CONTINUED)

(c) Geographical information

The following tables set out information about the geographical locations of (i) the Group's CRM services income and IM services income ("Service income") and sales of goods and (ii) the Group's property, plant and equipment, intangible assets, right-of-use assets, long term deposits and non-current financial assets at FVPL ("specified non-current assets"). The geographical location of customers is based on the location at which the services and goods were provided. The geographical location of the specified non-current assets is based on the location of the operation to which they are allocated.

	Continuing operations				
	Hong Kong HK$'000	PRC HK$'000	The United States of America HK$'000	Macao and others HK$'000	Total
Year ended 31 December 2019					
Services income	202,181	99,269	–	8,720	310,170
Specified non-current assets	274,587	47,244	78,000	48	399,879

	Continuing operations				Discontinued operations				
	Hong Kong HK$'000	PRC HK$'000	Macao and others HK$'000	Total HK$'000	Hong Kong HK$'000	PRC HK$'000	Macao and others HK$'000	Total HK$'000	Group HK$'000
Year ended 31 December 2018									
Services income	145,437	115,747	9,731	270,915	–	–	29	29	270,944
Sales of goods	–	–	–	–	482	102,639	–	103,121	103,121
Services income and sales of goods	145,437	115,747	9,731	270,915	482	102,639	29	103,150	374,065
Specified non-current assets	315,822	44,492	721	361,035	–	–	–	–	361,035

6 SEGMENT INFORMATION (CONTINUED)

(d) Disaggregation of revenue from contracts with customers

The Group derives services income and sales of goods over-time and at point in time for the following types.

	Continuing operations		
	IM business HK$'000	CRMS business HK$'000	Total HK$'000
For the year ended 31 December 2019			
At point in time	**47,360**	**157,884**	**205,244**
Over-time	**23,398**	**81,528**	**104,926**
	70,758	**239,412**	**310,170**

	Continuing operations			Discontinued operations				
	IM business HK$'000	CRMS business HK$'000	Total HK$'000	RF-SIM business HK$'000	PIMS business HK$'000	CRMS business HK$'000	Total HK$'000	Group HK$'000
For the year ended 31 December 2018								
At point in time	–	103,776	103,776	6,195	96,926	–	103,121	206,897
Over-time	1,940	165,199	167,139	–	–	29	29	167,168
	1,940	268,975	270,915	6,195	96,926	29	103,150	374,065

7 OTHER INCOME

	2019 HK$'000	2018 HK$'000
Continuing operations		
Bank interest income	**6,730**	2,649
Government grants (Note a)	**2,739**	2,564
Rental income	**700**	700
Others	**576**	421
	10,745	6,334

Note:

(a) Government grants were provided by the local authorities to support the Group's enhancement of service provision to overseas customers and the Group's application of technical patents. There are no unfulfilled conditions or contingencies relating to these grants.

8 EMPLOYEE BENEFITS EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS

	2019 HK$'000	2018 HK$'000
Continuing operations		
Wages, salaries and other benefits	238,622	221,053
Contribution to retirement benefit schemes	16,110	17,066
Total employee benefits expenses	254,732	238,119

(a) Five highest paid individuals

The five individuals whose emoluments were the highest are as follows:

	Number of individual	
	2019	2018
Director of the Company	1	4
Employee	4	1

Out of the five individuals with the highest emoluments, one (2018: four) is director whose emolument is disclosed in Note 33(a). The aggregate emoluments in respect of the remaining four (2018: one) highest paid individual are as follows:

	2019 HK$'000	2018 HK$'000
Salaries and other emoluments	16,027	833
Retirement scheme contribution	436	14
	16,463	847

The emoluments of the above-mentioned individual with the highest emoluments fall within the following band:

	Number of individual	
	2019	2018
HK$Nil-HK$1,000,000	–	1
HK$2,000,001-HK$2,500,000	1	–
HK$3,000,001-HK$3,500,000	1	–
HK$4,000,001-HK$4,500,000	1	–
HK$6,500,001-HK$7,000,000	1	–

9 DIVIDENDS

The board of directors of the Company does not recommend the payment of any final dividend for the year ended 31 December 2019 (2018: Nil).

On 9 August 2018, the Board declared a special dividend by distribution in specie of 873,683,120 GLCH shares being held by the Company (the "Distribution in Specie"). On 9 October 2018, pursuant to the Distribution in Specie, the Group ceased to be shareholder of 872,920,496 shares in GLCH. The fair value of these shares was at HK$0.114 per share totalling HK$99,513,000.

10 TOTAL EXPENSES

	2019 HK$'000	2018 HK$'000
Continuing operations		
Employee benefits expenses, including directors' emoluments (Note 8)	**254,732**	238,119
Auditors' remuneration		
– Audit services	**2,403**	2,449
– Non-audit services	**827**	784
Depreciation of right-of-use-assets (Note 16)	**5,601**	–
Depreciation of property, plant and equipment (Note 15)	**4,509**	4,533
Amortisation of intangible assets (Note 17)	**27,605**	6,173
Loss on disposal of property, plant and equipment	**46**	130
Provision for/(reversal of) loss allowances	**204**	(240)
Operating lease charges in respect of		
– Rental of building and offices	**2,010**	4,940
– Hire of transmission lines	**4,260**	6,255
Impairment provision for intangible assets (Note 17)	**6,876**	10,078
Written off of intangible assets (Note 17)	**7,952**	–
Subcontracting charges	**13,080**	382
Legal and professional fees	**5,675**	8,263
Information system expenses	**8,716**	1,102
Advertising expenses	**5,291**	8
Utilities	**4,724**	5,296
Exchange differences, net	**(379)**	372
Other expenses	**19,113**	16,839
	373,245	305,483

11 FINANCE INCOME, NET

	2019 HK$'000	2018 HK$'000
Continuing operations		
Finance income		
– Imputed interest income from borrowings (Note 26)	6,875	2,609
Finance costs		
– Imputed Interest expense from borrowings (Note 26)	(4,048)	(54)
– Interest expense from leases (Note 16)	(463)	–
	(4,511)	(54)
Finance income, net	2,364	2,555

12 INCOME TAX (CREDIT)/EXPENSES

	2019 HK$'000	2018 HK$'000
Current income tax:		
Hong Kong corporate income tax	–	128
PRC corporate income tax	687	804
Over provision in the prior year	(771)	(55)
Total current tax (credit)/expenses	(84)	877
Deferred tax (Note 19)	(6,883)	726
Income tax (credit)/expenses	(6,967)	1,603
Income tax (credit)/expenses is attributable to:		
Loss from continuing operations	(6,967)	840
Profit from discontinued operations	–	763
	(6,967)	1,603

(i) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits for the year.

(ii) PRC corporate income tax

China Elite Info. Co. Ltd. ("China Elite") is eligible for a preferential income tax rate of 15% as a HNTE from 2017 to 2019.

Other than the above, remaining subsidiaries located in the PRC are subject to the PRC Corporate income tax rate of 25% (2018:25%) on its assessable profits.

12 INCOME TAX (CREDIT)/EXPENSES (CONTINUED)

(iii) Macao complementary tax

Pursuant to Article 12 of Decree-Law No. 58/99/M issued by the Macao Government, the Group is exempted from Macao Complementary Tax. As a result, no provision for Macao Complementary Tax has been made by the Group for the year (2018: Nil).

The tax on the Group's loss before income tax differs than the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2019 HK$'000	2018 HK$'000
Loss from continuing operations before income tax expenses	**(45,819)**	(25,679)
Profit from discontinued operations before income tax expenses	**–**	101,671
	(45,819)	75,992
Tax calculated at domestic tax of 16.5% (2018: 16.5%)	**(7,560)**	12,539
Effect of different tax rate of operations on other jurisdictions	**559**	(1,669)
Tax effects of:		
Income not subject to tax	**(2,189)**	(24,627)
Expenses not deductible for tax purposes	**1,071**	15,643
Over provision in the prior year	**(771)**	(55)
Tax losses for which no deferred tax asset was recognised	**3,186**	2,183
Written off of deferred tax assets previously recognised	**92**	947
Utilisation of tax loss for which no deferred tax assets was previously recognised	**(1,355)**	(3,358)
Income tax (credit)/expenses	**(6,967)**	1,603

13 DISCONTINUED OPERATIONS

On 9 October 2018, pursuant to the Distribution in Specie, the Group ceased to be shareholder of 872,920,496 shares in GLCH through distribution in specie, representing approximately 42% of the then total issued shares of GLCH. Distribution of nearly all of its interest in GLCH led to loss of control in GLCH on the same date.

On 30 July 2018, the Company had entered into the agreement with the Mr. Li Kin Shing, a former executive director of the Company ("Mr. Li") pursuant to which the Company conditionally agreed to sell and Mr. Li conditionally agreed to purchase the entire issued share capital of Sunward Telecom Limited and MZone Network Limited. The Group completed such disposal on 29 November 2018.

The Group completed the Distribution in Specie, and the disposals of Sunward Telecom Limited and MZone Network Limited ("the Disposed Businesses") during the year ended 31 December 2018. Accordingly, the financial results of the Disposed Businesses were presented in the consolidated income statement and consolidated statement of cash flows as "Discontinued Operations" in accordance with IFRS 5 "Non-current Assets Held for Sales and Discontinued Operations" issued by the IASB.

13 DISCONTINUED OPERATIONS (CONTINUED)

Details of the profit/(loss) from discontinued operations were as follows:

	Note	2018 HK$'000
Loss after tax from discontinued operations	13(a)	(41,936)
Gain on disposals	13(b)	142,844
		100,908

(a) An analysis of the results of operations of the Discontinued Operations are set out below:

	For the period from 1 January 2018 to 9 October 2018 (Restated) HK$'000	For the period from 1 January 2018 to 29 November 2018 (Restated) HK$'000	Total 2018 (Restated) HK$'000
RF-SIM income	290	5,905	6,195
PIMS income	96,926	–	96,926
CRM services income	–	29	29
Other income	1,783	1,819	3,602
Depreciation and amortisation expenses	(2,952)	(2,527)	(5,479)
Employee benefits expenses	(20,290)	(9,376)	(29,666)
Cost of inventories sold	(50,506)	(3,003)	(53,509)
Impairment provision for intangible assets	–	(2,941)	(2,941)
Provision of inventories	–	(23,538)	(23,538)
Utilities	(152)	(71)	(223)
Legal and professional fees	(884)	(6)	(890)
Net impairment losses of financial assets (Note 3.1.3(c))	(3,482)	–	(3,482)
Other expenses	(24,268)	(3,929)	(28,197)
Loss before income tax for the year for discontinued operations	(3,535)	(37,638)	(41,173)
Income tax expense	–	(763)	(763)
Loss after tax for the year for discontinued operations	(3,535)	(38,401)	(41,936)
Other comprehensive income/(loss) from discontinued operations			
– Currency translation differences	(1,253)	(5,000)	(6,253)
– Exchange reserves released upon disposals of businesses	1,008	(87,249)	(86,241)
	(245)	(92,249)	(92,494)

13 DISCONTINUED OPERATIONS (CONTINUED)

(b) An analysis of gain on the disposals are as follows:

	GLCH 9 October 2018 HK$'000	Sunward Telecom Limited and MZone Network Limited 29 November 2018 HK$'000	Total HK$'000
Consideration			
– Cash consideration	–	135,000	135,000
– Dividend consideration	99,513	–	99,513
Less: direct expenses	–	(10,318)	(10,318)
Less: net assets disposed of:			
– Property, plant and equipment (Note 15)	(1,208)	(1,131)	(2,339)
– Goodwill (Note 18)	(41,459)	–	(41,459)
– Intangible assets (Note 17)	(20,243)	(1,855)	(22,098)
– Deferred tax assets (Note 19)	–	(319)	(319)
– Inventories	(1,987)	(1,383)	(3,370)
– Trade, bills and other receivables	(76,798)	(4,138)	(80,936)
– Amounts due from inter-companies	–	(60,133)	(60,133)
– Cash and cash equivalents	(65,280)	(57,896)	(123,176)
– Deferred tax liabilities (Note 19)	–	319	319
– Trade, bills and other payables	42,484	4,056	46,540
– Amounts due to inter-companies	–	35,989	35,989
– Provision for warranty	17,563	–	17,563
– Non-controlling interests	57,252	–	57,252
– Provision for taxation	7,048	1,527	8,575
	(82,628)	(84,964)	(167,592)
Less: exchange reserve released upon disposals of businesses	(1,008)	87,249	86,241
Gain on disposals	15,877	126,967	142,844

(c) An analysis of the cash outflows of the discontinued operations are as follows:

	For the period from 1 January 2018 to 29 November 2018 HK$'000
Net cash used in operating activities	(28,670)
Net cash generated from investing activities	11,015
Total cash outflows	(17,655)

14 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

Basic (loss)/earnings per share is calculated by dividing the profit/loss attributable to equity owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2019	2018
(Loss)/profit attributable to owners of the Company (HK$'000)		
– arising from continuing operations	(38,852)	(26,519)
– arising from discontinued operations	–	102,965
Weighted average number of ordinary shares in issue (thousand)	11,346,472	9,281,861
Basic (loss)/earnings per share (HK cents)		
– from continuing operations	(0.34)	(0.29)
– from discontinued operations	–	1.11
Total	(0.34)	0.82

(b) Diluted (loss)/earnings per share

For diluted (loss)/earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potentially dilutive ordinary shares.

Diluted (loss)/earnings per share is equal to the basic (loss)/earnings per share for the year ended 31 December 2019 as there were no potential dilutive ordinary shares outstanding during the year (2018: same).

15 PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements HK$'000	Facilities equipment HK$'000	Office equipment HK$'000	Vehicles and other equipment HK$'000	Construction in progress HK$'000	Total HK$'000
At 1 January 2018							
Cost	50,013	35,036	33,815	18,463	12,182	45	149,554
Accumulated depreciation	(10,154)	(31,899)	(30,491)	(13,057)	(8,868)	–	(94,469)
Net book amount	39,859	3,137	3,324	5,406	3,314	45	55,085
Year ended 31 December 2018							
Opening net book amount	39,859	3,137	3,324	5,406	3,314	45	55,085
Additions	–	436	549	321	342	–	1,648
Transfer from construction in progress	–	45	–	–	–	(45)	–
Business combination (Note 18)	–	624	210	62	–	–	896
Disposals of businesses (Note 13)	–	(245)	(690)	(715)	(689)	–	(2,339)
Depreciation	(1,266)	(723)	(1,091)	(1,414)	(849)	–	(5,343)
Disposal	–	–	(99)	(209)	–	–	(308)
Exchange differences	(1,790)	(70)	(136)	(196)	(68)	–	(2,260)
Closing net book amount	36,803	3,204	2,067	3,255	2,050	–	47,379
At 31 December 2018							
Cost	47,713	32,701	28,161	15,005	9,983	–	133,563
Accumulated depreciation	(10,910)	(29,497)	(26,094)	(11,750)	(7,933)	–	(86,184)
Net book amount	36,803	3,204	2,067	3,255	2,050	–	47,379
Year ended 31 December 2019							
Opening net book amount	36,803	3,204	2,067	3,255	2,050	–	47,379
Additions	–	315	746	124	8	–	1,193
Depreciation	(1,179)	(1,675)	(33)	(963)	(659)	–	(4,509)
Disposals	–	–	–	(53)	–	–	(53)
Exchange differences	(785)	(23)	(40)	(52)	(5)	–	(905)
Closing net book amount	34,839	1,821	2,740	2,311	1,394	–	43,105
At 31 December 2019							
Cost	46,669	32,503	28,595	14,298	9,871	–	131,936
Accumulated depreciation	(11,830)	(30,682)	(25,855)	(11,987)	(8,477)	–	(88,831)
Net book amount	34,839	1,821	2,740	2,311	1,394	–	43,105

Note: As at 31 December 2019, the Group had a banking facility of RMB20 million (equivalent to approximately HK$22.3 million) (31 December 2018: Nil) for financing its business operation. Unused facilities as at the same date amounted to HK$22.3 million (31 December 2018: Nil). The facility is secured by the buildings in Guangzhou held by the Group.

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation is included in the consolidated income statement as follows:

	2019 HK$'000	2018 HK$'000
Continuing operations	4,509	4,533

	2019 HK$'000	2018 HK$'000
Discontinued operations	–	810

16 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

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

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

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

	2019 HK$'000	1 January 2019 HK$'000 (Note a)
Right-of-use assets		
Properties	7,044	10,663
Equipment	632	1,046
	7,676	11,709
Lease liabilities		
Current	3,793	4,787
Non-current	4,114	6,922
	7,907	11,709

Note a: For adjustments recognised on adoption of IFRS 16 on 1 January 2019, please refer to Note 2.2.

Additions to the right-of-use assets during the year were approximately of HK$1,246,000.

16 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

(ii) The consolidated income statement shows the following amounts relating to leases:

	2019 HK$'000
Depreciation charge of right-of-use assets	
Properties	4,882
Equipment	719
	5,601
Interest expense (included in finance cost (Note 11))	463
Expense relating to short-term and low-value assets leases	6,270
Gains on modification of leases (included in other income)	4

The total cash outflow for leases in 2019 was approximately of HK$5,826,000.

(iii) The Group's leasing activities and how these are accounted for

The Group leases various offices, staff quarters and transmission lines. Rental contracts are typically made for fixed periods of 1 to 5 years, but may have extension options as described in (iv) below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

(iv) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

17 INTANGIBLE ASSETS

	Patent HK$'000	Development expenditures HK$'000	Computer software HK$'000	Application right HK$'000	Customer contracts HK$'000	Licenses HK$'000	Total HK$'000
At 1 January 2018							
Cost	30,652	25,334	934	28,257	–	–	85,177
Accumulated amortisation	(23,707)	(10,134)	(624)	(5,507)	–	–	(39,972)
Net book amount	6,945	15,200	310	22,750	–	–	45,205
Year ended 31 December 2018							
Opening net book amount	6,945	15,200	310	22,750	–	–	45,205
Business combination (Note 18)	–	–	–	–	106,281	9,978	116,259
Amortisation for the year (Note i)	(2,117)	(4,402)	(45)	(2,507)	(1,771)	–	(10,842)
Disposals of businesses (Note 13)	(1,605)	–	(250)	(20,243)	–	–	(22,098)
Provision for impairment (Note ii)	(2,941)	(10,078)	–	–	–	–	(13,019)
Exchange differences	(282)	–	(15)	–	–	–	(297)
Closing net book amount	–	720	–	–	104,510	9,978	115,208
At 31 December 2018							
Cost	–	900	–	–	106,281	9,978	117,159
Accumulated amortisation	–	(180)	–	–	(1,771)	–	(1,951)
Net book amount	–	720	–	–	104,510	9,978	115,208

	Patent HK$'000	**Development expenditures HK$'000**	**Computer software HK$'000**	**Application right HK$'000**	**Customer contracts HK$'000**	**Licenses HK$'000**	**Total HK$'000**
Year ended 31 December 2019							
Opening net book amount	–	720	–	–	104,510	9,978	115,208
Amortisation for the year (Note i)	–	(720)	–	–	(26,885)	–	(27,605)
Provision for impairment (Note ii)	–	–	–	–	(6,876)	–	(6,876)
Written off (Note ii)	–	–	–	–	(7,952)	–	(7,952)
Closing net book amount	–	–	–	–	62,797	9,978	72,775
At 31 December 2019							
Cost	–	900	–	–	95,552	9,978	106,430
Accumulated amortisation	–	(900)	–	–	(25,879)	–	(26,779)
Accumulated impairment	–	–	–	–	(6,876)	–	(6,876)
Net book amount	–	–	–	–	62,797	9,978	72,775

17 INTANGIBLE ASSETS (CONTINUED)

(i) Amortisation charged for the year

Amortisation is included in the consolidated income statement as follows:

	2019 HK$'000	2018 HK$'000
Continuing operations	**27,605**	6,173

	2019 HK$'000	2018 HK$'000
Discontinued operations	–	4,669

(ii) Impairment charges on intangible assets

In accordance with the Group's accounting policy on asset impairment (Note 2.8), the carrying value of intangible assets were tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

(a) Impairment of CallVu

In October 2018, the Group assessed that certain service contracts with the application of CallVu expired in August 2019 without renewal. During the year ended 31 December 2018, an impairment assessment of CallVu was conducted and an impairment charge of approximately HK$10,078,000 was recognised in the consolidated income statement.

(b) Impairment charges on Patent

During the year ended 31 December 2018, an impairment charge of HK$2,941,000 was recorded in the consolidated income statement of discontinued businesses.

(c) Impairment charges on customer contracts

In 2019, two customer contracts were fully written off as management forecasted that no future contractual cash flows will be generated by these contracts. The expenses related to the write-off were charged to the consolidated income statement, amounted to HK$7,952,000. One customer contract had impairment indicator for the year ended 31 December 2019, an impairment assessment has been performed by management and an impairment provision of HK$6,876,000 was recognised in the consolidated income statement respectively (2018: Nil).

17 INTANGIBLE ASSETS (CONTINUED)

(ii) Impairment charges on intangible assets (continued)

(c) Impairment charges on customer contracts (Continued)

Key assumptions used for assessing the recoverable amount of the customer contract with impairment indicator are as follows:

Estimated services income growth rate of the contract from 1 January 2020 to 31 December 2020	49.1%
Estimated services income growth rate of the contract from 1 January 2021 to 31 December 2021	34.6%
Estimated services income growth rate of the contract from 1 January 2022 to 31 December 2022	14.1%
Discount rate	19.0%

Changing the discount rates and other assumptions selected by management in assessing impairment, including the growth rates assumption in the cash flow projections, could materially affect the net present value used in the impairment assessment. At 31 December 2019, if services income growth rates for each of the years for the customer contract had been 1% lower than management's estimates with all other variables held constant, an additional impairment provision of HK$1,174,000 would have been made. If the discount rate had been 1% higher than management's estimate at 31 December 2019 with all other variables held constant, an additional impairment provision of HK$111,000 would have been made.

18 BUSINESS COMBINATION AND GOODWILL

(a) Business combination

On 29 November 2018, the Company completed the acquisition (the "Acquisition") of the entire issued share capital of Goldstream Capital Management Limited and Goldstream Securities Limited ("Goldstream Companies"), companies principally engaged in financial services business, for a total consideration of HK$351 million, which was settled by the allotment and issuance of consideration shares (being 2,263,012,321 shares of the Company) to the sellers. Upon the completion of the Acquisition, the Group obtained control of Goldstream Companies. The intangible assets acquired through acquisition of Goldstream Companies includes customer contracts and licenses.

The management expects the Group could expand its business scope to financial services business through the acquisition of Goldstream Companies. The Group has obtained instant access to a readily available asset management, securities advisory and trading platform which enables the Group to tap into the financial services sector with an aim to broader the Group's income stream and enhance the shareholders' value.

The following table summarises the consideration paid for the Acquisition, and the fair values of the assets acquired and liabilities assumed at the acquisition date.

	HK$'000
Purchase consideration	
Issue of ordinary shares	350,767

The fair value of the 2,263,012,321 shares issued as the purchase consideration was based on the published share price of HK$0.155 per share. Issued cost HK$540,000 which were directly attributable the issue of the shares have been netted against the deemed proceeds.

Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	15,954
Property, plant and equipment	896
Intangibles assets	116,259
Trade and other receivables	16,548
Amount due from ultimate holding company	27,000
Amount due from a fellow subsidiary	139
Payables and other accruals	(4,679)
Deferred tax liabilities	(19,183)
Total identifiable net assets	152,934
Add: Goodwill (Note b)	197,833
Net assets acquired	350,767

Acquisition related costs of HK$6,255,000 that were not directly attributable to the issue of shares had been charged to administrative expenses in the consolidated income statement and in operating cashflows in the consolidated statement of cashflow for the year ended 31 December 2018.

	HK$'000
Inflow of cash to acquire business, net of cash	
– Cash and cash equivalents acquired	15,954

The acquired business contributed HK$1,940,000 to the Group's total income and HK$1,296,000 loss to the Group's loss before income tax for the period between the date of acquisition and 31 December 2018.

18 BUSINESS COMBINATION AND GOODWILL (CONTINUED)

(a) Business combination (continued)

Had the acquisition occurred on 1 January 2018, consolidated income and consolidated loss after income tax for the year ended 31 December 2018 would have been HK$290,397,000 and HK$30,815,000 respectively. The proforma information was for illustrative purposes only and was not necessarily an indication of total income and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2018, nor is intended to be a projection of future results.

(b) Goodwill

	2019 HK$'000	2018 HK$'000
At 1 January	197,833	41,459
Business combination (Note a)	–	197,833
Disposals of businesses (Note 13)	–	(41,459)
At 31 December	197,833	197,833

The goodwill of HK$197,833,000 arising from the Acquisition is attributable to the synergies expected to arise from the business combination and future growth of Goldstream Companies. None of the goodwill recognised was expected to be deductible for income tax purposes.

Management reviews the business performance of the Group based on the services the respective businesses provide. Goodwill is monitored by management at the operating segment level.

The recoverable amount of goodwill was determined based on value in use. No impairment charge is noted as at 31 December 2019 (2018: Nil).

Key assumptions used for assessing the recoverable amount of the goodwill are as follows:

Estimated services income growth rate from 2019 to 2020	49.0%
Estimated services income growth rate from 2020 to 2021	37.0%
Estimated services income growth rate from 2021 to 2022	13.4%
Estimated services income growth rate from 2022 to 2023	10.0%
Discount rate	18.0%
Terminal growth rate	3.0%

If expected discount rate for the projection period had been 0.5% lower/higher than management's estimates with all other variables held constant, the carrying amount of goodwill would have been approximately HK$11,410,000 higher/lower. If the services income growth rate had been 0.5% higher/lower than management's estimate at 31 December 2019 with all other variables held constant, the carrying amount of goodwill would have been approximately HK$15,181,000 higher/lower. If the terminal growth rate had been 0.5% higher/lower than management's estimate at 31 December 2019 with all other variables held constant, the carrying amount of goodwill would have been approximately HK$7,373,000 higher and HK$6,897,000 lower respectively.

19 DEFERRED TAX ASSETS AND LIABILITIES

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2019 HK$'000	2018 HK$'000
Deferred tax asset		
Deferred tax asset to be recovered after more than 12 months	**(205)**	(212)
At 31 December	**(205)**	(212)
Deferred tax liabilities		
Deferred tax liability to be recovered more than 12 months	**8,659**	14,719
Deferred tax liability to be recovered within 12 months	**3,554**	4,384
At 31 December	**12,213**	19,103
Deferred tax liabilities/(asset), net	**12,008**	18,891

The net movement in the deferred income tax account is as follows:

	2019 HK$'000	2018 HK$'000
At 1 January	**18,891**	(947)
Business combination (Note 18)	**–**	19,183
(Credited)/charge to consolidated income statement (Note 12)		
– Continuing operations	**(6,883)**	91
– Discontinued operations	**–**	635
Exchange differences	**–**	(71)
At 31 December	**12,008**	18,891

19 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

The gross movement in deferred income tax assets and liabilities during the financial years without taking into consideration the offsetting of balances within the same jurisdiction, is as follows:

Deferred tax liabilities	Accelerated tax depreciation HK$'000	Intangible assets valuation gain HK$'000	Total HK$'000
At 1 January 2019	212	18,891	19,103
Credited to the consolidated income statement	(7)	(6,883)	(6,890)
At 31 December 2019	**205**	**12,008**	**12,213**
At 1 January 2018	289	1,736	2,025
Business combination (Note 18(a))	–	19,183	19,183
Credited to the consolidated income statement	(77)	(610)	(687)
Over provision in prior year due to change of tax rate	–	(212)	(212)
Provision of impairment	–	(815)	(815)
Disposals of businesses (Note 13)	–	(319)	(319)
Exchange differences	–	(72)	(72)
At 31 December 2018	212	18,891	19,103

Deferred tax assets	Tax loss and others HK$'000	Total HK$'000
At 1 January 2019	212	212
Charged to the consolidated income statement	(7)	(7)
At 31 December 2019	**205**	**205**
At 1 January 2018	2,972	2,972
Charged to the consolidated income statement	(2,440)	(2,440)
Disposals of businesses (Note 13)	(319)	(319)
Exchange differences	(1)	(1)
At 31 December 2018	212	212

Deferred income tax assets are recognised for tax loss carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. During the current year, approximately HK$19,360,000 of tax losses were incurred (2018: HK$8,212,000). The Group has unrecognised tax losses of approximately HK$41,614,000 (2018: HK$21,690,000) to carry forward against future taxable income. The Group has not recognised deferred tax assets of HK$6,866,000 (2018: HK$3,589,000) in respect of the unrecognised tax losses. The tax losses are subject to approval by Hong Kong Inland Revenue Department (2018: Hong Kong Inland Revenue Department). All unrecognised tax loss have no expiry date (2018: same).

Deferred income tax liabilities have not been recognised for the withholding tax that would be payable on the distributable retained profits amounting to HK$66,934,000 (2018: HK$54,229,000) of the Group's subsidiaries in Mainland China earned after 1 January 2008 because the Group does not have a plan to distribute these earnings from its PRC subsidiaries. The Group has the discretion to do so and it will re-invest in those PRC subsidiaries in the future.

20 TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Note	2019 HK$'000	2018 HK$'000
Trade receivables			
– related parties	31(c)	**29,038**	10,492
– third parties		**50,558**	66,968
		79,596	77,460
Loss allowances (see Note 3.1.3)	(b)	**(385)**	(181)
Trade receivables, net		**79,211**	77,279
Contract assets			
– related parties	31(c)	**–**	30
– third parties		**31,219**	20,985
	(a)	**110,430**	98,294
Other financial assets at amortised cost			
– Deposits and other receivables			
– related parties	31(c)	**21,516**	27,427
– third parties		**22,294**	14,793
Prepayments		**6,893**	2,412
Less: Non-current deposits		**(490)**	(615)
		50,213	44,017
		160,643	142,311

(a) Ageing analysis

Included in trade receivables and contract assets are trade debtors (net of loss allowance) with the following ageing analysis based on the dates on which the relevant services income were recognised:

	2019 HK$'000	2018 HK$'000
Aged within 1 month	**69,080**	52,445
Aged between 1 to 3 months	**21,281**	22,443
Aged between 3 to 6 months	**9,518**	9,483
Aged between 6 months to 1 year	**2,154**	622
Aged over 1 year	**8,397**	13,301
	110,430	98,294

20 TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

(b) Impairment and risk exposure

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. Note 3.1.3(c) provides for details about the calculation of the allowance.

The loss allowance increased by a further HK$204,000 to HK$385,000 for trade receivables during the year ended 31 December 2019.

The total loss allowance for trade receivables of the discontinued operations amounted to HK$3,482,000 (Note 13) for the last reporting period.

Information about the impairment of trade receivables and the Group's exposure to credit risk is disclosed in Note 3.1.3.

The carrying amounts of the Group's trade and other receivables and contract assets, excluding prepayments, are denominated in the following currencies:

	2019 HK$'000	2018 HK$'000
HK$	67,785	75,753
US$	43,236	10,590
RMB	43,219	54,171
	154,240	140,514

21 CASH AND CASH EQUIVALENTS

	2019 HK$'000	2018 HK$'000
Cash at banks and on hand	423,816	116,821
Short-term bank deposits	37,523	343,531
Money market funds (Note a)	23,036	–
	484,375	460,352
Maximum exposure to credit risk	483,639	459,390

Note a: Money market funds represent the investment in highly liquid money instruments, which are readily convertible to cash and has insignificant risk of changes in value.

The interest rates on short-term bank deposits range from 2.7%-3.0% (2018: ranged from 1.1%-2.5%) per annum. These deposits have an average maturity of 33-62 days (2018: 31-33 days).

The carrying values of cash and cash equivalents, bank deposits and money market funds approximate their fair values.

The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:

	2019 HK$'000	2018 HK$'000
HK$	81,353	359,769
US$	343,935	64,011
RMB	59,043	36,519
Other currencies	44	53
	484,375	460,352

21 CASH AND CASH EQUIVALENTS (CONTINUED)

As at 31 December 2019, cash and cash equivalents of approximately HK$56,976,000 (2018: HK$32,765,000) of the Group were deposited with banks in the PRC and denominated in RMB. The conversion of these bank balances into foreign currencies and remittance out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by The State Administration for Exchange Control.

22 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(i) Classification of financial assets at fair value through profit or loss

The Group classifies the following financial assets at FVPL:

- debt investments that do not qualify for measurement at either amortised cost or FVOCI
- equity investments that are held for trading, and
- equity investments for which the entity has not elected to recognise fair value gains and losses through OCI.

Financial assets measured at FVPL include the following:

	2019 HK$'000
Non-current assets	
US investment funds	78,000
Current assets	
Cayman Islands investment funds	47,448
PRC listed equity securities	20,755
BVI investments funds	20,112
Ireland investments funds	810
	89,125
Financial assets at FVPL	167,125

The net movement of financial assets at FVPL is as follows:

	Total HK$'000
At 1 January 2019	–
Additions	164,614
Net fair value gains	2,511
At 31 December 2019	167,125

22 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

(ii) Amounts recognised in the consolidated income statement

During the year, the following income was recognised in the consolidated income statement:

	2019 HK$'000
Net fair value gains on financial assets at FVPL (Note 5)	2,511
Dividend income from investments (Note 5)	1,636

(iii) Risk exposure and fair value measurement

Information about the Group's exposure to price risk is provided in Note 3.1.5. For information about the methods and assumptions used in determining fair value refer to Note 3.3.

23 SHARE CAPITAL AND SHARE PREMIUM

(a) Authorised and issued share capital and share premium

(i) Share capital

	2019		2018	
	Number of shares '000	Nominal value HK$'000	Number of shares '000	Nominal value HK$'000
Ordinary shares of HK$0.01 each				
Authorised:				
At 1 January and end of the year	20,000,000	200,000	20,000,000	200,000
Issued and fully paid:				
At 1 January	11,346,472	113,465	9,083,460	90,835
Issuance of shares (Note a)	–	–	2,263,012	22,630
End of the year	11,346,472	113,465	11,346,472	113,465

(ii) Share premium

	2019 HK$'000	2018 HK$'000
At 1 January	1,709,869	1,481,785
Issuance of shares (Note a)	–	328,137
Transaction cost attributable to the issuance of new shares	–	(540)
Distribution in specie	–	(99,513)
End of the year	1,709,869	1,709,869

Note:

(a) On 30 July 2018, the Company entered into the sales and purchase agreement with Hony Capital Group, L.P. and Expand Ocean Limited to acquire Goldstream Companies. On 29 November 2018, all the conditions precedent set out in the sale and purchase agreement had been fulfilled. Consequently, Goldstream Companies have become subsidiaries of the Group with effect from 29 November 2018. The consideration amounted to approximately HK$350,767,000 was settled by issuance of 2,263,012,321 consideration shares of the Company to the sellers. The consideration shares price was HK$0.155 per share on 29 November 2018. Detail of the transaction is disclosed in Note 18.

23 SHARE CAPITAL AND SHARE PREMIUM (CONTINUED)

(b) Share based payments

The Company has adopted a share option scheme (the "Share Option Scheme") in written on 4 May 2010, for the purpose of providing incentives or rewards to eligible participants (including employees and directors of the Company and its subsidiaries). Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for 10 years from 4 May 2010.

The maximum number of shares which may be issued upon exercise of all options granted and to be granted under the Share Option Scheme is 283,860,000 shares, representing 10% of the shares of the Company in issue as at the date of adoption of the Share Option Scheme as adjusted following the completion of the bonus issue of shares of the Company as disclosed in the announcement of the Company dated 30 March 2015.

The maximum number of shares issuable under share options granted to each eligible participant in the Share Option Scheme (including both exercised and outstanding options) within any 12-month period is limited to 1% of the shares of the Company in issue.

The exercise period of the share options granted is determined by the directors, save that such a period shall not be more than 10 years from the date of offer of the share options and subject to the provisions for early termination as set out in the Share Option Scheme. There is no requirement of a minimum period for which an option must be held before it can be exercised.

The exercise price of the share options shall be not less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of a share of the Company on the date of offer.

As at 31 December 2019, no option has been granted or outstanding under the Share Option Scheme (2018: same).

24 RESERVES

(i) Statutory reserve

The Group's wholly owned subsidiaries in Macau are required to transfer not less than 25% of their net profits, as determined in accordance with Commercial Code of Macau, to their statutory reserve funds until the balance reaches 50% of the registered capital. The balances of statutory reserve in the subsidiaries had already reached 50% of the respective registered capital and no more transfer was required to be made to the statutory reserve funds of these subsidiaries.

The statutory reserve can be used to make up for previous years' losses of the subsidiaries, if any. This fund can also be used to increase capital of the subsidiaries, if approved. This fund is non-distributable until liquidation. Transfer to this fund must be made before distributing dividends to the equity holders.

Pursuant to the applicable regulations in the PRC, the Group's wholly owned subsidiary in the PRC, namely China Elite, is required to transfer at least 10% of its after-tax profit determined under the relevant accounting regulations in the PRC (after offsetting prior year losses) to the statutory reserve until the balance reaches 50% of the registered capital. As China Elite is profit making, HK$1,464,000 was transferred to the statutory reserve during the year (2018: HK$175,000).

24 RESERVES (CONTINUED)

(ii) Other reserve

In 2016, the Group distributed to shareholders 12.17% equity interest in GLCH as distribution in specie. The carrying amount of the non-controlling interests in GLCH on the date of disposal was HK$60,215,000. The Group recognised an increase in non-controlling interests of HK$15,924,000 and an increase in equity attributable to owners of HK$45,880,000 due to revaluation of the non-controlling interest to its fair value prior to the distribution. The increase in equity of HK$45,880,000 was recognised in other reserves, which was then released and transferred to accumulated losses upon the Distribution in Specie in 2018 as mentioned in Note 13 above.

25 TRADE AND OTHER PAYABLES

	Note	**2019 HK$'000**	2018 HK$'000
Trade payables			
– Amounts due to related parties	31(c)	**–**	548
– Amounts due to third parties		**14,552**	2,957
	(a)	**14,552**	3,505
Other payables			
– Amounts due to related parties	31(c)	**9**	24,030
– Amounts due to third parties		**48,133**	22,753
Accruals (due to third parties)			
– Accrued salaries		**45,613**	7,535
– Accrued audit fee		**1,734**	1,513
– Others		**464**	1,599
		110,505	60,935

The carrying amounts of trade and other payables are considered to be approximated to their fair values, due to their short-term nature.

The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	2019 HK$'000	2018 HK$'000
USD	**44,252**	835
RMB	**15,195**	15,777
HK$	**50,680**	44,323
GBP	**378**	–
	110,505	60,935

25 TRADE AND OTHER PAYABLES (CONTINUED)

(a) Ageing analysis

The ageing analysis of trade payables based on invoice date are follows:

	2019 HK$'000	2018 HK$'000
0-30 days	**13,896**	2,429
31-90 days	**484**	848
91-180 days	**118**	5
181 days-1 year	**1**	175
Over 1 year	**53**	48
	14,552	3,505

26 BORROWINGS FROM A FORMER DIRECTOR

	2019 HK$'000	2018 HK$'000
Borrowings from a former director	**209,617**	47,445

The amount due represent balance with a former director, Mr. Li Kin Shing. He was a director of the Company until he resigned on 28 December 2018. The amount is unsecured, non-interest bearing and repayable in its full principal amounted of HK$214,999,000 on 29 November 2020. The imputed interest of HK$6,875,000 is unwinded (2018: HK$2,609,000), incurring a finance cost of HK$4,048,000 for the year ended 31 December 2019 (2018: HK$54,000).

As at 31 December 2019, the Group has a facility of HK$215 million (31 December 2018: HK$215 million) from Mr. Li for financing its business operation. Unused facilities as at the same date amounted to nil (31 December 2018: HK$165 million).

27 CASH FLOW INFORMATION

	2019 HK$'000	2018 HK$'000
Continuing operations		
Loss before income tax	(45,819)	(25,679)
Adjustments for:		
– Depreciation of property, plant and equipment	4,509	4,533
– Depreciation of right-of-use assets	5,601	–
– Amortisation of intangible assets	27,605	6,173
– Fair value gain on financial assets at FVPL	(2,511)	–
– Dividend income from financial assets at FVPL	(1,636)	–
– Gain on modification of leases	(4)	–
– Loss on sale of property, plant and equipment	46	130
– Impairment provision for intangible assets	6,876	10,078
– Written off of intangible assets	7,952	–
– Provision for/(reversal of) loss allowances	204	(240)
– Interest expense	4,511	54
– Interest income	(13,605)	(5,258)
– Exchange difference	(1,053)	118
Changes in working capital		
– Trade receivables, prepayments, deposits and other receivables	(20,517)	14,939
– Trade and other payables and contract liabilities	50,840	13,976
– Balances with subsidiaries of disposal groups	–	12,715
Cash generated from operations	22,999	31,539

(a) Cash generated from operations

In the consolidated statement of cash flows, proceeds from sale of property, plant and equipment comprise:

	2019 HK$'000	2018 HK$'000
Continuing operations		
Net book amount	53	141
Loss on sales of property, plant and equipment	(46)	(130)
Proceeds from sales of property, plant and equipment	7	11

(b) Non-cash transaction

During the year ended 31 December 2018, the Company declared a special dividend of HK$99,513,000, satisfied by distribution in specie of the GLCH shares, which was completed on 9 October 2018. Further details are set out in Note 9 to the consolidated financial statements.

27 CASH FLOW INFORMATION (CONTINUED)

(c) Net cash reconciliation

This section sets out an analysis of net cash and the movements in net cash for each of the periods presented.

Net cash	2019 HK$'000	2018 HK$'000
Cash and cash equivalents	484,375	460,352
Borrowings from a former director – at gross amount and interest-free	(209,617)	(47,445)
Leases liabilities	(7,907)	–
Net cash	266,851	412,907

	Other assets	Liabilities from financing activities			
	Cash HK$'000	Borrowing due within 1 year HK$'000	Borrowing due after 1 year HK$'000	Leases liabilities HK$'000	Total HK$'000
Net cash as at 1 January 2018	383,856	–	–	–	383,856
Cash flows	81,101	–	(50,000)	–	31,101
Foreign exchange adjustment	(4,605)	–	–	–	(4,605)
Other charges	–	–	2,555	–	2,555
Net cash as at 31 December 2018 and 1 January 2019	460,352	–	(47,445)	–	412,907
Recognised on adoption of IFRS 16 (see Note 2.2)	–	–	–	(11,709)	(11,709)
	460,352	–	(47,445)	(11,709)	401,198
Reclassification	–	(47,445)	47,445	–	–
Cash flows	24,738	(164,999)	–	5,826	(134,435)
Acquisition – leases	–	–	–	(1,246)	(1,246)
Foreign exchange adjustment	(715)	–	–	134	(581)
Other charges	–	2,827	–	(912)	1,915
Net cash as at 31 December 2019	484,375	(209,617)	–	(7,907)	266,851

28 COMMITMENTS

(a) Capital commitments

These were no capital expenditure contracted for but not yet incurred as at 31 December 2019 and 31 December 2018.

(b) Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases not recognised in the consolidated financial statements are as follows:

	2018	
	Properties HK$'000	Transmission lines HK$'000
Within 1 year	1,045	1,639
Over 1 year but within 5 years	–	426
	1,045	2,065

The Group leases a number of properties and transmission lines held under non-cancellable operating leases. The lease terms are between one to five years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

From 1 January 2019, the Group has recognised right-of-use assets for these leases, except for short-term and low-value leases, see Note 16 for further information.

29 SUBSIDIARIES

29.1 The following is a list of the principal subsidiaries at 31 December 2019:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital and debt securities	Interest held by the Company		Interest held by non-control interest
				Direct	Indirect	
China Elite Info Co., Limited[1]	PRC, limited liability company	Services relating to information and telecommunications system network technology; data communications technology services in the PRC	Registered and paid-up capital of HK$94,000,000	–	100%	–
International Elite Limited – Macao Commercial Offshore	Macau Special Administrative Region ("Macao") of the PRC, limited liability company	Call centre for customer support and back offices in Macau	Authorised and paid-up capital of Macau Patacus ("MOP") 100,000	–	100%	–
International Elite Services Limited	Hong Kong, limited liability company	Investment holding	Paid-up capital of HK$1	100%	–	–
Honor Crest Holdings Limited	British Virgin Islands, limited liability company	Dormant	Authorised US$50,000 and paid-up capital of US$1	100%	–	–
Keithick Profits Limited	British Virgin Islands, limited liability company	Investment holding and provision of telecommunication services	Authorised capital of US$50,000 and paid-up capital of US$1	100%	–	–
Winet Engineering Limited	Hong Kong, limited liability company	Marketing and technical support services for telecommunications companies in Hong Kong	Paid-up capital of HK$2	–	100%	–
Goldstream Capital Management Limited	Hong Kong, limited liability company	Advising on securities and asset management	Paid-up capital of HK$49,354,824	100%	–	–
Goldstream Securities Limited	Hong Kong, limited liability company	Dormant	Paid-up capital of HK$8,000,001	100%	–	–
Redwood Elite Limited[2]	Cayman Islands, limited liability company	Strategic direct investment	Authorised capital of US$50,000 and paid up capital of US$1	100%	–	–

Note:

(1) This entity was established as a wholly foreign owned enterprise in the PRC. The English name of this entity incorporated in Mainland China is direct translation of the Chinese name.

(2) This entity was newly incorporated in 2019.

29 SUBSIDIARIES (CONTINUED)

29.2 Interests in structured entities

As at 31 December 2019, the Group is deemed to hold controlling interest in the following investment funds. All assets and liabilities of these funds are consolidated within the Group's consolidated statement of financial position.

Name	Place of incorporation	2019 Directly	2019 Indirectly	2018 Directly	2018 Indirectly
Goldstream Appreciation Fund SP	Cayman Islands	–	100%	–	–
Goldstream China A Share Equity Fund SP	Cayman Islands	–	100%	–	–
Goldstream Stable Fixed Income Fund I SP	Cayman Islands	–	93%	–	–

In 2019, the Group has set up Goldstream Appreciation Fund SP, Goldstream China A Share Equity Fund SP and Goldstream Stable Fixed Income Fund I SP (the "Funds").

30 FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the date of consolidated statement of financial position are as follows:

	2019 HK$'000	2018 HK$'000
Assets as per consolidated statement of financial position		
Financial assets at amortised costs		
– Trade and other receivables, excluding prepayments	154,240	140,514
– Cash and cash equivalents	484,375	460,352
Financial assets at FVPL	167,125	–
Total	805,740	600,866

	2019 HK$'000	2018 HK$'000
Liabilities as per consolidated statement of financial position		
Other financial liabilities at amortised cost		
– Trade and other payables	63,726	51,792
– Borrowings from a former director	209,617	47,445
Lease liabilities	7,907	–
Total	281,250	99,237

31 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. The related parties and the related party transactions are as follow:

(a) Relationship between the Group and related parties

(i) *Ultimate shareholders of the Group*

Mr. Li Kin Shing (note (i))
Ms. Kwok King Wa (note (i))
Mr. Zhao John Huan (note (ii))

(ii) *Ultimate parent*

Ever Prosper International Limited (note (i))
Hony Capital Group, L. P. (note (ii))

(iii) *Subject to common control of ultimate shareholders*

China-Hong Kong Telecom Ltd. (note (i))
Directel Communications Limited (note (i))
Directel Holdings Limited (note (i))
Directel Limited (note (i))
Elitel Limited (note (i))
Fastary Limited (note (i))
Jandah Management Limited (note (i))
Talent Information Engineering Co., Ltd. (note (i))
Guangzhou Directel Telecommunications Limited (note (i))
Exponential Fortune Group Limited (note (ii))
Hony Capital Limited (note (ii))
Hony Capital Management (Cayman) Limited (note (ii))
Hony Group Management Limited (note (ii))
Hony Gold Holdings, L.P. (note (ii))
Hony Gold GP Limited (note (ii))
Hony Managing Partners Limited (note (ii))
Goldstream Capital Management (Cayman) Limited (note (ii))
Goldstream Segregated Portfolio Company (note (ii))

Notes:

(i) Ceased from 29 November 2018 onwards

(ii) Started from 29 November 2018 onwards

31 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties

The following transactions were carried out with related parties:

	Note	2019 HK$'000	2018 HK$'000
Services income	(i)	30,538	2,259
Licensing income	(ii)	–	60
Rental expenses for properties	(iii)	1,672	1,063
Sundry expense	(iv)	–	88

Notes:

(i) Services income from related parties mainly represent the provision of IM service (2018: rendering services of CRM and provision of IM services). The selling prices are determined based on prevailing price of similar services to independent third party customers.

(ii) In 2018, licensing income from Directel Limited, licensee of the operation rights of RF-SIM in markets other than the PRC was determined on a mutually agreed basis.

(iii) The Group rented properties from related parties, Hony Capital Limited (2018: Talent Information Engineering Co., Ltd. and Hony Capital Limited), at a price mutually agreed.

(iv) The Group paid transmission expenses to a related party, Guangzhou Directel Telecommunications Limited at a price mutually agreed.

(c) Balances with related parties

The outstanding balances arising from the above transactions at the date of consolidated statement of financial position are as follows:

	2019 HK$'000	2018 HK$'000
Amounts due from related parties		
– Trade receivables	29,038	10,492
– Contract assets	–	30
– Deposits and other receivables	21,516	27,427
Amounts due to related parties		
– Trade payables	–	548
– Other payables	9	24,030

Balances with related parties are unsecured, interest-free and repayable on demand.

(d) Key management compensation

Key management includes directors and senior management. The compensation paid or payable to key management for employee services is shown below:

	2019 HK$'000	2018 HK$'000
Wages, salaries and other benefits	14,783	8,247
Contribution to retirement benefit schemes	454	373
	15,237	8,620

32 STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

	2019 HK$'000	2018 HK$'000
ASSETS		
Non-current assets		
Property, plant and equipment	318	879
Investments in subsidiaries	468,167	350,767
	468,485	351,646
Current assets		
Trade and other receivables	798	1,016
Amounts due from subsidiaries	331,747	4,661
Cash and cash equivalents	88,868	375,478
	421,413	381,155
Total assets	889,898	732,801
EQUITY		
Capital and reserves attributable to owners of the Company		
Share capital	113,465	113,465
Reserves (Note a)	554,043	555,113
Total equity	667,508	668,578
LIABILITIES		
Non-current liabilities		
Borrowings from a former director	–	47,445
	–	47,445
Current liabilities		
Borrowings from a former director	209,617	–
Trade and other payables	12,466	16,471
Amounts due to subsidiaries	270	270
Current income tax liabilities	37	37
	222,390	16,778
Total liabilities	222,390	64,223
Total equity and liabilities	889,898	732,801

The statement of financial position of the Company was approved by the Board of Directors on 31 March 2020 and was signed on its behalf.

Zhao John Huan
Director

Lin Tun
Director

32 STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY (CONTINUED)

(a) Reserve of the Company

	Share premium HK$'000	Other reserves HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2019	**1,709,869**	**1,451,503**	**(2,606,259)**	**555,113**
Loss for the year	**–**	**–**	**(1,070)**	**(1,070)**
At 31 December 2019	**1,709,869**	**1,451,503**	**(2,607,329)**	**554,043**
At 1 January 2018	1,481,785	1,451,503	(2,582,049)	351,239
Issuance of shares	328,137	–	–	328,137
Transaction cost attributable to the issue of new shares	(540)	–	–	(540)
Distribution in specie	(99,513)	–	–	(99,513)
Loss for the year	–	–	(24,210)	(24,210)
At 31 December 2018	1,709,869	1,451,503	(2,606,259)	555,113

(i) *Distribution of reserves*

Under the Companies Law of the Cayman Islands, the share premium of the Company is available for distributions or dividends to shareholders subject to the provisions of its Memorandum or Articles of Association and provided that immediately following the distribution of dividends, the Company is able to pay its debts as they fall due in the ordinary course of business.

(ii) *Other reserves*

It mainly represented the equity component which was arose the issuance of convertible notes on 26 July 2011. All the convertible notes were fully converted in 2011.

33 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS), REGULATION (CAP. 622G) AND HK LISTING RULES)

(a) Directors' and chief executive's emoluments

The remuneration of every directors and the chief executive is set out below:

For the year ended 31 December 2019:

Emoluments paid or receivable in respect of a person's services as a director, whether of the company or its subsidiary undertaking:

Name	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Housing allowance HK$'000	Allowances and benefits in kind HK$'000	Employers contribution to a retirement benefit scheme HK$'000	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking HK$'000	Benefit scheme HK$'000
Executive directors								
Ms. Li Yin	80	1,334	110	–	14	72	–	1,596
Mr. Zhao John Huan (Note (iii))	–	–	–	–	–	–	–	–
Dr. Lin Tun (Note (v))	–	2,522	3,042	–	48	201	–	5,813
Mr. Yuan Bing (Note (iv))	–	–	–	–	–	–	–	–
Mr. Lu Yan (Note iv)	–	–	–	–	–	–	–	–
Independent and non-executive directors								
Mr. Chen Xue Dao (Note (vi))	73	–	–	–	–	–	–	73
Mr. Cheung Sai Ming (Note (vi))	73	–	–	–	–	–	–	73
Mr. Liu Chun Bao (Note (vi))	73	–	–	–	–	–	–	73
Mr. Jin Qingjun (Note (vii))	21	–	–	–	–	–	–	21
Mr. Lee Kin Ping Christophe (Note (vii))	18	–	–	–	–	–	–	18
Mr. Shu Wa Tung Laurance (Note (vii))	18	–	–	–	–	–	–	18

33 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS), REGULATION (CAP. 622G) AND HK LISTING RULES) (CONTINUED)

(a) Directors' and chief executive's emoluments (continued)

For the year ended 31 December 2018:

Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:

Name	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Housing allowance HK$'000	Allowances and benefits in kind HK$'000	Employers contribution to a retirement benefit scheme HK$'000	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking HK$'000	Benefit scheme HK$'000
Executive directors								
Mr. Li Kin Shing (Note (i))	140	1,353	147	–	–	74	–	1,714
Ms. Li Yin	80	1,335	110	–	–	72	–	1,597
Mr. Wong Kin Wa (Note (ii))	140	752	73	–	–	41	–	1,006
Mr. Li Wen (Note (ii))	80	758	–	–	–	30	–	868
Mr. Zhao John Huan (Note (iii))	–	–	–	–	–	–	–	–
Mr. Lu Yan (Note (iv))	–	–	–	–	–	–	–	–
Dr. Lin Tun (Note (v))	–	–	–	–	–	–	–	–
Mr. Yuan Bing (Note (iv))	–	–	–	–	–	–	–	–
Independent and non-executive directors								
Mr. Chen Xue Dao	80	–	–	–	–	–	–	80
Mr. Cheung Sai Ming	140	–	–	–	–	–	–	140
Mr. Liu Chun Bao	140	–	–	–	–	–	–	140

Note:

(i) Mr. Li Kin Shing was the executive director and the chief executive officer of the Company and had resigned as director and chief executive officer with effect from 28 December 2018.

(ii) Mr. Wong Kin Wa and Lin Wen were resigned as executive director with effect from 28 December 2018.

(iii) Mr. Zhao John Huan had been appointed as executive director of the Company and Chairman of the Board of Directors with effect from 28 December 2018.

(iv) Mr. Lu Yan and Mr. Yuan Bing had been appointed as executive directors of the Company with effect from 28 December 2018. Mr. Lu Yan resigned as executive director with effect from 23 April 2019.

(v) Dr. Lin Tun had been appointed as executive director and chief executive officer of the Company with effect from 28 December 2018.

(vi) Mr. Chen Xue Dao, Mr. Cheung Sai Ming and Mr. Liu Chun Bao were resigned as independent and non-executive directors with effect from 1 December 2019.

(vii) Mr. Jin Qingjun, Mr. Lee Kin Ping Christophe and Mr. Shu Wa Tung Laurence had been appointed as independent and non-executive directors with effect from 1 December 2019.

33 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS), REGULATION (CAP. 622G) AND HK LISTING RULES) (CONTINUED)

(a) Directors' and chief executive's emoluments (continued)

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

(b) Directors' retirement benefits and termination benefits

None of the directors received or will receive any retirement benefits or termination benefits during the year ended 31 December 2019 (2018: Nil).

(c) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2019, the Company does not pay consideration to any third parties for making available directors' services (2018: Nil).

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

As at 31 December 2019, there are no loans, quasi-loans and other dealing arrangements entered into by the Company or subsidiary undertaking of the Company in favour of directors, controlled bodies corporate by and controlled entities with such directors (2018: Nil).

(e) Directors' material interests in transactions, arrangements or contracts

Except as disclosed in Note 31 to the consolidated financial statements, there is no other significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

34 SUBSEQUENT EVENTS

The outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020 is considered a non-adjusting subsequent event and its related financial impact has not been reflected in the consolidated financial statements of the Group as at and for the year ended 31 December 2019.

Following the COVID-19 outbreak, the Group understands that part of the normal operation of CRMS business has been affected due to controls imposed by various preventive measures in the PRC and Hong Kong. Some of the operators in the CRMS business were not able to travel to the CRM service centres where those locations were severely affected by the epidemic, and encountered difficulties in rendering services to the customers. Up to the date on which this set of consolidated financial statements were authorised for issue, the operation in the CRM service centres is gradually resuming.

34 SUBSEQUENT EVENTS (CONTINUED)

The Group holds certain financial assets at FVPL. As at 31 December 2019, the total fair value of these financial assets amounted to approximately HK$167 million (Note 22). In 2020, fair value of the Group's financial assets at FVPL may be subject to fluctuation due to the COVID-19 outbreak, the impact of which is still under assessment.

In preparing the consolidated financial statements as at and for the year ended 31 December 2019, the Group tested goodwill for impairment (Note 18) and the recoverable amount of the relevant CGUs exceeds its carrying amount, thus no provision for impairment is made. In performing this assessment, the Group estimated the present value of future cash flows of the CGUs based on the conditions as at 31 December 2019. In the goodwill impairment test to be performed in 2020, COVID-19 outbreak and its impact on the present value of estimated future cash flows of the CGUs will be considered. Up to the date on which this set of consolidated financial statements were authorised for issue, the Group is still in the process of assessing the impacts of the COVID-19 on the performance of the relevant CGUs and is currently unable to estimate the quantitative impacts to the Group.

The Group will pay close attention to the development of the outbreak, perform further assessment of its impact on the Group's financial performance for the year ending 31 December 2020 and take relevant measures.

FIVE-YEAR FINANCIAL SUMMARY

	For the year ended 31 December				
	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000
Results					
Income	**314,317**	270,915	258,371	295,489	272,320
(Loss)/profit from operations	**(48,183)**	(28,234)	(18,605)	(37,812)	27,617
Finance income, net	**2,364**	2,555	–	–	–
(Loss)/profit before taxation	**(45,819)**	(25,679)	(18,605)	(37,812)	27,617
Income tax credit/(expenses)	**6,967**	(840)	1,951	938	677
(Loss)/profit from continuing operations	**(38,852)**	(26,519)	(16,654)	(36,874)	28,294
Profit/(loss) from discontinued operations	**–**	100,908	(44,168)	–	–
(Loss)/profit for the year	**(38,852)**	74,389	(60,822)	(36,874)	28,294
Allocated as:					
Loss for the year attributable to non-controlling interest	**–**	(2,057)	(11,622)	(3,708)	–
(Loss)/profit for the year attributable to owners of the Company	**(38,852)**	76,446	(49,200)	(33,166)	28,294

	At 31 December				
	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000
Assets and liabilities					
Property, plant and equipment	**43,105**	47,379	55,085	56,071	58,459
Goodwill	**197,833**	197,833	41,459	41,459	–
Intangible assets	**72,775**	115,208	45,205	55,141	36,679
Financial assets at fair value through profit or loss available-for-sale financial asset	**167,125**	–	–	–	24,960
Long term deposit	**490**	615	632	–	–
Right-of-use assets	**7,676**	–	–	–	–
Deferred tax assets	**–**	–	2,972	3,273	2,278
Net current assets	**409,185**	540,634	530,142	563,105	583,253
Total assets less current liabilities	**809,064**	901,669	675,495	719,049	705,629
Lease liabilities	**7,907**	–	–	–	–
Deferred tax liabilities	**12,008**	18,891	2,025	2,470	3,131
Provision for long services payment	**–**	–	–	56	–
Borrowings from a former director	**209,617**	47,445	–	–	–
Net assets	**792,942**	835,333	673,470	716,523	702,498
Capital and reserves					
Share capital	**113,465**	113,465	90,835	90,835	90,835
Reserves	**679,477**	721,868	518,839	551,009	611,663
Non-controlling interest	**–**	–	63,796	74,679	–
Total equity	**792,942**	853,333	673,470	716,523	702,498