旭通控股
STEERING HOLDINGS

Steering Holdings Limited
旭通控股有限公司

(formerly known as Dafy Holdings Limited)
(前稱達飛控股有限公司)
(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立的有限公司)
Stock Code 股份代號 : 1826

ANNUAL REPORT
年報 2019

Contents

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Mr. Wang Jing *(Chairman)*
(appointed on 20 February 2020)
Mr. Gao Yunhong (re-designated to non-executive Director on 20 February 2020)
Mr. Lu Xin (resigned on 29 November 2019)
Ms. Feng Xuelian (appointed on 24 January 2019)
Mr. Ng Kin Siu *(Chief executive officer)*
Mr. Qi Gang (resigned on 24 January 2019)

Non-executive Director

Mr. Gao Yunhong (re-designated from executive Director on 20 February 2020)

Independent non-executive Directors:

Mr. Chan Yuk Sang
Mr. Wan Chi Wai Anthony
Mr. Lau Kwok Fai Patrick

COMPANY SECRETARY

Mr. Yu Tsz Ngo

CORPORATE DEVELOPMENT ADVISER

Mr. Zhang Huaqiao

HONG KONG LEGAL ADVISER

Stevenson, Wong & Co. in association with AllBright Law Offices

AUTHORISED REPRESENTATIVES

Mr. Ng Kin Siu
Mr. Yu Tsz Ngo

AUDIT COMMITTEE

Mr. Lau Kwok Fai Patrick *(Chairman)*
Mr. Chan Yuk Sang
Mr. Wan Chi Wai Anthony

REMUNERATION COMMITTEE

Mr. Wan Chi Wai Anthony *(Chairman)*
Mr. Gao Yunhong
Mr. Chan Yuk Sang

NOMINATION COMMITTEE

Mr. Wang Jing *(Chairman)*
(appointed on 20 February 2020)
Mr. Gao Yunhong (resigned on 20 February 2020)
Ms. Feng Xuelian (appointed on 24 January 2019)
Mr. Chan Yuk Sang
Mr. Wan Chi Wai Anthony
Mr. Lau Kwok Fai Patrick
Mr. Qi Gang (resigned on 24 January 2019)

CORPORATE INFORMATION

AUDITORS
Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Room 3601, China Resources Building
26 Harbour Road
Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P. O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS
China Merchants Bank
Bank of Communications
The Hongkong and Shanghai Banking Corporation Limited

WEBSITE ADDRESS
www.steering.com.hk

STOCK CODE
1826

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of Directors (the "**Directors**") of Steering Holdings Limited (the "**Company**"), it is my pleasure to present the audited financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2019.

RESULTS

The total revenue of the Group increased by approximately HK$644.8 million or 99.4% from approximately HK$648.5 million for the year ended 31 December 2018 to approximately HK$1,293.3 million for the year ended 31 December 2019. The Group's profits attributable to owners of the Company decreased by approximately HK$11.5 million or 35.8% from approximately HK$32.1 million for the year ended 31 December 2018 to approximately HK$20.6 million for the year ended 31 December 2019.

BUSINESS REVIEW AND PROSPECT

In 2019, the Directors had been actively exploring different business opportunities in order to diversify the existing construction business in Hong Kong and to explore new markets with significant growth potential in the People's Republic of China (the "**PRC**"). The Directors believe that the diversification of business and income stream will take advantage of new business opportunities that may give rise to more sustainable growth in shareholders' value and empower us to capture greater opportunities.

Construction segment

During the year ended 31 December 2019, the overall market condition of the construction industry had been facing the challenges of no material expansion in the relevant market demand, high construction costs and labour shortage. The Group remains cautiously optimistic about the overall business prospects. Considering our proven track record and comprehensive services, we believe that we could strengthen our position in the Hong Kong market by attracting larger corporate customers and tenders for more capital-intensive projects for such customers. We also believe that the trend of the overall construction market is stable in view of the growth in private housing activities.

Financial information and technology services segment

The Group commenced the financial information and technology services business in the PRC since the last quarter of 2018. For the year ended 31 December 2019, the Group continued to expand the operation scale of the financial information and technology services business.

In future, we will continue to expand and diversify our principal businesses and operations. In this regard, we may look into business and investment opportunities in different business areas and geographical locations and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, and/or restructuring of the business will be appropriate in order to enhance the long-term growth potential of the Group.

A NOTE OF APPRECIATION

On behalf of the Board, I wish to take this opportunity to express our gratitude to our shareholders, clients, business partners and suppliers who trust and remain faithful to the Group. I would also like to express our sincere thanks to the management and staff for their commitment and contribution to the continued success of business throughout the years.

Wang Jing
Chairman

Hong Kong, 11 May 2020

MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION

Construction segment

The services involved in the construction segment include: contracting services for alteration and addition works, maintenance, specialist works and new development; and consulting services for alteration and addition works, new development, licensing, building services, and architectural design for buildings in Hong Kong. The Group provides one-stop integrated solution for both contracting and consulting services from project planning, resources allocation, subcontractor management and material procurement to monitoring and quality assurance, and to offering value-adding services such as providing advice on designs to the Group's customers.

Financial information and technology services segment

This segment involved the provision of financial information and technology services to the individuals in the People's Republic of China (the "**PRC**"). The Group has developed a range of high integrity and user friendly platforms for the users in the PRC, and acting as a nationwide enterprise with diverse products in the financial related service industry.

BUSINESS REVIEW AND OUTLOOK

The Group continued to develop the contracting and consulting services in the construction segment in Hong Kong and the financial information and technology services business in the PRC. The Directors believe that the continuous diversification of business and income streams will take advantage of new business opportunities that may give rise to more sustainable growth in shareholders' value and empower us to capture greater opportunities.

For the year ended 31 December 2019, there were 82 contracting projects and 380 consulting projects (2018: 93 contracting projects and 397 consulting projects) with revenue contribution. The demands for the Group's contracting and consulting services slightly dropped as compared with the previous year.

The Group possesses the expertise and experience to deliver solutions that may add value to its projects. As at 31 December 2019, the Group's in-house team of professional staff for both contracting and consulting services comprised of a total of 19 (2018: 15) staff with professional qualifications which maintained a similar level as compared with the previous year. The qualified and experienced personnel, including authorized persons, authorized signatories, surveyors and engineers, can cope with the Group's business development for both contracting and consulting services by undertaking projects of larger scale and of higher complexity.

The Group commenced the financial information and technology services business in the PRC since the last quarter of 2018. For the year ended 31 December 2019, the Group continued to expand the operation scale of the financial information and technology services business. The Directors believe that the financial information and technology services segment will continue to support the continuous growth of the Group and enhance the long-term growth potential of the Company and its shareholders' value.

The business operation of the Group has been moderately affected by the COVID-19 coronavirus outbreak (the "**Epidemic**"). Some of the customers' repayments are in unexpected arrears. In addition, strict anti-epidemic measures implemented in the PRC has resulted in difficulties for some of the Group's employees in the PRC to report duty, which has adversely affected the operational efficiency of the Group. The Company expects that the situation will improve gradually upon the Epidemic effectively controlled or constrained.

Looking forward to 2020, despite the temporary economic fluctuation caused by the Epidemic at the beginning of the year, the Group remains optimistic on gradual growth recovery throughout the year. The Group will continue to maintain its core competitive advantages and seize market opportunities to enhance the financial performance.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group is principally engaged in (i) contracting services for alteration and addition works, maintenance, specialist works and new development; (ii) consulting services for alteration and addition works, new development, licensing, building services, and architectural design for buildings in Hong Kong; and (iii) financial information and technology services to the individuals in the PRC.

The total revenue of the Group increased by approximately HK$644.8 million or 99.4% from approximately HK$648.5 million for the year ended 31 December 2018 to approximately HK$1,293.3 million for the year ended 31 December 2019. The increase was primarily resulted of the increase in revenue from financial information and technology services.

The revenue from contracting services decreased by approximately HK$30.6 million or 5.9% from approximately HK$519.7 million for the year ended 31 December 2018 to approximately HK$489.1 million for the year ended 31 December 2019. The decrease was mainly due to a decrease in number of contracting projects with significant contract sum for the year ended 31 December 2019.

The revenue from consulting services increased by approximately HK$0.6 million or 1.1% from approximately HK$57.1 million for the year ended 31 December 2018 to approximately HK$57.7 million for the year ended 31 December 2019. The revenue from consulting services remained at a similar level as compared with the previous year.

The revenue from financial information and technology services increased by approximately HK$674.8 million or 939.8% from approximately HK$71.8 million for the year ended 31 December 2018 to approximately HK$746.6 million for the year ended 31 December 2019 as the Group commenced its financial information and technology services in the last quarter for the year ended 31 December 2018 and continue to expand its market share in 2019.

Gross Profit and Gross Profit Margin

Gross profit of the Group increased by approximately HK$476.6 million or 437.2% from approximately HK$109.0 million for the year ended 31 December 2018 to approximately HK$585.6 million for the year ended 31 December 2019, while the gross profit margin of the Group increased from approximately 16.8% for the year ended 31 December 2018 to approximately 45.3% for the year ended 31 December 2019. The increase was mainly driven by the financial information and technology services during the year.

The gross profit of contracting services decreased by approximately HK$1.5 million or 4.6% from approximately HK$32.5 million for the year ended 31 December 2018 to approximately HK$31.0 million for the year ended 31 December 2019, while the gross profit margin of the contracting services remained at 6.3% for both years.

The decrease in gross profit of contracting services was mainly due to (i) the corresponding decrease in revenue of the contracting services; (ii) the decrease in gross profit of our top five projects in terms of the contract size and (iii) cost of the project team and operating team which has to be maintained at a high level in order to maintain competitive in the tender bidding of other projects in the coming years.

MANAGEMENT DISCUSSION AND ANALYSIS

The gross profit of consulting services decreased by approximately HK$2.8 million or 16.1% from approximately HK$17.4 million for the year ended 31 December 2018 to approximately HK$14.6 million for the year ended 31 December 2019, and the gross profit margin of the consulting services decreased from approximately 30.5% for the year ended 31 December 2018 to approximately 25.3% for the year ended 31 December 2019.

The decrease in gross profit in consulting services was mainly due to increase in number of consulting projects which required the sub-consultancy services in view of the complexity, technicality and expertise required for the project.

The gross profit of financial information and technology services increased by approximately HK$480.9 million or 813.7% from approximately HK$59.1 million for the year ended 31 December 2018 to approximately HK$540.0 million for the year ended 31 December 2019, and the gross profit margin of the financial information and technology services decreased from approximately 82.3% for the year ended 31 December 2018 to approximately 72.3% for the year ended 31 December 2019.

Other Income

Other income of the Group decreased by approximately HK$0.6 million or 30.0% from approximately HK$2.0 million for the year ended 31 December 2018 to approximately HK$1.4 million for the year ended 31 December 2019. The decrease was mainly due to the provision of the non-recurring development of financial information and technology system and software service rendered in the PRC by a subsidiary of the Group during the year ended 31 December 2018.

Other Gains and Losses

The Group has other net losses of approximately HK$54.6 million (2018: HK$0.024 million) for the year ended 31 December 2019. The increase in net losses was attributable to losses on change in fair value of financial assets and convertible bonds.

Impairment losses under expected credit loss model, net of reversal

The Group has impairment losses under expected credit loss model, net of reversal of approximately HK$208.0 million (2018: HK$1.1 million) for the year ended 31 December 2019. The increase was due to the increase in impairment losses under expected credit loss model on trade and other receivables.

Administrative Expenses

Administrative expenses of the Group increased by approximately HK$68.0 million or 173.5% from approximately HK$39.2 million for the year ended 31 December 2018 to approximately HK$107.2 million for the year ended 31 December 2019.

Administrative expenses primarily consist of depreciation of Right of Use (the "**ROU**") assets, staff costs and professional and other costs in relation to the compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The increase was mainly attributable to depreciation of ROU assets for the office premises both located in Hong Kong and the PRC, staff costs paid, audit fee and legal and professional fee paid during the year.

Finance Costs

Finance costs of the Group increased by approximately HK$1.1 million or 57.9% from approximately HK$1.9 million for the year ended 31 December 2018 to approximately HK$3.0 million for the year ended 31 December 2019, as the interest paid for the bank borrowings increased for the year ended 31 December 2019.

Income Tax Expense

Income tax expense for the Group increased by approximately HK$80.3 million or 464.2% from approximately HK$17.3 million for the year ended 31 December 2018 to approximately HK$97.6 million for the year ended 31 December 2019. The increase was mainly attributable to the increase in profit before tax from approximately HK$68.6 million for the year ended 31 December 2018 to approximately HK$214.2 million for the year ended 31 December 2019.

Profit and Total Comprehensive Income for the Year Attributable to the Owners of the Company

Profit for the year attributable to the owners of the Company decreased by approximately HK$11.5 million or 35.8% from approximately HK$32.1 million for the year ended 31 December 2018 to approximately HK$20.6 million for the year ended 31 December 2019.

It was primarily attributable to the net effect of (i) the increase in revenue and gross profit generated from financial information and technology services; (ii) the decrease in revenue and gross profit for the contracting services; (iii) the decrease in gross profit in consulting services; (iv) the increase in the impairment losses under expected credit loss model on trade and other receivables, administrative expenses and income tax expense; and (v) the loss on the fair value changes of the financial assets and convertible bonds.

Total comprehensive income for the year attributable to the owners of the Company decreased from approximately profit of HK$26.8 million for the year ended 31 December 2018 to approximately loss of HK$4.2 million losses for the year ended 31 December 2019.

It was primarily attributable to the net effect of (i) the increase in revenue and gross profit generated from financial information and technology services; (ii) the decrease in revenue and gross profit for the contracting services; (iii) the decrease in gross profit in consulting services; (iv) the loss on the fair value changes of the financial asset and convertible bonds; (v) the increase in the impairment losses under expected credit loss model on trade and other receivables, administrative expenses and income tax expenses; and (vi) the increase in fair value loss on investments in equity instruments at fair value through other comprehensive income.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

The current ratio of the Group as at 31 December 2019 was 1.7 times as compare to that of 1.4 times as at 31 December 2018. It remained at a similar level.

As at 31 December 2019, the Group had advances from customers amounting to approximately HK$1.0 million (2018: approximately HK$6.6 million), which bore interest at 0%–5.25% per annum in both years. In addition, the Group had bank borrowings of approximately HK$52.6 million (2018: approximately HK$53.4 million) and amounts due to shareholders of approximately HK$15.5 million (2018: HK$52.4 million) as at 31 December 2019. The gearing ratio, calculated based on the total borrowings including interest-bearing advances from customers, bank borrowings and amounts due to a shareholders divided by total equity at the end of the year and multiplied by 100%, decreased to approximately 16.1% as at 31 December 2019 from approximately 67.0% as at 31 December 2018. The gearing ratio decreased as the total equity increased during the year.

CAPITAL STRUCTURE

The convertible bonds in the principal amount of HK$80,000,000 issued by the Group were converted into 100,000,000 Shares during the year ended 31 December 2019.

The total number of the issued Shares of the Company was 1,332,000,000 as at 31 December 2019 (2018: 1,232,000,000).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 31 December 2019, the Group did not have other plans for material investments and capital assets.

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

(1) VIE Agreements

On 31 May 2019, a series of agreements comprising the exclusive business cooperation agreement, the exclusive purchase right agreement, the equity pledge agreement and two powers of attorneys all dated 31 May 2019 (collectively, the "**VIE Agreements**") were entered into among Shangrao Hongmiao Information Technology Co., Ltd.* (上饒市紅淼信息科技有限公司) (("**Shangrao Hongmiao**") (formerly known as Shangrao Dafy Financial Data Service Co., Ltd. (上饒市達飛金融信息服務有限公司)), a non-wholly-owned subsidiary of the Company, Shenzhen Qianhai Weiyuan Zhicheng Operation Management Technology Co., Ltd* 深圳前海微遠至誠運營管理科技有限公司 (the "**OPCO**"), Mr. Gao Yunhong ("**Mr. Gao**") and Shangrao Yaxin Technology Co., Ltd.* (上饒市亞鑫科技有限公司) ("**Shangrao Yaxin**"). Through the VIE Agreements, Shangrao Hongmiao would have effective control over the finance, operation and assets of the OPCO and would enjoy the entire economic interests and benefits generated by the OPCO. After entering into of the VIE Agreements, the OPCO has become a non-wholly-owned subsidiary of the Company and the financial results of the OPCO has been consolidated into the consolidated financial statements of the Group. As at the date of the VIE Agreements, Gentle Soar Limited ("**Gentle Soar**") was beneficially interested in 862,400,000 shares (representing 70% of the then total issued shares) and was a controlling shareholder of the Company. Mr. Gao beneficially owns the entire issued shares of Gentle Soar and is therefore also a controlling shareholder of the Company. In addition, Mr. Gao was then an executive Director. As such, Mr. Gao is a connected person of the Company under Chapter 14A of the Listing Rules.

As the OPCO is legally owned as to 99% by Mr. Gao and 1% by Shangrao Yaxin, a company established in the PRC with limited liability which is legally and wholly owned by Mr. Gao, OPCO is an associate of Mr. Gao and therefore a connected person of the Company. Accordingly, the transactions contemplated under the VIE Agreements constitute connected transactions and continuing connected transactions for the Company pursuant to Chapter 14A of the Listing Rules and are subject to the announcement, independent shareholders' approval, annual reporting and annual review requirements under Chapter 14A of the Listing Rules.

An independent board committee, comprising only the independent non-executive Directors (the "**Independent Board Committee**") was established by the Board to advise the shareholders of the Company other than Gentle Soar and its associates (the "**Independent Shareholders**") on the terms of the VIE Agreements. An independent financial adviser was appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the VIE Agreements. In accordance with Rule 14A.52 of the Listing Rules, the independent financial adviser has also explained why the duration of the VIE Agreements, which exceeds three years, constitutes a special circumstance under Rule 14A.52 of the Listing Rules and is required for the nature of the transactions, and whether it is normal business practice for contracts of this type to be of such duration. An extraordinary general meeting was convened on 9 September 2019 and the VIE Agreements and the transactions contemplated thereunder were duly approved by the Independent Shareholders. The Company has applied for, and the Stock Exchange has granted, a waiver pursuant to Rule 14A.102 of the Listing Rules from (i) fixing the term of the VIE Agreements pursuant to Rule 14A.52 of the Listing Rules; and (ii) setting a maximum aggregate annual cap pursuant to Rule 14A.53 of the Listing Rules for the service fees payable by OPCO to Shangrao Hongmiao.

(2) Acquisition of Sunshine Micro-credit

On 24 September 2019, the OPCO as the purchaser and Ms. Shen Dan (沈丹) ("**Ms. Shen**") and Mr. Yang Xianfeng (楊險峰) ("**Mr. Yang**") as the vendors entered into share transfer agreements respectively in respect of the transfer of 19,960,000 shares and 19,000,000 shares in Datong Development Zone Sunshine Micro-credit Co., Ltd* (大同開發區陽光小額貸款股份有限公司) ("**Sunshine Micro-credit**"), representing 9.98% and 9.50% of the equity interests therein, at an aggregate consideration of RMB58,440,000 (equivalent to approximately HK$64,307,000) (the "**Acquisition**").

As an ordinary and usual course of business of the Group, the Group has been referring potential and suitable clients who have financial needs to Sunshine Micro-credit and its subsidiaries, and as a result of which, the Group will receive remuneration for every successful referral. Therefore the Group has established business relationship with Sunshine Micro-credit with mutual benefits. The Board is of the view that the Acquisition would enhance such business relationship.

Upon completion of the Acquisition, (a) the OPCO became the single largest shareholder of Sunshine Micro-credit with the shareholding of 19.48%; and (b) as confirmed by the PRC legal adviser of the Company, the OPCO was entitled to nominate one director to Sunshine Micro-credit and convene shareholders' meetings of Sunshine Micro-credit. Therefore the Directors are of the view that the Acquisition can enhance the existing business relationship with Sunshine Micro-credit. The acquisition of 19,960,000 shares in Sunshine Micro-credit from Ms. Shen was completed on 18 October 2019.

On 31 December 2019, the OPCO and Mr. Yang entered into a termination agreement to terminate the share transfer agreement between the OPCO and Mr. Yang dated 24 September 2019 in respect of the transfer of 19,000,000 shares in Sunshine Micro-credit. Before entering into the termination agreement, Mr. Yang had already transferred 100,000 shares, representing 0.05% of the equity interests of Sunshine Micro-credit of the OPCO. Therefore, the remaining shares to be acquired from Mr. Yang were 18,900,000 shares of Sunshine Micro-credit, representing 9.45% of its equity interests, and the acquisition would not proceed pursuant to the termination agreement.

As the OPCO will not become the single largest shareholder of Sunshine Micro-credit, on 31 December 2019, the Group announced its intention to dispose of 20,060,000 shares of Sunshine Micro-credit, representing 10.03% of equity interests. (the "**Intended Disposal**"). Up to the date of this report, no agreement has been entered into in respect of the Intended Disposal and there is no assurance that the Intended Disposal will materialise.

Save as disclosed above, during the year ended 31 December 2019, the Group did not have any other material acquisitions or disposals of subsidiaries and affiliated companies.

SURETY BONDS AND CONTINGENT LIABILITIES

Certain customers of construction contracts undertaken by the Group require the Group entities to issue guarantees for performance of contract works in the form of surety bonds and secured by pledged bank deposits. In addition, the Group provided a counter-indemnity to the financial institutions who have issued such surety bonds.

As at 31 December 2019, the outstanding amount of surety bonds of the Group was approximately HK$40,208,000 (2018: HK$16,110,000).

Save as disclosed above, as at 31 December 2019, the Group did not have any other material contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

EXPOSURE TO EXCHANGE RATE FLUCTUATION

As at 31 December 2019, the Group's majority of the assets and liabilities, and income and expenses were denominated in Renminbi and Hong Kong Dollar. The Group had no significant exposure to fluctuations in exchange rates or under foreign exchange contracts, interest, currency swaps or other financial derivatives.

CHARGE OF GROUP'S ASSETS

As at 31 December 2019, the Group has pledged its bank deposit to a bank of approximately HK$36.3 million (2018: approximately HK$33.2 million) to secure the guaranteed credit facilities for issuing surety bonds and general banking facilities amounting to approximately HK$108.8 million (2018: approximately HK$119.8 million).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, the Group employed a total of 567 employees (2018: 475 employees). The staff costs, including Directors' emoluments, of the Group were approximately HK$176.7 million for the year ended 31 December 2019 (2018: approximately HK$92.4 million). Remuneration is determined with reference to market terms and the performance, qualification and experience of the individual employee. In addition to a basic salary, year-end discretionary bonuses were offered to staff with outstanding performance to attract and retain eligible employees to contribute to the Group. Apart from basic remuneration, share options may be granted to eligible employees by reference to the Group's performance as well as individual contribution.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board recognises that transparency and accountability are important to a listed company. Therefore, the Company is committed to establishing and maintaining good corporate governance practices and procedures. The Directors believe that good corporate governance provides a framework that is essential for effective management, successful business growth and a healthy corporate culture in return to the benefits of the Company's stakeholders as a whole.

The Board has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules. The Directors will continue to review its corporate governance practices in order to enhance its corporate governance standard, to comply with the increasingly tightened regulatory requirements from time to time, and to meet the rising expectation of shareholders and other stakeholders of the Company.

The Board is pleased to report compliance with all applicable code provisions of the CG Code during the year ended 31 December 2019.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings set out in Appendix 10 to the Listing Rules. The Company had also made specific enquiry of all the Directors and the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by the Directors during the year ended 31 December 2019.

BOARD OF DIRECTORS

As at 31 December 2019, the Board comprised six Directors, including three executive Directors, namely Mr. Gao Yunhong, Ms. Feng Xuelian and Mr. Ng Kin Siu, and three independent non-executive Directors, namely Mr. Chan Yuk Sang, Mr. Wan Chi Wai Anthony and Mr. Lau Kwok Fai Patrick.

Mr. Gao Yunhong was the chairman (the "**Chairman**") of the Board and re-designated to non-executive Director on 20 February 2020.

As at the date of this report, the Board comprised seven Directors, including three executive Directors, namely Mr. Wang Jing, Ms. Feng Xuelian and Mr. Ng Kin Siu, one non-executive Director, namely Mr. Gao Yunhong and three independent non-executive Directors, namely Mr. Chan Yuk Sang, Mr. Wan Chi Wai Anthony and Mr. Lau Kwok Fai Patrick.

Mr. Wang Jing was appointed as Chairman of the Board on 20 February 2020.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under code provision of A.2.1. of the CG Code, the roles of the Chairman and the chief executive officer of the Company (the "**Chief Executive Officer**") should be separated and should not be performed by the same individual. The roles of Chairman and Chief Executive Officer should be separated to ensure a clear division between the Chairman's responsibility to manage the Board and the Chief Executive Officer's responsibility to manage the Company's business. The separation ensures a balance of power and authority so that power is not concentrated.

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2019, Mr. Ng Kin Siu was the Chief Executive Officer of the Group and Mr. Gao Yunhong was the Chairman of the Group. The roles of the Chairman and the Chief Executive Officer are segregated. The Chairman's main role is to lead the Board in discharging its powers and duties, while the Chief Executive Officer's main role is to lead the management of the Company for undertaking all the responsibilities delegated by the Board and managing the overall operation of the Group.

RESPONSIBILITIES OF THE BOARD

The overall management of the Company's business is vested in the Board which assumes the responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. All the Directors should make decisions objectively in the interests of the Company and its shareholders as a whole. The Board has the full support from the executive Directors and the senior management of the Company to discharge its responsibilities.

The day-to-day management, administration and operation of the Company are delegated to the executive Directors and the senior management of the Company. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the executive Director(s) and senior management. The Board also assumes the responsibilities of maintaining high standard of corporate governance, including, among others, developing and reviewing the Company's policies and practices on corporate governance, reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements, and reviewing the Company's compliance with the CG Code. All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective delivery of the Board functions. Independent non-executive Directors are invited to serve on the audit committee (the "**Audit Committee**"), the remuneration committee (the "**Remuneration Committee**") and the nomination committee (the "**Nomination Committee**") of the Company.

The biographical details of the Directors and other senior management are set out in the section headed "**Biographical Details of Directors and Senior Management**" of this annual report.

The Company has arranged for appropriate insurance cover for directors' and officers' liabilities in respect of legal actions against its directors arising out of corporate activities.

BOARD DIVERSITY POLICY

The Company has adopted a board diversity policy (the "**Board Diversity Policy**") for the year ended 31 December 2019 and up to the date of this corporate governance report. A summary of this Board Diversity Policy, together with the measurable objectives set for implementing this Board Diversity Policy, and the progress made towards achieving those objectives are disclosed as below.

Summary of the Board Diversity Policy

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

Measurable Objectives

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

Implementation and Monitorings

The Nomination Committee reviewed the Board's composition under diversified perspectives, and monitors the implementation of the Board Diversity Policy at least annually. The Nomination Committee has reviewed the Board Diversity Policy to ensure its effectiveness and considered that the Group achieved the Board Diversity Policy during the year ended 31 December 2019.

BOARD MEETING, GENERAL MEETING AND PROCEDURES

During the year ended 31 December 2019, ten Board meetings were held. The attendance record of each Director at the Board meeting is set out in the table below:

Name of Directors	Number of attendance/ number of required attendance of Board meetings	
Executive Directors:		
Mr. Wang Jing	N/A	(Note 1)
Mr. Lu Xin	9/9	(Note 2)
Ms. Feng Xuelian	10/10	(Note 3)
Mr. Ng Kin Siu	10/10	
Mr. Qi Gang	N/A	(Note 4)
Non-executive Director:		
Mr. Gao Yunhong	10/10	(Note 5)
Independent non-executive Directors:		
Mr. Chan Yuk Sang	10/10	
Mr. Wan Chi Wai Anthony	8/10	
Mr. Lau Kwok Fai Patrick	9/10	

Note 1: Mr. Wang Jing was appointed as executive Director on 20 February 2020

Note 2: Mr. Lu Xin resigned as executive Director on 29 November 2019

Note 3: Ms. Feng Xuelian was appointed as executive Director on 24 January 2019

Note 4: Mr. Qi Gang resigned as executive Director on 24 January 2019

Note 5: Mr. Gao Yunhong was re-designated from executive Director to non-executive Director on 20 February 2020

During the year ended 31 December 2019, two general meetings of the Company were held. The attendance record of each Director at the general meetings is set out in the table below:

Name of Directors	Number of attendance/ number of required attendance of general meetings	
Executive Directors:		
Mr. Wang Jing	N/A	(Note 1)
Mr. Lu Xin	2/2	(Note 2)
Ms. Feng Xuelian	2/2	(Note 3)
Mr. Ng Kin Siu	2/2	
Mr. Qi Gang	N/A	(Note 4)
Non-executive Director:		
Mr. Gao Yunhong	2/2	(Note 5)
Independent non-executive Directors:		
Mr. Chan Yuk Sang	2/2	
Mr. Wan Chi Wai Anthony	1/2	
Mr. Lau Kwok Fai Patrick	1/2	

Note 1: Mr. Wang Jing was appointed as executive Director on 20 February 2020

Note 2: Mr. Lu Xin resigned as executive Director on 29 November 2019

Note 3: Ms. Feng Xuelian was appointed as executive Director on 24 January 2019

Note 4: Mr. Qi Gang resigned as executive Director on 24 January 2019

Note 5: Mr. Gao Yunhong was re-designated from executive Director to non-executive Director on 20 February 2020

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee has been established and the Board is responsible for performing the corporate governance functions such as developing and reviewing the Company's policies, practices on corporate governance, training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements. The Board is also responsible for developing, reviewing and monitoring the code of conduct and compliance manual applicable to employees and Directors and reviewing the Company's compliance with the code of conduct and disclosure in the corporate governance report. The Board holds meetings from time to time whenever necessary. At least 14 days' notice of regular Board meetings is given to all Directors and they can include matters for discussion in the agenda as they think fit. The agenda accompanying Board papers are sent to all the Directors at least 3 days before the date of every Board meeting in order to allow sufficient time for the Directors to review the documents.

Minutes of every Board meeting are circulated to all Directors for their perusal and comments prior to confirmation of the minutes. The Board also ensures that it is supplied in a timely manner with all necessary information in a form and of a quality appropriate to enable it to discharge its duties.

Every Board member has full access to the advice and services of the company secretary with a view to ensuring that Board procedures, and all applicable rules and regulations are followed and they are also entitled to have full access to Board papers and related materials so that they are able to make an informed decision and to discharge their duties and responsibilities.

If a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will be dealt with in accordance with applicable rules and regulations and, if appropriate, an independent Board committee will be set up to deal with the matter.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The current articles of association of the Company (the "**Articles**") provide that subject to the manner of retirement by rotation of Directors as from time to time prescribed by the Listing Rules, at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation and that every Director shall be subject to retirement by rotation at least once every three years.

Independent non-executive Directors are appointed for a term of three years subject to retirement by rotation and re-election in accordance with the Articles. Each Independent non-executive Director is required to inform the Company as soon as practicable if there is any change that may affect his independence. The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers these independent non-executive Directors to be independent.

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT FOR DIRECTORS

Newly appointed Director will be arranged a comprehensive, formal and tailored induction which includes provision of key guidelines, documents and publications relevant to their roles, responsibilities and ongoing obligations; a briefing on the Company's structure, businesses, risk management and other governance practices and meeting with other fellow Directors so as to help the newly appointed Directors familiarize with the management, business and governance policies and practices of the Company, and ensure that they have a proper understanding of the operations and businesses of the Company.

To assist the Directors' continuing professional development, the Company recommends the Directors to attend relevant seminars to develop and refresh their knowledge and skills. The Directors also participate in continuous professional development programmes such as external seminars organised by qualified professionals, to develop and refresh their knowledge and skills in relation to their contribution to the Board. All the Directors also understand the importance of continuous professional development and are committed to participate in any suitable training to develop and refresh their knowledge and skills.

According to the training record maintained by the Company, during the year ended 31 December 2019, all the Directors had participated in continuous professional development in the following manner:

Name of Directors	Type of training
Executive Directors:	
Mr. Wang Jing	(i)
Ms. Feng Xuelian	(i)
Mr. Ng Kin Siu	(i, ii)
Non-executive Director:	
Mr. Gao Yunhong	(i)
Independent non-executive Directors:	
Mr. Chan Yuk Sang	(i, ii)
Mr. Wan Chi Wai Anthony	(i, ii)
Mr. Lau Kwok Fai Patrick	(i, ii)

i. reading journals and newspaper updates on corporate governance and directors' duties and responsibility.

ii. attending training/seminars/conferences arranged by the professional firms/organisations.

Note: Mr. Wang Jing was appointed as executive Director on 20 February 2020; Mr. Lu Xin resigned as executive Director on 29 November 2019; Ms. Feng Xuelian was appointed as executive Director on 24 January 2019; Mr. Qi Gang resigned as executive Director on 24 January 2019; Mr. Gao Yunhong was re-designated from executive Director to non-executive Director on 20 February 2020

BOARD COMMITTEES

The Board has established three board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee, with written terms of reference which are available on the websites of the Stock Exchange and the Company.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with the Listing Rules, in accordance with provisions set out in the CG Code, which are available on the websites of the Stock Exchange and the Company.

The Audit Committee currently consists of three independent non-executive Directors, namely Mr. Chan Yuk Sang, Mr. Wan Chi Wai Anthony and Mr. Lau Kwok Fai Patrick. The chairman of the Audit Committee is Mr. Lau Kwok Fai Patrick, who has appropriate professional qualifications and experience in accounting matters.

The Audit Committee is mainly responsible for the followings:

(a) to make recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;

(b) to review and to monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee should discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences and ensure coordination where more than one audit firm is involved;

(c) to monitor the integrity of the Company's annual report, interim financial reports and quarterly reports, if any, before submission to the Board, and to focus particularly on:

    (i) any changes in accounting policies and practices;

    (ii) major judgmental areas;

    (iii) significant adjustments resulting from the audit;

    (iv) going concern assumptions and any qualifications;

    (v) compliance with accounting standards; and

    (vi) compliance with the Listing Rules and other legal requirements in relation to financial reporting.

(d) to oversee the Company's financial reporting system, risk management and internal control systems, including:

  (i) reviewing the Company's financial controls, accounting policies and the risk management and internal control systems;

  (ii) discussing the risk management and internal control systems with management to ensure that management has performed its duty to maintain effective systems, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;

  (iii) where an internal audit function exists, ensuring that the internal audit function is adequately resourced and has appropriate standing within the Company, and reviewing and monitoring its effectiveness;

  (iv) reviewing the external auditors' management letter and management's response; and

  (v) ensuring that the Board will provide a timely response to the issues raised in the external auditors' management letter.

During the year ended 31 December 2019, the Audit Committee held two meetings to, among others, consider and approve the following:

(a) to review the Group's consolidated financial results for the year ended 31 December 2018 and the six months ended 30 June 2019 before submission to the Board, with a focus on compliance with accounting standards, the Listing Rules and other requirements in relation to financial reporting of the Audit Committee;

(b) to discuss the effectiveness of the internal control system throughout the Group, including financial, operational and compliance controls, and risk management; and

(c) to review the accounting principles and practices adopted by the Group and other financial reporting matters.

The individual attendance record of each member of the Audit Committee is as follows:

Name of Directors	Number of attendance/ number of required attendance of meetings
Mr. Lau Kwok Fai Patrick *(Chairman)*	2/2
Mr. Chan Yuk Sang	2/2
Mr. Wan Chi Wai Anthony	2/2

The Group's audited annual results in respect of the year ended 31 December 2019 have been reviewed by existing members of the Audit Committee.

There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditors during the year ended 31 December 2019.

REMUNERATION COMMITTEE

The Remuneration Committee currently consists of one non-executive Director, namely, Mr. Gao Yunhong, and two independent non-executive Directors, namely, Mr. Chan Yuk Sang and Mr. Wan Chi Wai Anthony, with Mr. Wan Chi Wai Anthony as the chairman of the Remuneration Committee. The terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

The main roles and functions of the Remuneration Committee include the followings:

(a) to establish a formal and transparent procedure for developing remuneration policy;

(b) to recommend to the Board the policy and structure for the remuneration of Directors and senior management whilst ensuring no Director or any of his/her associates is involved in deciding his/her own remuneration;

(c) to determine the remuneration of Directors and senior management, including benefits in kind, pension right, compensation payment (including compensation for loss of office or appointment etc.). The chairman and/or the managing Director shall be consulted respectively about their proposals relating to the remuneration of the managing Director and/or senior management, as the case may be;

(d) to review and to approve the compensation arrangements in connection with any loss or termination of office or appointment, or dismissal or removal for misconduct to executive Directors and senior management which shall be consistent with contractual terms and fair and not excessive;

(e) to determine the criteria for assessing employee performance, which should reflect the Company's business objectives and targets; and

(f) to consider the annual performance bonus for executive Directors, senior management, and the general staff, having regard to the achievements against the performance criteria by reference to corporate goals and objectives resolved by the Board, and make recommendations to the Board.

During the year ended 31 December 2019, three Remuneration Committee meetings were held, at which the Remuneration Committee (i) approved the terms of executive Directors' service contracts; and (ii) made recommendations to the Board for consideration on their salary for the year ended 31 December 2019.

The individual attendance record of each member of the Remuneration Committee is as follows:

Name of Directors	Number of attendance/ number of required attendance of meetings
Mr. Wan Chi Wai Anthony *(Chairman)*	3/3
Mr. Gao Yunhong	3/3
Mr. Chan Yuk Sang	3/3

The emolument payable to Directors depends on their respective contractual terms under the service contracts and the appointment letters, and as recommended by the Remuneration Committee.

Details of the Directors' emolument are set out in note 11 to the consolidated financial statements.

Details of the annual remuneration of member of the senior management by band for the year ended 31 December 2019 is as follows:

	Number of employees
Up to HK$1,000,000	1

NOMINATION COMMITTEE

The Company has established the Nomination Committee with written terms of reference which are in compliance with the code provision A.5 of the CG Code. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board annually; identify individuals suitably qualified to become Board members; assess the independence of the independent non-executive Directors; and make recommendations to the Board on relevant matters relating to appointment or re-appointment of Directors.

The Nomination Committee currently consists of two executive Directors, namely, Mr. Wang Jing and Ms. Feng Xuelian, and three independent non-executive Directors, namely, Mr. Chan Yuk Sang, Mr. Wan Chi Wai Anthony and Mr. Lau Kwok Fai Patrick, with Mr. Wang Jing as the chairman of the Nomination Committee. The terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

When making recommendations regarding the appointment of any proposed candidate to the Board or re-appointment of any existing member(s) of the Board, the Nomination Committee shall consider a variety of factors including without limitation to the following in assessing the suitability of the proposed candidate:

— Reputation for integrity;

— Board diversity, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;

— Merits and contribution that proposed candidate will bring to the Board;

— Compliance with the criteria of independence as prescribed under the Listing Rules for the appointment of an independent non-executive Director; and

— Ability to devote sufficient time and attention to the Company's business.

During the year ended 31 December 2019, two Nomination Committee meetings were held, at which the Nomination Committee (i) reviewed the structure, size and diversity of the Board; (ii) assessed the independence of the independent non-executive Directors; (iii) reviewed the Board Diversity Policy; and (iv) recommended to the Board for consideration the appointment of new executive Director and the re-election of all the retiring Directors at the annual general meeting held on 31 May 2019.

The individual attendance record of each member of the Nomination Committee is as follows:

Name of Directors	Number of attendance/ number of required attendance of meetings	
Mr. Wang Jing *(Chairman)*	N/A	(Note 1)
Mr. Gao Yunhong	2/2	(Note 2)
Ms. Feng Xuelian	2/2	(Note 3)
Mr. Chan Yuk Sang	2/2	
Mr. Wan Chi Wai Anthony	2/2	
Mr. Lau Kwok Fai Patrick	2/2	
Mr. Qi Gang	N/A	(Note 4)

Note 1: Mr. Wang Jing was appointed as executive Director on 20 February 2020
Note 2: Mr. Gao Yunhong was re-designated from executive Director to non-executive Director on 20 February 2020
Note 3: Ms. Feng Xuelian was appointed as executive Director on 24 January 2019
Note 4: Mr. Qi Gang resigned as executive Director on 24 January 2019

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements of the Group that gives a true and fair view of the state of affairs of the Group. The Directors aim to present a balanced and understandable assessment of the Group's position and prospects with timely publication of the financial statements of the Group. As at 31 December 2019, the Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern.

The responsibility of the external auditor is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the Shareholders of the Company. The statements by the external auditor, Deloitte Touche Tohmatsu, about their reporting responsibility on the financial statements of the Group are set out in the independent auditor's report on pages 61 to 65 of this annual report.

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROL AND RISK MANAGEMENT

The Board has overall responsibility for the establishment, maintenance and review of the Group's internal control system to safeguard shareholders' investments and the assets of the Group. The internal control system of the Group aims to facilitate effective and efficient operation which in turn minimises the risks to which the Group is exposed. The system can only provide reasonable but not absolute assurance against misstatement or losses.

The Board has through the Audit Committee conducted a review of the implemented system and procedures, covering financial, operational and legal compliance controls and risk management system for the year ended 31 December 2019. The Board keeps monitoring the risk management system on an ongoing basis, ensuring a review of the effectiveness of the Group's risk management system is conducted at least annually. The Directors consider that the Group has implemented appropriate procedures safeguarding the Group's assets against unauthorised use or misappropriation, maintaining proper accounting records, execution with appropriate authority and compliance of the relevant laws and regulations.

The Group recognises that good risk management is essential for the long-term development of the Group's business. Management is responsible for establishing, implementing, reviewing and evaluating the soundness and effectiveness of the internal control system underpinning the risk management framework. The management has formulated the risk management and control framework. All employees are committed to implementing the risk management framework into the daily operation.

The Company does not have an internal audit function and is currently of the view that there is no immediate need to set up an internal audit function within the Group in light of the size, nature and complexity of the Group's business. It was decided that the Board would be directly responsible for internal control of the Group and for reviewing its effectiveness.

OBJECTIVES OF RISK MANAGEMENT AND INTERNAL CONTROL

The objectives of the risk management and internal control framework of the Group are to identify and manage the risk of the Group in accordance with acceptable safety levels and to achieve the Group's strategic objectives. The Group has adopted a three line risk management approach to identify, analyse, evaluate, mitigate and handle risks. At the first line of defence, department staff/frontline employees who must understand their roles and responsibilities are responsible for identifying, assessing and monitoring risks associated with transactions. The second line of defence is the Group's management that provides independent oversight of the risk management activities of the first line of defence. It ensures that risks are within the Group's risk capacity and that the control of the first line of defence is effective. As the final line of defence, the Audit Committee with the advice and opinions from an external professional party (such as the external auditor) and the internal audit function, would conduct a review of the Company's risk management and internal control systems on an annual basis and ensure that the first and second lines of defence are performed effectively. The Board has conducted a review, and is satisfied with the effectiveness and adequacy, of the risk management and internal control systems for the year ended 31 December 2019.

HANDLING AND DISSEMINATION OF INSIDE INFORMATION

For the purposes of handling and disseminating inside information in accordance with the Listing Rules and the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong), the Company has in place a policy on handling and dissemination of inside information ("**Policy**") which sets out the procedures and internal controls for handling and dissemination of inside information in a timely manner in such a way so as not to place any person in a privileged dealing position and to allow time for the market to price the listed securities of the Company with the latest available information. This Policy also provides guidelines to staff of the Company to ensure proper safeguards exist to prevent the Company from breaching the statutory disclosure requirements. It also includes appropriate internal control and reporting systems to identify and assess potential inside information.

AUDITOR'S REMUNERATION

The amount of fees charged by the external auditor generally depends on the scope and volume of the external auditor's work performed.

For the year ended 31 December 2019, the remuneration paid or payable to the external auditor of the Company in respect of the statutory audit services and non-audit services for the Group are as follows:

	2019 HK$'000	**2018** HK$'000
Audit services	2,300	1,950
Review of interim report	760	480
Others	168	–
	3,228	2,430

COMPANY SECRETARY

Mr. Yu Tsz Ngo ("**Mr. Yu**") was appointed as the company secretary of the Company on 15 May 2015. Mr. Yu has taken no less than 15 hours of relevant professional training for the year ended 31 December 2019. The biographical details of Mr. Yu are set out under the section headed "Biographical Details of Directors and Senior Management" of this annual report.

SHAREHOLDERS' RIGHTS

As one of the measures to safeguard shareholders' interest and rights, separate resolutions can be proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. All resolutions put forward at a shareholders' meeting will be voted by poll pursuant to the Listing Rules and the poll voting results will be posted on the website of the Stock Exchange and the Company's website after the relevant shareholders' meeting.

PROCEDURES FOR SHAREHOLDERS TO CONVENE EXTRAORDINARY GENERAL MEETING

The following procedures for shareholders to convene an extraordinary general meeting ("**EGM**") are subject to the Articles (as amended from time to time), and the applicable legislations and regulations, in particular the Listing Rules (as amended from time to time):

(a) any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company (the "**Eligible Shareholder(s)**") carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company (the "**Company Secretary**"), to require an EGM to be called by the Board for the transaction of any business specified in such requisition;

(b) Eligible Shareholders who wish to convene an EGM must deposit a written requisition (the "**Requisition**") signed by the Eligible Shareholder(s) concerned to the head office and principal place of business of the Company in Hong Kong at Room 3601, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong, or the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for the attention of the Board and/or the Company Secretary;

(c) the Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding(s), the reason(s) to convene an EGM and the details of the business(es) proposed to be transacted at the EGM, and must be signed by the Eligible Shareholder(s) concerned together with a deposit of a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statements submitted by the shareholders concerned in accordance with the statutory requirements to all the registered shareholders;

(d) the Requisition will be verified with the Hong Kong branch share registrar and transfer office of the Company and upon their confirmation that the Requisition is proper and in order, the Board will convene an EGM by serving sufficient notice in accordance with the requirements under the Articles to all the registered Shareholders. On the contrary, if the Requisition has been verified as not in order or the Shareholders concerned have failed to deposit sufficient money to meet the Company's expenses for the said purposes, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for an EGM;

(e) if within 21 days of the deposit of the verified Requisition and sufficient money to meet the Company's expenses for the said purposes, the Board fails to proceed to convene such EGM, the Eligible Shareholder(s) himself/herself/themselves may do so, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board to convene such EGM shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

PROCEDURES FOR SHAREHOLDERS TO PUT FORWARD PROPOSALS AT SHAREHOLDERS' MEETINGS

There are no provisions allowing shareholders to move new resolutions at the general meetings under the Companies Law (Revised) of Cayman Islands. However, pursuant to the Articles, shareholders who wish to move a resolution may by means of Requisition to convene an EGM following the procedures set out above.

PROCEDURES FOR RAISING ENQUIRIES

Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividend to the Company's Hong Kong share registrar (details of which are set out in the section headed "Corporate Information" of this annual report).

Should there be any enquiries and concerns from shareholders, they may send in written enquiries addressed to the head office and principal place of business of the Company in Hong Kong at Room 3601, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong by post for the attention of the Board and/or the Company Secretary.

Shareholders are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company if it deems appropriate.

INVESTORS RELATIONS

The Company has established a range of communication channels between itself and its shareholders, and investors. These include answering questions through the annual general meeting, the publication of annual and interim reports, notices, announcements and circulars, the Company's website and meetings with investors and shareholders.

News updates of the Group's business development and operation are also available on the Company's website at www.steering.com.hk. During the year ended 31 December 2019, there had been no significant change in the Company's constitutional documents.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

GENERAL

This report covers certain environmental and social responsibility aspects underlying the Group's business operations in Hong Kong and the People's Republic of China (the "**PRC**") during the year ended 31 December 2019 and is prepared with reference to the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the Listing Rules ("**ESG Reporting Guide**").

The Company has complied with the "comply or explain" provisions set out in the ESG Reporting Guide during the year ended 31 December 2019. For details of the Group's financial performance and corporate governance matters, please refer to other sections in this annual report.

STAKEHOLDERS' ENGAGEMENT

The Group focuses on developing the long-term value for its stakeholders, who comprise the Group's employees, customers, investors, suppliers and contractors, and the community. The Company interacts with stakeholders through various channels to understand the views of various stakeholders and collect their feedback, in order to better satisfy their demands and expectations. Our communication channels with our stakeholders include the Company's website, annual general meetings, annual reports and interim reports, staff meetings, customers and suppliers meetings, etc.

GROUP POLICIES RELATING TO ENVIRONMENTAL PROTECTION

Air Pollutants Emission

The Group takes all reasonable steps to closely monitor and manage the environmental effect of the operations. The Group targets to minimize any negative impact on the environment and always seeks ways less harmful to the environment in the operations. The Group has adopted the emission control measures, including but not limited to: (i) use of ultra-low sulphur diesel for plants and generators; (ii) use of non-road mobile machinery approved with Environmental Protection Department's labels; (iii) use of air compressors and hand held percussive breakers with noise emission labels; (iv) use of trip-ticket systems to record disposal of construction waste to disposal facilities; and (v) prohibition of open burning in all sites.

Air Pollutants	Unit	Construction and Consultancy		Financial Information and Technology Services		Total	
		2019	2018	**2019**	2018	**2019**	2018
Nitrogen Oxides (NOx)	kg	**12.06**	13.46	**–**	–	**12.06**	13.46
Sulphur Oxides (Sox)	kg	**0.26**	0.28	**–**	–	**0.26**	0.28
Particular Matter (PM)	kg	**0.89**	0.99	**–**	–	**0.89**	0.99

Greenhouse Gas ("GHG") Emission

The Group reduces its greenhouse gas emission by lowering its energy consumption. During the reporting period, our greenhouse gas emission mainly came from mobile vehicles and purchased electricity. The details of greenhouse gas emission during the reporting period are as follows:

GHG Emission	Unit	Construction and Consultancy		Financial Information and Technology Services		Total	
		2019	2018	**2019**	2018	**2019**	2018
Direct Emission (Scope 1)*	tonnes of CO_2e	**53**	55	**–**	–	**53**	55
Indirect Emission (Scope 2)*	tonnes of CO_2e	**174**	551	**135**	40	**309**	591
Indirect Emission (Scope 3)*	tonnes of CO_2e	**35**	27	**33**	7	**68**	34
Total GHG Emission	tonnes of CO_2e	**262**	633	**168**	47	**430**	680

* Scope 1 — Direct emissions from operations that are owned or controlled by the Company;
Scope 2 — "Energy indirect" emissions resulting from the generation of purchased or acquired electricity, heating ,cooling and steam consumed within the Company; and
Scope 3 — All other indirect emissions that occur outside the Company, including both upstream and downstream emissions.

Hazardous and Non-hazardous Wastes

The Group has waste management measures in place and recognises the importance of waste reduction. During the reporting period, the Group did not generate any hazardous waste.

For non-hazardous wastes, they are mainly generated from daily operation. The Group takes initiative to reduce wastes by implementing different measures. For the construction site, the Group has implemented its waste management plans to ensure that all wastes generated during the construction phase are managed on site, transported and disposed of in environment friendly ways. The Group has implemented a trip-ticket system for disposal of construction wastes to disposal facilities. It facilitates the recording of wastes as it arrives at the landfill or public filling area in order to minimize the potential of cross-contamination with other waste.

In our offices, the Group encourages the staff to consider environment-friendly printing such as double-sided printing and copying in order to reduce the paper wastes.

During the reporting period, the details of hazardous and non-hazadous wastes are as follows:

Wastes Disposal	Unit	Construction and Consultancy		Financial Information and Technology Services		Total	
		2019	2018	**2019**	2018	**2019**	2018
Hazardous Wastes Produced							
N/A	tonnes	**–**	–	**–**	–	**–**	–
Non-hazardous Wastes Produced							
Construction Sites:							
Inert Material							
Construction and Demolition (C&D) Waste							
C&D Waste (Fill Bank)	tonnes	**4,416**	6,721	**–**	–	**4,416**	6,721
C&D Waste (Sorting Facility)	tonnes	**1,458**	840	**–**	–	**1,458**	840
C&D Waste (Landfill)	tonnes	**1,579**	2,020	**–**	–	**1,579**	2,020
Office:							
Paper	tonnes	**7**	5	**0.05**	0.03	**7.05**	5.03
		7,460	9,586	**0.05**	0.03	**7,460.05**	9,586.03

During the year ended 31 December 2019, the Group did not identify any material non-compliance related to emission in accordance with relevant environmental laws and regulations as follows:

- Air Pollution Control Ordinance (Cap. 311 of the Laws of Hong Kong);
- Waste Disposal Ordinance (Cap. 354 of the Laws of Hong Kong);
- Water Pollution Control Ordinance (Cap. 358 of the Laws of Hong Kong);
- Noise Control Ordinance (Cap. 400 of the Laws of Hong Kong);
- Dumping at Sea Ordinance (Cap. 466 of the Laws of Hong Kong);
- Environmental Impact Assessment Ordinance (Cap. 499 of the Laws of Hong Kong).

Use of Resources

The Group is committed to having an environmentally friendly working environment. The Group advocates reducing the consumption of fuel and electricity and improving the resource efficiency by way of: (i) encouraging employees to switch off the lights and electronic appliances before they leave the office; (ii) encouraging employees to set the temperature of the offices' air conditioners to 25.5 Degree Celsius; (iii) encouraging employees to use double-sided printing instead of single-sided printing; (iv) encouraging and arranging the surplus materials on the construction sites to be re-used in other construction sites instead of dumping; and (v) encouraging employees to recycle the usage of water.

In the year ended 31 December 2019, there was no water fetching problem in our daily business.

The consumption of electricity and water were decreased as a result of implementing these environmental policies effectively.

Use of Resources

	2019	2018
Electricity Intensity		
Total Electricity consumption (kWh)	**495,711**	767,857
Electricity Intensity (kWh/Staff/Day)	**2.403**	9.306
Water Intensity		
Total Water consumption (m^3)	**2,807.9**	1,048.0
Water Consumption Intensity (m^3/Staff/Day)	**0.042**	0.034

The Group has developed the Environmental Management System which has been certified to comply with ISO 14001. The Group's operating activities have no direct or significant impact on the environment and natural resources, we encourage all employees to adhere to the use of natural resources in environment-friendly ways.

For the year ended 31 December 2019, with the great efforts of the Group and the management, decrease in the usages of natural resources (especially for electricity consumption) were observed.

We must identify and record site environmental aspects in operation, storage, waste management, distribution and disposal, etc. in the Group's register of environmental aspects for monitoring and mitigating our environmental impact.

EMPLOYMENT

The Group regards people as its greatest asset. To underline this fact, the Group has established clear policies and guidelines to attract and retain talent. The Group places a significant emphasis on developing human capital and provides competitive remuneration and welfare packages. Promotion opportunities and salary adjustments are benchmarked against individual performance. The Group delivers a fair and safe working environment for employees to support their career advancement and also fosters their personal development.

The Group firmly upholds the principle of treating each employee fairly and consistently in all matters and enforces its employment policies in accordance with the regulations of the Employment Ordinance in Hong Kong, the Labour Law of the People's Republic of China and the Labour Contract Law of the People's Republic of China in the PRC. The Group has complied with all relevant laws and regulation for the year ended 31 December 2019.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Summary of employment performance indicators:

	2019		2018	
Number of Employees		**567**		475
By Gender				
Female	**230**	**41%**	211	44%
Male	**337**	**59%**	264	56%
By Age				
18 or below		**–**		–
19 to 40		**468**		395
41 to 60		**89**		75
Over 60		**10**		5

Diversity

2019					
Number of Employees by Employee Category	**Gender**		**Age Group**		
	Female	**Male**	**19 to 40**	**41 to 60**	**Over 60**
Management	**4**	**38**	**17**	**27**	**–**
Technical/Supervisor	**41**	**59**	**84**	**15**	**1**
General staff	**185**	**240**	**367**	**47**	**9**

2018					
Number of Employees by Employee Category	Gender		Age Group		
	Female	Male	19 to 40	41 to 60	Over 60
Management	6	32	19	19	–
Technical/Supervisor	39	72	99	11	1
General staff	166	160	277	45	4

Turnover Rate

	2019	2018
Number and Rate (%) of Employee Turnover	**356/567 (63%)**	56/475 (12%)
By Gender		
Female	**174/230 (76%)**	15/211 (7%)
Male	**182/337 (54%)**	41/264 (16%)

HEALTH AND SAFETY

Summary of Health and Safety Performance Indicators

	2019	2018
Work-related fatalities (Case)	**–**	–
Lost days due to work injury (Day)	**1,657**	1,415

The Group places the highest priority on securing occupational safety and health of all the employees. More than complying with relevant occupational safety and health legislations and regulations including the Employees' Compensation Ordinance (Cap. 282 of the Laws of Hong Kong) and the Occupational Safety and Health Ordinance (Cap. 509 of the Laws of Hong Kong) and Law on Prevention and Control of Occupational Diseases of the People's Republic of China, we endeavour to protect the employees from work related accidents/injuries.

Safety Audit

Safety audits were conducted periodically in office (corporate level) and on site (project) according to the statutory requirements of Factories and Industrial Undertakings (Safety Management) Regulation (Cap. 59AF of the Laws of Hong Kong), to check the efficiency, effectiveness and reliability of the safety management and set up plan for further improvement actions.

OHSAS 18001

Occupational Safety Management System was developed. Not only to comply with the statutory requirements, the system has been certified to comply with an international standard of OHSAS 18001 since 2016. This standard is implemented to all projects and is continuously undergoing improvement with latest international trends.

During the year ended 31 December 2019, the Group did not identify any material non-compliance cases relating to health and safety.

DEVELOPMENT AND TRAINING

The Group believes that people development plays the most pivotal role in laying a solid ground for business growth. The Group encourages long-term growth and career development by allocating sufficient resources to people development. Besides on-the-job training, employees are encouraged to participate in internal and external training to strengthen their capacity, work skills, knowledge and professionalism.

To assimilate into our culture and get familiar with the new working environment, all new staff undergo an orientation which relates to the Group's background, professional ethics, knowledge and skills for the appointed position, duties and operational procedures and safety etc. Employees are also encouraged to take external training courses and workshops that are relevant to their roles in order to enrich their knowledge in discharging their duties.

Summary of Development and Training Performance Indicators

	2019			
By Employee Category and Gender	**Total Training Hours**		**Total Percentage**	
	Female	**Male**	**Female**	**Male**
			%	**%**
Management	**56**	**148**	**2.2**	**5.9**
Technical/Supervisor	**408**	**524**	**16.2**	**20.9**
General staff	**605**	**770**	**24.1**	**30.7**

	2018			
By Employee Category and Gender	Total Training Hours		Total Percentage	
	Female	Male	Female	Male
Management	40	296	1.5%	10.9%
Technical/Supervisor	468	892	17.2%	32.7%
General staff	623	404	22.9%	14.8%

LABOUR STANDARDS

The Group strictly complies with the Employment Ordinance (Chapter 57 of the Laws of Hong Kong) and the Provisions on Prohibition of Child Labour and other applicable laws and regulations in the PRC and fully understands that employing child labour and forced labour is prohibited. The Group reviews the job applicant's identity information during the recruitment process and the applicant is also required to provide document proofs of academic qualifications and working experience for verification. The employment policies of the Group also protect the right of free choice of employment by any person and ensure that all the employment relationship is established on a voluntary basis. During the year ended 31 December 2019, the Group did not identify any non-compliance cases involving child labour and forced labour and complied with all relevant laws and regulations relating to employment and labour practices.

SUPPLY CHAIN MANAGEMENT

Sustainable Procurement

To ensure the Group's service quality, the Group's policy in relation to the subcontractors and suppliers is to select only those subcontractors and suppliers on an approved list who have passed the Group's quality control tests and have a satisfactory record of quality and on-time delivery. The Group aims to maintain the partnership with suppliers and works together in order to promote sustainable development of the industry. The Group performs the evaluation of subcontractors and suppliers on an annual basis to make sure the performance of the subcontractors and suppliers are up to the standard. The assessment mainly includes but is not limited to professional qualification, services/products quality, financial status, operation in good integrity, social responsibility, etc. Any suppliers or subcontractors with unsatisfactory annual evaluation results will be removed from the approved list to ensure that the product quality unless there are exceptional circumstances.

	2019	2018
Number of key suppliers/subcontractors	**328**	159
By region		
Hong Kong	**190**	129
PRC	**134**	29
European Union	**4**	1

PRODUCT RESPONSIBILITY

The Group recognises the importance of the quality of the services provided by the Group. The Group has established relevant policies which cover service quality and safety in order to ensure relevant measures comply with the laws and regulations of Hong Kong and the PRC.

The Group communicates and confirms the work plan with customers before the commencement of projects and actively monitors and processes and coordinates with the customers. For the year ended 31 December 2019, the Group did not receive any material complaints or requests to terminate projects due to poor quality and safety. If a complaint should arise, the Company will immediately assess the complaint and conduct an internal investigation into the matter to identify the source of the issues. If the complaint is valid, the Group will immediately provide the relevant solution to solve the issues as soon as practicable.

The Group also recognises the importance of intellectual property rights. The management and relevant department review the contracts entered into with customers and suppliers to ensure the intellectual property rights are properly accounted for. The Group also complies with Copyright Ordinance (Cap. 528 of the Laws of Hong Kong) and Copyright Law of the People's Republic of China in the PRC. All confidential data of customers can only be assessed by the staffs who are responsible for the projects for relevant clients.

For the year ended 31 December 2019, the Group did not identify any non-compliance cases relating to product responsibility.

The Group will keep a close eye on the updates of relevant regulations and codes and revises its policies and operations accordingly, so as to prevent any malpractice.

ANTI-CORRUPTION

The Group realizes the importance of staff integrity, and has established the Code of Conduct ("**CoC**") for all employees. With reference to the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong) and Anti-Unfair Competition Law of the People's Republic of China and Company Law of the People's Republic of China in the PRC, advice from the Independent Commission Against Corruption (ICAC), industry practice and internal consideration, CoC is made for the purpose of providing employees with the guidance for allowable acceptance of gifts or entertainment, conflict of interest, handling of confidential information, and whistle-blowing procedure. In line with the CoC, the Group has also partnered with ICAC to organise talks on fighting corruption in the construction industry in particular, as refresher training for its staff.

Employees are also required to comply strictly with applicable laws relating to the above acts. The Group has adopted and circulated clear internal guidelines for employees. During the year ended 31 December 2019, the Group did not receive any complaint or notification from governmental authorities regarding non-compliance of the Group or its employees with anti-corruption laws referred to above.

COMMUNITY INVESTMENT

Supporting Education

The Group firmly believes that investing in youth education is crucial for the long-term sustainability of the Group and the industry. Thus, we provided internship programme for undergraduate students to gain practical working experience in order to support talent development.

Caring for Society

Corporate social responsibility via staff volunteerism, philanthropy and community service is the core values of the Group. We have actively participated in charitable donations, caring for people in need, as well as supporting and sponsoring educational and environmental protection activities.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. WANG Jing (王晶), aged 46, was appointed as the chairman of the Board and an executive Director on 20 February 2020. He is responsible for the overall business development and strategic planning of the Group. He has extensive experience in bank credit and financing business and risk management in the PRC. He worked at the credit department of Lanxi Branch of Jinhua Trust Co., Ltd. (金華信託股份有限公司蘭溪分公司) from September 1995 to July 1998. Between October 1998 and June 2004, he worked at the credit department of China Investment Bank, Hangzhou Qingchun Road Sub-branch (中國投資銀行杭州慶春路支行), (now known as China Everbright Bank, Hangzhou Qingchun Road Sub-branch (中國光大銀行杭州慶春路支行)). He joined Shanghai Pudong Development Bank, Hangzhou Branch (上海浦東發展銀行杭州分行） in July 2004 and was the manager of the 6th department of corporate business until September 2011. Subsequently, he took up the position of manager of the 3rd department of corporate business of China Minsheng Bank, Hangzhou Branch (中國民生銀行杭州分行) from October 2011 to July 2012 and the 8th department of Bank of Shanghai, Hangzhou Branch (上海銀行杭州分行) from August 2012 to December 2013, respectively. Mr. Wang was the chief executive officer of Hangshang Asset Management (Hangzhou) Co., Ltd. (杭商資產管理(杭州)有限公司) from January 2014 to July 2015. Since August 2015, he has been a vice president of Shenzhen Dafy Technology Holdings Co., Ltd. ("**Shenzhen Dafy**") 深圳達飛科技控股有限公司 (formerly known as Shenzhen Dafy Finance Holdings Co. Ltd (深圳達飛金融控股有限公司)), where he participated in the construction of cloud computer platform.

Mr. Wang obtained a professional specialist diploma in accounting from Zhejiang Institute of Finance and Economics (浙江財經學院) (now known as Zhejiang University of Finance and Economics (浙江財經大學)) of the PRC in July 1995. He has been attending the executive master of business administration programme ("**EMBA**") in new finance at Zhejiang University (浙江大學) since May 2017.

Mr. Wang was not a director in any listed companies for the last three preceding years.

Ms. FENG Xuelian (馮雪蓮), aged 46, was appointed as an executive Director on 24 January 2019. She is the business development director of the Group principally responsible for formulating and reviewing the overall business development directions and strategies of the Group. Ms. Feng has more than 20 years of experience in accounting, auditing and financial management. She has been a certified intermediate accountant and a certified tax agent in the PRC since September 2003 and March 2017, respectively. Prior to joining the Company, she worked as an audit manager at Qinhuangdao Xingriyang Accounting Co., Ltd. (秦皇島星日陽會計師事務所有限公司) from 1999 to 2012. She then joined Shenzhen Dafy as the chief financial officer in 2013 and was redesignated as the office manager of the chairman of the board and the director of investment management department in 2017. Ms. Feng completed the course of economics management profession in Chinese Communist Party Qinhuangdao Municipal Committee Party School (中共秦皇島市委黨校) in July 2000. She also completed the EMBA programme in internet finance at the PBC School of Finance at Tsinghua University, the PRC in July 2018 and the EMBA programme in corporate value management at the same institute in July 2019.

Ms. Feng was not a director in any listed companies for the last three preceding years.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. NG Kin Siu, (吳建韶), aged 53, is an executive Director and the chief executive officer of the Company and is responsible for the overall business development and strategic planning of the Group. He was appointed as an executive Director on 19 March 2015. He is also a director of Fruit Design & Build Limited ("**Fruit Design**"), Harvest Building Consultancy Limited ("**Harvest Building**"), Marvo Architecture Limited, Win Lee Building Engineering Limited ("**Win Lee Building**") and Win Lee (Project Team B) Construction Limited. On 16 March 2017, he was appointed as a director of Sky Global Construction Limited. Mr. Ng is the sole shareholder of Masterveyor Holdings Limited, which is interested in 4.6% of the issued share capital of the Company.

He graduated from The Robert Gordon University in the United Kingdom in June 1993 with a degree of Bachelor of Science in building surveying. He has been a member of The Hong Kong Institute of Surveyors since March 1997, a member of The Royal Institution of Chartered Surveyors since December 1996 and was registered as a registered professional surveyor with the Surveyors Registration Board in July 1999. He has been an Authorized Person since December 2007 and a Registered Inspector in Hong Kong since 3 October 2012. He has also been the technical director for Win Lee Building's registration of registered general building contractor and registered specialist contractor (demolition) since June 2009 and May 2009, respectively.

He has extensive experience with building surveying and is familiar with the Buildings Ordinance in Hong Kong. Prior to founding the Group, he worked in the Buildings Department from April 1997 to March 2008, with last position being held as a building surveyor.

Mr. Ng was not a director in any listed companies for the last three preceding years.

NON-EXECUTIVE DIRECTOR

Mr. GAO Yunhong (高雲紅), aged 47. Mr. Gao was appointed as executive Director and chairman of the Board on 5 January 2018 and stepped down to non-executive Director on 20 February 2020. He is an experienced business entrepreneur and is the founder of Dafy Group, which comprises Shenzhen Dafy, a company principally engaged in provision of financial technology and related services based in Shenzhen, the PRC, and its subsidiaries. Mr. Gao also has experience in properties investment and development in the PRC. Mr. Gao is the sole shareholder of Gentle Soar Limited, which is interested in approximately 64.74% of the issued share capital of the Company.

Mr. Gao was not a director in any listed companies for the last three preceding years.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHAN Yuk Sang (陳玉生), aged 74, was appointed as an independent non-executive Director on 12 January 2018. He has more than 30 years of experience in the banking and finance industry. Mr. Chan has been an independent non-executive director of Four Seas Mercantile Holdings Limited (stock code: 374) since July 2000, the shares of which are listed on the Main Board of the Stock Exchange. He was also a senior general manager of a local bank and an executive director of a joint Chinese foreign bank in Shenzhen, the PRC.

Over the years, Mr. Chan also served the following positions in various listed issuers in Hong Kong set out below:

Company	Position	Tenure
The Hong Kong Building and Loan Agency Limited (stock code: 145)	Director	1993 to 1995
Century Legend (Holdings Limited (stock code: 79)	Chairman	September 1999 to July 2002
GOME Retail Holdings Limited (stock code: 493)	Independent non-executive director	May 2004 to June 2015
Imagi International Holdings Limited (stock code: 585)	Independent non-executive director	May 2010 to January 2016
China Internet Investment Finance Holdings Limited (stock code: 810)	Independent non-executive director	April 2011 to July 2012
Asia Resources Holdings Limited (stock code: 899)	Executive director	April 2017 to December 2018

Save as disclosed above, Mr. Chan was not a director in any other listed companies for the last three preceding years.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. WAN Chi Wai Anthony (尹智偉), aged 44, was appointed as an independent non-executive Director on 12 January 2018. He possesses professional experience in both the accounting and legal fields. He is currently a partner in the corporate, private equity, M&A and commercial practice of King & Wood Mallesons, Hong Kong. Mr. Wan was an associate in the assurance and business advisory services department of PricewaterhouseCoopers Ltd. from August 1997 to May 2001 with his last position held there as a senior associate. Mr. Wan has been an associate of the Hong Kong Institute of Certified Public Accountants since January 2002 and was admitted as a fellow of The Association of Chartered Certified Accountants in May 2006.He was admitted as a solicitor in Hong Kong in September 2006.

Mr. Wan graduated from The Hong Kong University of Science and Technology with a degree of Bachelor of Business Administration in Accounting in November 1997. He subsequently obtained a degree of Bachelor of Laws in August 2003 from the University of London, the United Kingdom through distance learning and obtained a Postgraduate Certificate in Laws from The University of Hong Kong in June 2004.

Mr. Wan has been an independent non-executive director of Charmacy Pharmaceutical Co., Ltd. (formerly known as Chuangmei Pharmaceutical Co., Ltd.) (stock code: 2289), the shares of which have been listed on the Main Board of the Stock Exchange, since December 2015, and an independent non-executive director of HM International Holdings Limited (stock code: 8416), the shares of which have been listed on GEM of the Stock Exchange, since January 2017.

Save as disclosed above, Mr. Wan was not a director in any other listed companies for the last three preceding years.

Mr. LAU Kwok Fai Patrick (劉國煇), aged 47, was appointed as an independent non-executive Director on 12 January 2018. He has more than 20 years of experience in the fields of accounting, auditing, financial advisory and corporate governance. From September 1996 to November 1997, Mr. Lau served as an auditor in Baker Tilly Hong Kong (formerly known as Glass Radcliffe Chan & Wee Certified Public Accountants), mainly responsible for statutory audit. From December 1997 to April 1999, Mr. Lau served as an associate in PricewaterhouseCoopers Ltd, mainly responsible for statutory audit, internal control review and enterprise listing audit. From October 1999 to June 2011, Mr. Lau worked at KPMG at which his last position was manager, mainly responsible for financial due diligence, corporate reorganisation and liquidation, distressed assets acquisitions analysis, financial modelling and various financial advisory services. From July 2011 to June 2016, Mr. Lau served in various positions, including deputy general manager, financial controller and company secretary, in China City Railway Transportation Technology Holdings Company Limited (now known as BII Railway Transportation Technology Holdings Company Limited), the shares of which were listed on GEM of the Stock Exchange from May 2012 to December 2013 (stock code: 8240) and were transferred to the Main Board of the Stock Exchange in December 2013 (stock code: 1522). From July 2016 to October 2019, Mr. Lau served in various positions, including chief financial officer and company secretary, in International Alliance Financial Leasing Co., Ltd., the shares of which are listed on the Main Board of the Stock Exchange in March 2019 (stock code: 1563).

Mr. Lau obtained an honours diploma in Accounting from Hong Kong Shue Yan College (now known as Hong Kong Shue Yan University) in July 1996. He later obtained a degree of Master of Science in Corporate Governance and Directorship (Distinction) from Hong Kong Baptist University in November 2014. He also obtained the HKICPA Diploma in Insolvency awarded by the Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants) in June 2004. Mr. Lau has been a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants since July 2003 and December 2007, respectively. He has also been a member of Beta Gamma Sigma Hong Kong Baptist University Chapter since April 2014.

Mr. Lau has been an independent non-executive director of Jinhai International Group Holdings Limited (formerly known as Kakiko Group Limited) since September 2017, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 2225) and Ximei Resources Holding Limited since February 2020, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 9936).

Save as disclosed above, Mr. Lau was not a director in any other listed companies for the last three preceding years.

Disclosure required under Rule 13.51 of the Listing Rules

Save as disclosed above, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, there are no other matters with respect to the appointment of the Directors that need to be brought to the attention of the Shareholders and there was no information in relation to the Directors that is required to be disclosed pursuant to Rules 13.51 of the Listing Rules as at the date of this annual report.

COMPANY SECRETARY

Mr. YU Tsz Ngo (余子敖), aged 34, was appointed as a company secretary on 15 May 2015. He is responsible for overseeing the company secretarial matters of the Group. As he is the external service provider to the Group, his primary corporate contact person at the Company is Mr. Ng Kin Siu, an executive Director and the compliance officer of the Company. He worked at Deloitte Touche Tohmatsu in Hong Kong from January 2007 to February 2012 and his last position was Manager in the audit department. He obtained a degree of Bachelor of Commerce (Accounting and Finance) from Monash University of Australia in December 2005 and a master degree of Applied Finance from Monash University of Australia in December 2006. He has been a member of the Certified Public Accountants Australia since January 2006, the Hong Kong Institute of Certified Public Accountants since July 2011.

Mr. Yu was not a director in any listed companies in the last three preceding years.

REPORT OF DIRECTORS

The Directors hereby present their report and the audited consolidated financial statements for the year ended 31 December 2019.

CORPORATE INFORMATION

The Company was incorporated with limited liability in the Cayman Islands on 19 March 2015.

The shares of the Company were listed on GEM of the Stock Exchange with effect from 30 September 2015 and have been transferred to the Main Board of the Stock Exchange since 10 July 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in note 38 to the consolidated financial statements.

BUSINESS REVIEW

Detailed business review is set out in the section of "Management Discussion and Analysis" ("**MD&A**") in this annual report from pages 5 to 12. Future development of the company's business is set out in the section of "Chairman's Statement" and "MD&A" in this annual report on page 4 and page 5 respectively. As far as the Company is aware, it has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company and its subsidiaries.

Key Risks and Uncertainties

The Group believes that the risk management practices are important and uses its best effort to ensure they are sufficient to mitigate the risks present in its operations and financial position as efficiently and effectively as possible.

An analysis of the Group's financial risk management (included market risk, credit risk, and liquidity risk) objectives and policies are provided in note 35 to the consolidated financial statements.

Environmental Protection

The Group is committed to contributing to the sustainability of the environment from its business activities. The Group established measures and created certain environmental framework to minimise and monitor the environmental impacts attributable to its operations. The Group implemented the green office practices such as redeploying office furniture as far as practicable, encouraging use of recycled paper for printing and copying and reducing energy consumption by switching off idling lightings and electrical appliances. Moreover, the Group also established air pollution, noise and waste disposal control such as watering when necessary for any dusty materials before loading and unloading on site; works that create loud noise are to be carried out during day-time or non noise sensitive hours only; labelled bins to be provided to allow segregation of recyclable materials from other waste for transportation to landfills or public fill whenever possible.

Workplace Quality

The Group believes that employees are valuable assets and regards human resources as its corporate wealth. The Group intends to use its best effort to attract and retain appropriate and suitable personnel to serve the Group. The objective of the Group's human resource management is to reward and recognise performing staff by providing an attractive remuneration package. The Group determines the salary of its employees mainly based on each employee's qualifications, relevant experience, position and seniority. The Group conducts annual review on salary raises, bonuses and promotions based on the performance of each employee. The Group has employee handbooks outlining terms and conditions of employment, expectations for employees' conduct, employees' rights and benefits.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on page 66 of this annual report.

The Company has adopted a policy on payment of dividends in compliance with code provision E.1.5 of the CG Code, which establishes an appropriate procedure on declaring and recommending the dividend payment of the Company. The Company will declare and/or recommend a payment of dividends to the Shareholders after considering the Company's ability to pay dividends, which will depend upon, among other things, its actual and expected financial results, cash flow, general business conditions and strategies, current and future operations, statutory, contractual and regulatory restrictions and so on. The Board has complete discretion on whether to pay a dividend, subject to the Shareholders' approval, where applicable. Even if the Board decides to recommend and pay dividends, the form, frequency and amount will depend upon the operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors of and affecting the Group. The Board may also consider declaring special dividends from time to time, in addition to the interim and/or final dividends. The Company shall review and reassess the dividend policy and its effectiveness on a regular basis or as required.

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

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting is scheduled for Tuesday, 16 June 2020. In order to determine entitlements to attend and vote at the annual general meeting, the register of members of the Company will be closed from Thursday, 11 June 2020 to Tuesday, 16 June 2020, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to be eligible to attend and vote at the forthcoming annual general meeting of the Company, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 10 June 2020.

FINANCIAL SUMMARY

The summary of the results and of the assets and liabilities of the Group is set out on page 148 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

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

FUND RAISINGS THROUGH ISSUE OF CONVERTIBLE BONDS

On 30 August 2019, the Company issued convertible bonds ("**Convertible Bonds**") in an aggregate principal amount of HK$80,000,000 at the initial conversion price of HK$0.80 with a term of six months after the completion of the placing (the "**Maturity Date**") to Pop Reach Limited ("**Pop Reach**"), a company incorporated in the British Virgin Islands with limited liability and is independent to the Group. The conversion price represented a premium of approximately 42.86% to the closing price of HK$0.56 per share as quoted on the Stock Exchange on 1 August 2019, being the date on which the terms of the issue were fixed.

The Convertible Bonds bear coupon interest at the rate of 8% per annum from and including the issue date payable every six months following the issue date or upon the redemption of the Convertible Bonds, whichever is earlier. The Convertible Bonds ceased to bear interest on the earlier of (a) its conversion date subject to conversion of the Convertible Bonds; and (b) on the repayment in full of the outstanding principal amount on the Maturity Date.

The Convertible Bonds are exercisable for the period commencing on the next business day after the issue date and ending on the date that falls on the 10th day immediately before the Maturity Date, both dates inclusive (the "**Conversion Period**"). Convertible Bonds are converted into duly authorised, validly issued, fully-paid and unencumbered shares at the option of the holder thereof at any time during the Conversion Period.

On 11 December 2019, the Company received a notice of conversion from Pop Reach in relation to the exercise of conversion rights attaching to the Convertible Bonds in the principal amount of HK$80,000,000, representing the entire outstanding principal amount under the Convertible Bonds, at the conversion price of HK$0.8 per share. On 17 December 2019, the Company allotted and issued 100,000,000 shares to Pop Reach. The conversion shares rank pari passu with all the existing shares of the Company and are of an aggregate nominal value of HK$1,000,000.

The Directors are of the view that the placing of the Convertible Bonds provides a good opportunity to strengthen the Company's financial position and the terms of the placing of the Convertible Bonds are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The gross and net proceeds from the placing of the Convertible Bonds are HK$80,000,000 and approximately HK$77,600,000 respectively. The Directors apply the net proceeds (i) as to approximately HK$52.355 million for full repayment of the unsecured and interest-free loan payable to Gentle Soar; (ii) as to approximately HK$17.545 million in financing its potential future acquisitions and for business development; and (iii) as to approximately HK$7.7 million as general working capital of the Group.

The following table sets out the intended and actual use of the net proceeds from the issue of the Convertible Bonds as at 31 December 2019:

	Total net proceeds HK$'000	Utilised HK$'000	Unutilised HK$'000
Use of net proceeds from the placing of the Convertible Bonds			
Repayment of the unsecured and interest-free loan payable to Gentle Soar	52,355	52,355	–
Financing its potential future acquisitions and for business development	17,545	200	17,345
General working capital	7,700	7,700	–
	77,600	60,255	17,345

SHARE CAPITAL

Details of the movements during the year in the share capital of the Company are set out in note 28 to the consolidated financial statements.

SHARE OPTION SCHEME

The share option scheme (the "**Scheme**") is a share incentive scheme in compliance with Chapter 17 of the Listing Rules and is established to recognise and acknowledge the contribution of the Directors and other employees who have made valuable contribution to the Group. The Scheme of the Company was adopted on 16 September 2015 (the "**Adoption**"). There was no share option granted or agreed to be granted under the Scheme from the date of the Adoption to 31 December 2019.

The following is a summary of the principal terms of the Scheme but it does not form part of, nor was it intended to be part of the Scheme nor should it be taken as affecting the interpretation of the rules of the Scheme:

(a) Purpose

The Scheme is a share incentive scheme in compliance with Chapter 17 of the Listing Rules and is established to recognise and acknowledge the contributions that the Eligible Participants (as defined in paragraph (b) below) had or may have made to our Group. The Scheme will provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives: (i) to motivate the Eligible Participants to optimise their performance efficiency for the benefit of the Group; and (ii) to attract and to retain or otherwise to maintain an on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

(b) The participants of the Scheme

The Board may, at its discretion, offer to grant an option to the following persons (collectively the "**Eligible Participants**") to subscribe for such number of new shares as the Board may determine at an exercise price determined in accordance with paragraph (e) below:

(i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;

(ii) any directors (including independent non-executive directors) of the Company or any of its subsidiaries; and

(iii) any advisers, consultants and such other persons who in the sole opinion of the Board will contribute or have contributed to the Company or any of its subsidiaries.

Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company by way of consideration for the grant.

(c) Maximum number of shares

The maximum number of shares in respect of which options may be granted under the Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of shares in issue, being 123,200,000 shares, unless the Company obtains a fresh approval.

(d) Maximum number of shares to any one individual

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the issued shares of the Company as at the date of grant.

(e) Price of shares

The subscription price of a share in respect of any particular option granted under the Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price must be at least the higher of:

(i) the official closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;

(ii) the average of the official closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a share.

(f) Time of exercise of options and duration of the Scheme

An option may be exercised in accordance with the terms of the Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Scheme. Subject to earlier termination by the Company in general meeting or by the Board, the Scheme shall be valid and effective for a period of 10 years from the date of its adoption.

PURCHASE, SALE OR REDEMPTION OF SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any securities of the Company during the year ended 31 December 2019.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2019, the Company's reserves available for distribution to the owners of the Company amounted to approximately HK$81.8 million, comprising retained losses of approximately HK$64.1 million and the share premium amounting to approximately HK$145.9 million, calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

MAJOR CLIENTS AND SUPPLIERS

For the year ended 31 December 2019, the percentage of revenue attributable to the Group's major customers is set out below:

Revenue

— The largest customer	11.1%
— The total of the five largest customers	29.7%

For the year ended 31 December 2019, the percentage of cost of services attributable to the Group's major suppliers is set out below:

Cost of services

— The largest supplier	5.4%
— The total of the five largest suppliers	14.1%

None of the Directors, their close associates (as defined in the Listing Rules) or shareholders (who to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major customers and major suppliers noted above.

REPORT OF DIRECTORS

DIRECTORS

The Directors during the year and up to the date of this report were as follows:

Executive Directors:

Mr. Wang Jing (appointed on 20 February 2020)
Mr. Gao Yunhong (re-designated to non-executive Director on 20 February 2020)
Ms. Feng Xuelian (appointed on 24 January 2019)
Mr. Ng Kin Siu *(Chief executive officer)*
Mr. Lu Xin (resigned on 29 November 2019)
Mr. Qi Gang (resigned on 24 January 2019)

Non-executive Director:

Mr. Gao Yunhong (re-designated from executive Director on 20 February 2020)

Independent non-executive Directors:

Mr. Chan Yuk Sang
Mr. Wan Chi Wai Anthony
Mr. Lau Kwok Fai Patrick

Pursuant to Article 83 of the Articles, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director so appointed by the Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election.

Pursuant to Article 84 of the Articles, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director, including those appointed for a specific term, shall be subject to retirement at least once every three years.

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of the Directors are set out on pages from 37 to 41 of this annual report.

REPORT OF DIRECTORS

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors and non-executive Director has entered into a service contract with the Company for an initial term of three years commencing from the month of Listing or the date of appointment and will continue thereafter until terminated in accordance with the terms of the service contract. Independent non-executive Directors are appointed for a term of three years initially and will continue thereafter unless terminated by either party giving at least three months' notice in writing.

Save as disclosed above, none of the Directors has entered into any service contracts with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment compensation other than the statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, no transactions, arrangements or contracts of significance, to which the Company, its holding company or subsidiaries was a party and in which a Director or a connected entity of a Director of the Company had a material interest, whether directly or indirectly, subsisted at any time during or at the end of the year ended 31 December 2019.

EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in note 11 to the consolidated financial statements in this annual report.

EMOLUMENT POLICY

The remuneration committee will review and determine the remuneration and compensation packages of the Directors with reference to their responsibilities, workload, time devoted to the Group and the performance of the Group. The Directors and other employees who have made valuable contribution to the Group may also receive options to be granted under the Share Option Scheme.

COMPETING AND CONFLICT OF INTERESTS

The Directors are not aware of any business or interest of the Directors nor the controlling shareholder of the Company nor any of their respective associates (as defined in the Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group during the year ended 31 December 2019.

DISCLOSURE OF INTERESTS

A. Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2019, interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) pursuant to the Model Code as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(i) Long position in the ordinary shares of the Company

Name of Director	Capacity/Nature	Number of shares held/ interested in	Percentage of shareholding
Mr. Gao Yunhong (Note 1)	Interest in controlled corporation	862,400,000	64.7%
Mr. Ng Kin Siu (Note 2)	Interest in controlled corporation	61,600,000	4.6%

Notes:

1. Mr. Gao Yunhong beneficially owns the entire issued share capital of Gentle Soar Limited ("**Gentle Soar**") and is deemed, or taken to be, interested in all the shares of the Company held by Gentle Soar for the purposes of the SFO. Mr. Gao Yunhong was re-designated from an executive Director to non-executive Director on 20 February 2020.

2. Mr. Ng Kin Siu beneficially owns the entire issued share capital of Masterveyor Holdings Limited ("**Masterveyor**") and is deemed, or taken to be, interested in all the shares of the Company held by Masterveyor for the purposes of the SFO. Mr. Ng Kin Siu is an executive Director and chief executive officer of the Company.

(ii) Long position in the ordinary shares of associated corporations

Name of Director	Name of associated corporation	Capacity/Nature	Number of shares held/ interested in	Percentage of shareholding
Mr. Gao Yunhong	Gentle Soar	Beneficial owner	1	100%
Mr. Ng Kin Siu	Masterveyor	Beneficial owner	2	100%

Save as disclosed above, as at 31 December 2019, none of the Directors nor chief executive of the Company has registered an interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules.

B. Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2019, the interest and short positions of the person (other than the Directors or chief executive of the Company) or company which was required to be recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of Shareholder	Capacity/ Nature of interest	Number of shares held/ interested in	Long/ short position	Percentage of total issued share capital of the Company
Gentle Soar	Beneficial owner	862,400,000	Long	64.7%
China Minsheng Banking Corp. Ltd.	Interest in a controlled corporation (Note 1)	603,680,000	Long	45.3%
CMBC Capital Finance Limited	Person having a security interest in shares (Note 1)	603,680,000	Long	45.3%
CMBC Capital Holdings Limited	Interest in a controlled corporation (Note 1)	603,680,000	Long	45.3%
CMBC International Holdings Limited	Interest in a controlled corporation (Note 1)	603,680,000	Long	45.3%
CMBC International Investment (HK) Limited	Interest in a controlled corporation (Note 1)	603,680,000	Long	45.3%
CMBC International Investment Limited	Interest in a controlled corporation (Note 1)	603,680,000	Long	45.3%
Pop Reach Limited	Beneficial owner	116,750,000	Long	8.8%
Ms. Yeung So Lai	Interest in a controlled corporation (Note 2)	116,750,000	Long	8.8%
Masterveyor	Beneficial owner	61,600,000	Long	4.6%
Ms. Wong Chai Lin	Interest of spouse (Note 3)	61,600,000	Long	4.6%

Notes:

(1) CMBC Capital Finance Limited is a wholly-owned subsidiary of CMBC Capital Holdings Limited which is beneficially owned by CMBC International Investment Limited as to 60.62%. CMBC International Investment Limited is a wholly-owned subsidiary of CMBC International Investment (HK) Limited which is an indirect wholly-owned subsidiary of CMBC International Holdings Limited which is an wholly-owned subsidiary of China Minsheng Banking Corp. Ltd.. By virtue of the SFO, CMBC Capital Holdings Limited, CMBC International Holdings Limited, CMBC International Investment (HK) Limited and CMBC International Investment Limited are therefore deemed to be interested in the security interest held by CMBC Capital Finance Limited.

(2) Ms. Yeung So Lai is beneficially interested in the entire issued shares of Pop Reach Limited and is therefore deemed to be interested in the Shares held by Pop Reach Limited by virtue of the SFO.

(3) Ms. Wong Chai Lin is the spouse of Mr. Ng Kin Siu, an executive Director and the beneficial owner of Masterveyor and is deemed, or taken to be, interested in all the Shares in which Mr. Ng Kin Siu is interested for the purposes of the SFO.

Save as disclosed above, as at 31 December 2019 and so far as is known to the Directors, no person, other than the Directors and chief executive of the Company whose interests are set out in the section "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had notified the Company of an interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

CONTINUING CONNECTED TRANSACTIONS

(1) VIE Agreements

On 31 May 2019, a series of agreements comprising the exclusive business cooperation agreement (the "**Exclusive Business Cooperation Agreement**"), the exclusive purchase right agreement (the "**Exclusive Purchase Right Agreement**"), the equity pledge agreement (the "**Equity Pledge Agreement**") and two powers of attorneys all dated 31 May 2019 (collectively, the "**VIE Agreements**") were entered into among Shangrao Hongmiao Information Technology Co., Ltd.* (上饒市紅淼信息科技有限公司) ("**Shangrao Hongmiao**") ((formerly known as Shangrao Dafy Financial Data Service Co., Ltd. (上饒市達飛金融信息服務有限公司)), a non-wholly-owned subsidiary of the Company, Shenzhen Qianhai Weiyuan Zhicheng Operation Management Technology Co., Ltd* 深圳前海微遠至誠運營管理科技有限公司 (the "**OPCO**"), Mr. Gao and Shangrao Yaxin Technology Co., Ltd.* (上饒市亞鑫科技有限公司) ("**Shangrao Yaxin**"). Through the VIE Agreements, Shangrao Hongmiao would have effective control over the finance, operation and assets of the OPCO and would enjoy the entire economic interests and benefits generated by the OPCO. After entering into of the VIE Agreements, the OPCO has become a non-wholly-owned subsidiary of the Company and the financial results of the OPCO has been consolidated into the consolidated financial statements of the Group. As at the date of the VIE Agreements, Gentle Soar was beneficially interested in 862,400,000 shares (representing 70% of the then total issued shares) and was a controlling shareholder of the Company. Mr. Gao beneficially owns the entire issued shares of Gentle Soar and is therefore also a controlling shareholder of the Company. In addition, Mr. Gao was then an executive Director. As such, Mr. Gao is a connected person of the Company under Chapter 14A of the Listing Rules.

As the OPCO is legally owned as to 99% by Mr. Gao and 1% by Shangrao Yaxin, a company established in the PRC with limited liability which is legally and wholly owned by Mr. Gao, OPCO is an associate of Mr. Gao and therefore a connected person of the Company. Accordingly, the transactions contemplated under the VIE Agreements constitute connected transactions and continuing connected transactions for the Company pursuant to Chapter 14A of the Listing Rules and are subject to the announcement, independent shareholders' approval, annual reporting and annual review requirements under Chapter 14A of the Listing Rules.

An independent board committee, comprising only the independent non-executive Directors (the "**Independent Board Committee**") has been established by the Board to advise the shareholders of the Company other than Gentle Soar and its associates (the "**Independent Shareholders**") on the terms of the VIE Agreements. An independent financial adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the VIE Agreements. In accordance with Rule 14A.52 of the Listing Rules, the independent financial adviser has also explained why the duration of the VIE Agreements, which exceeds three years, constitutes a special circumstance under Rule 14A.52 of the Listing Rules and is required for the nature of the transactions, and whether it is normal business practice for contracts of this type to be of such duration. An extraordinary general meeting was convened on 9 September 2019 and the VIE Agreements and the transactions contemplated thereunder were duly approved by the Independent Shareholders. The Company has applied for, and the Stock Exchange has granted, a waiver pursuant to Rule 14A.102 of the Listing Rules from (i) fixing the term of the VIE Agreements pursuant to Rule 14A.52 of the Listing Rules; and (ii) setting a maximum aggregate annual cap pursuant to Rule 14A.53 of the Listing Rules for the service fees payable by OPCO to Shangrao Hongmiao.

A brief description of each of the specific agreements that comprise the VIE Agreements entered into between Shangrao Hongmiao, Mr. Gao and Shangrao Yaxin and the OPCO is set out as follows:

(1) *The Exclusive Business Cooperation Agreement*
The OPCO shall engage Shangrao Hongmiao on an exclusive basis to provide technical support, business support and related consulting services, the actual scope of which to be determined by Shangrao Hongmiao as it deems necessary with reference to the principal business activities of the OPCO, including but not limited to business management, financial consultation and marketing consultation.

(2) *The Exclusive Purchase Right Agreement*
Mr. Gao and Shangrao Yaxin have irrevocably granted Shangrao Hongmiao an exclusive right, at any time and from time to time, to purchase or nominate any individuals/entities to purchase all or part of their equity interests in the OPCO at the lowest price permissible under the PRC laws. The OPCO has also irrevocably granted Shangrao Hongmiao an exclusive right, at any time and from time to time, to purchase or nominate any individuals/entities to purchase all or part of its assets at the lowest price permissible under the PRC laws.

(3) *The Equity Pledge Agreement*
Mr. Gao and Shangrao Yaxin have pledged all of their equity interests in the OPCO to Shangrao Hongmiao to secure the performance of all their obligations and the obligations of the OPCO under the VIE Agreements. Shangrao Hongmiao shall be entitled to the distribution generated by the pledged equity interests during the term of the pledge.

(4) *Powers of Attorney*
Each of Mr. Gao and Shangrao Yaxin has unconditionally and irrevocably authorised Shangrao Hongmiao or its successor (who may further delegate such rights to other individuals or entities) to exercise all of their rights as shareholders of the OPCO under PRC laws, including but not limited to:

(i) convening, attending and participating shareholders' meetings of the OPCO, receiving relevant notice or document relating to the shareholders' meetings;

(ii) discussing and voting in shareholders' meetings of the OPCO;

(iii) signing and delivering any written resolutions and minutes of shareholders' meetings of the OPCO and any other documents required to be signed by the shareholders of the OPCO, and submitting documents with relevant companies registry for filing purpose;

(iv) selling, transferring, securing or disposing of the shares in the OPCO;

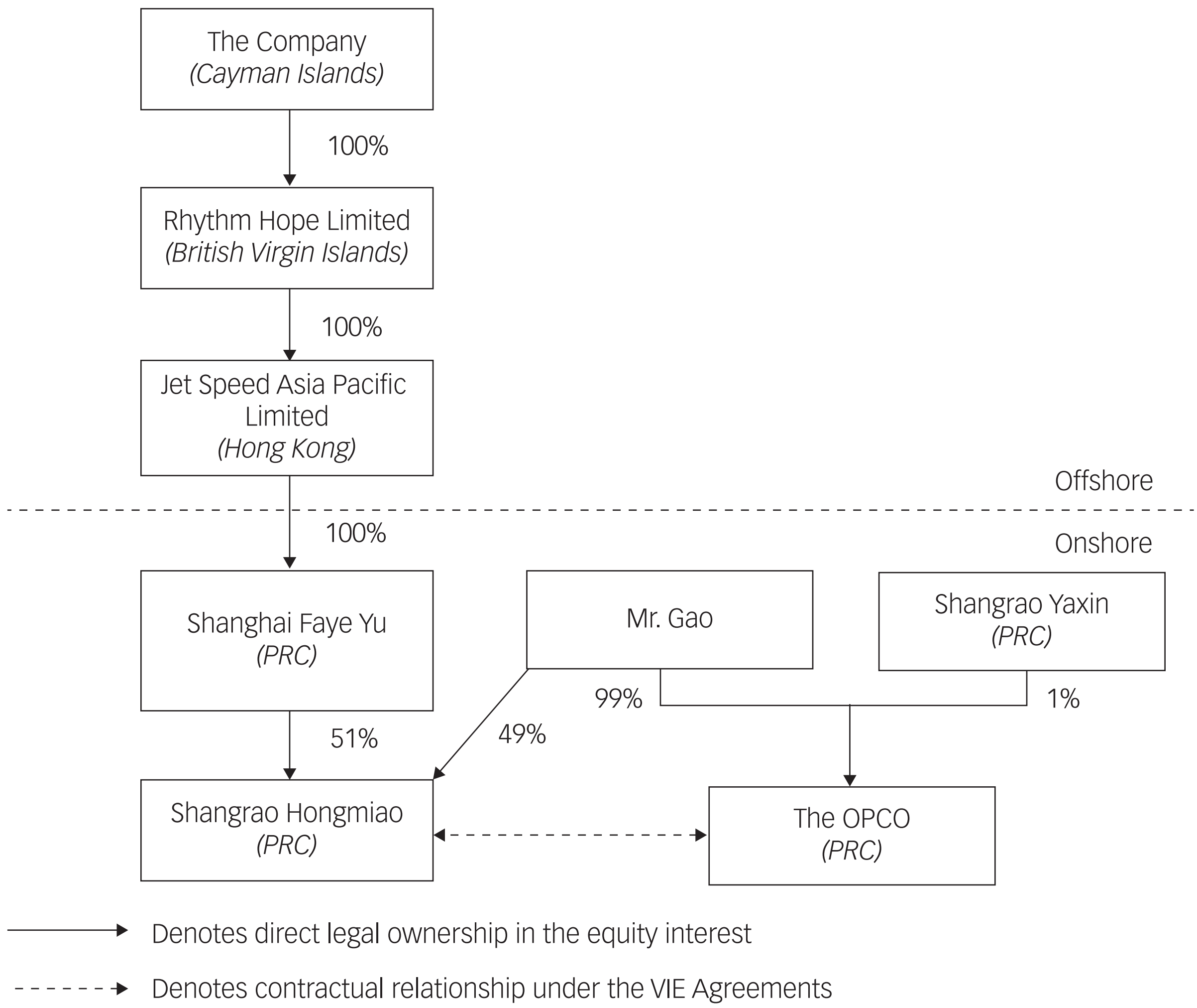
(v) managing or disposing of the assets of the OPCO;

(vi) exercising full rights to control and manage the finance, accounting and daily operation of the OPCO;

(vii) approving any documents that have to be submitted to the relevant government departments or supervising authorities for filing purpose; and

(viii) exercising all other shareholders' rights under the PRC laws and regulations and the articles of association of the OPCO.

The following diagram sets out the VIE structure established under the VIE Agreements:



Reasons for entering into the VIE Agreements

The Board has been actively exploring other business opportunities in order to diversify the existing business of the Group and to explore new markets with significant growth potential. Through Shangrao Hongmiao, the Group has commenced the financial information and technology services in the PRC, which linked up individuals in the PRC with various financial institutions or credit service providers. The Directors believe that the OPCO, which possesses the Management Systems (as defined below), will provide the Group with actual and fundamental resources in further expanding the Group's financial information and technology services in the PRC.

However, according to the Catalogue of Telecommunications Business (2015)* (《電信業務分類目錄(2015年版)》), the online data processing business falls under the category of "value-added telecommunications business" and an ICP Licence (a value-added telecommunications business operation licence (互聯網信息服務增值電信業務經營許可證) with a service scope of information services of Category 2 value-added telecommunication services by the relevant PRC government authorities) is required for carrying out such business activity. Further, pursuant to the Regulations on the Administration of Foreign-invested Telecommunication Enterprises (2016 Amended)* (《外商投資電信企業管理規定(2016年修訂)》), the Catalogue of Industries for Guiding Foreign Investment (2017 revised version)* (《外商投資產業指導目錄(2017年修訂)》) (the "**Catalogue**") promulgated by the Ministry of Commerce and the Special Administrative Measures for Access of Foreign Investment (Negative List) (2018 Edition)* (《外商投資准入特別管理措施(負面清單)(2018年版)》) (the "Negative List"), "value-added telecommunications business", which is the principal business of the OPCO, falls within the restricted industries for foreign investment. The ratio of investment by a foreign investor in a company providing value-added telecommunications services shall not exceed 50%. Accordingly, Shangrao Hongmiao is not eligible to apply for the ICP Licence or acquire any equity interests in the OPCO for purpose of engaging in the value-added telecommunications business. Moreover, a foreign investor who invests in a value-added telecommunications services company shall have a good track record and experience in providing value-added telecommunications business (the "Qualification Requirement"). Currently, no clear guidance or interpretation of the Qualification Requirement has been issued. Thus it would be difficult and uncertain for the Group to obtain the ICP Licence through holding equity interests (whether directly or indirectly) in a foreign-invested enterprise in the PRC, and the prolonged process of application with unknown results would incur extra costs for the Group.

In light of the foreign ownership restriction and ambiguity in the Qualification Requirement mentioned above, in order to comply with applicable PRC laws and regulations and obtain the entire economic benefits attributable to the OPCO, the VIE Agreements were entered into among Shangrao Hongmiao, the OPCO and/or Mr. Gao and Shangrao Yaxin, pursuant to which Shangrao Hongmiao would have effective control over the finance, operation and assets of the OPCO and will enjoy the entire economic interests and benefits generated by the OPCO.

Risks associated with the VIE Agreements

The Company considers that the following risks are associated with the VIE Agreements:

(i) the PRC government may determine that the VIE Agreements do not comply with the applicable laws and regulations;

(ii) the VIE Agreements may not be as effective as direct ownership in providing control the OPCO;

(iii) the PRC Equity Owners may potentially have a conflict of interests with the Group;

(iv) the contractual arrangements may be subject to scrutiny of the PRC tax authorities and transfer pricing adjustments and additional tax may be imposed;

(v) certain terms of the VIE Agreements may not be enforceable under PRC laws;

(vi) a substantial amount of costs and time may be involved in transferring the ownership of the OPCO to the Group under the Exclusive Purchase Right Agreement; and

(vii) the Company does not have any insurance which covers the risks relating to the VIE Agreements and the transactions contemplated thereunder.

REPORT OF DIRECTORS

For the year ended 31 December 2019, as OPCO had no net profit from operation, the amount of service fee payable by OPCO to Shangrao Hongmiao under the Exclusive Business Cooperation Agreement was nil.

Further details of these risks and the internal control measures taken by the Group to mitigate these risks are respectively set out in the paragraphs headed "Risk Factors in Relation to the VIE Agreements" and "Internal Control Measures to be Implemented by the Group" in the circular of the Company dated 21 August 2019.

(2) Design and Construction agreement with Land Ease Limited

On 8 June 2018, Fruit Design & Build Limited ("**Fruit Design**"), a wholly owned subsidiary of the Company, entered into the Design and Construction Agreement with Land Ease Limited ("**Land Ease**"), a company wholly owned by Mr. Ng Kin Siu, an executive Director, pursuant to which Fruit Design has agreed to provide design and construction services to Land Ease, at a consideration of HK$182 million.

For the year ended 31 December 2019, the fees received from Land Ease were HK$99,935,000, which are within the approved annual caps of HK$100,000,000.

(3) The lease agreements

On 17 December 2018, Shangrao Hongmiao entered into a lease agreement (the "**New Lease Agreement 1**") with Shenzhen Dafy Technology Holdings Co., Ltd. (深圳達飛科技控股有限公司) ("**Shenzhen Dafy**") and a lease agreement with Dafy Yundai Technology (Beijing) Co., Ltd. (達飛雲貸科技(北京)有限公司) ("**Dafy Yundai**") (the "**New Lease Agreement 2**").

Under New Lease Agreement 1, Shangrao Hongmiao leased the risk management and operations management systems in connection with financial information and technology services (the "**Management Systems**") from Shenzhen Dafy, from 1 January 2019 to 30 June 2019 (both days inclusive), at a leasing fee of RMB980,000.

Under New Lease Agreement 2, Shangrao Hongmiao leased the hardware and software system in connection with the financial information and technology services on the mobile application "達飛雲貸" from Dafy Yundai, from 1 January 2019 to 30 June 2019 (both days inclusive), at a consideration of RMB970,000.

On 31 May 2019, Shangrao Hongmiao and Shenzhen Dafy entered into a termination agreement to terminate the New Lease Agreement 1 (the "**Termination Agreement**") with effect from 1 June 2019. Shenzhen Dafy returned to Shangrao Hongmiao the leasing fee in the amounts of RMB162,000 paid for the period between 1 June 2019 to 30 June 2019. Therefore, leasing fee paid to Shenzhen Dafy for the year ended 31 December 2019 was RMB818,000.

On 8 July 2019, Shangrao Hongmiao entered into a lease agreement (the "**OPCO Lease Agreement**") with the OPCO to lease the Management Systems under at a leasing fee of RMB1,134,000 for the period from 1 June 2019 to the earlier of 31 December 2019 and the day on which the VIE Agreements have been approved by the Independent Shareholders' at the extraordinary general meeting (the "**EGM**") . The EGM was held, and the OPCO Lease Agreement was expired, on 9 September 2019, and the leasing fee paid under the OPCO Lease Agreement was RMB535,000.

On 31 May 2019, Shangrao Hongmiao entered into a new lease agreement with Dafy Yundai (the "**Renewed Lease Agreement 2**") to renew the lease terms of New Lease Agreement 2, which expired on 30 June 2019, from 1 July 2019 to 31 December 2019, at a leasing fee of RMB920,000.

The transaction amount and the annual cap for the year ended 31 December 2019 under the lease agreements was as follows:

Agreement	Transaction amount for the year ended 31 December 2019 (RMB)	Annual Cap for the year ended 31 December 2019 (RMB)
New Lease Agreement 1	818,000	980,000
New Lease Agreement 2	970,000	970,000
OPCO Lease Agreement	535,000	1,134,000
Renewed Lease Agreement 2	920,000	920,000

As Mr. Gao is beneficially interested in 80.6% and 92.2% of the registered share capital of Shenzhen Dafy and Dafy Yundai respectively, each of Shenzhen Dafy and Dafy Yundai is an associate of Mr. Gao and connected person of the Company under Chapter 14A of the Listing Rules.

Save as disclosed above, during the year ended 31 December 2019, the Group did not enter into any other connected transactions that are not fully exempted under Rule 14A.33 of the Listing Rules.

Confirmation of independent non-executive directors in relation to the Continuing Connected Transactions
Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors have reviewed the above continuing connected transactions related to Design and Construction agreement with Land Ease Limited and the lease agreements and confirmed that the transactions have been entered into:

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

(ii) on normal commercial terms or better; and

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

Confirmation of independent non-executive directors in relation to the VIE agreement
Further, the independent non-executive Directors confirm that:

(i) the transactions under the VIE Agreements carried out during the year ended 31 December 2019 have been entered into in accordance with the relevant provisions of the VIE Agreements;

(ii) no dividends or other distributions have been made by the OPCO to either Mr. Gao or Shangrao Yaxin which are not retained by or assigned or transferred to the Group; and

(iii) no new agreement relating to the VIE structure established under the VIE Agreements was entered into, renewed or reproduced between the OPCO and the Group during the year ended 31 December 2019.

REPORT OF DIRECTORS

Confirmation from Auditor of the Company in relation to the Continuing Connected Transactions

Deloitte Touche Tohmatsu, 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. Deloitte Touche Tohmatsu has issued its unqualified letter containing their findings and conclusions in respect of the continuing connected transactions in connection with the Exclusive Business Cooperation Agreement, the Equity Pledge Agreement, the design and construction agreement with Land Ease, and the New Lease Agreement 1, the New Lease Agreement 2, the OPCO Lease Agreement and the Renewed Lease Agreement 2 for the year ended 31 December 2019 in accordance with Main Board Listing Rule 14A.54, with an emphasis of matter paragraph in relation to the fact that the Company is not required to establish and announce an annual cap in respect of the continuing connected transactions in connection with the Equity Pledge Agreement and the Exclusive Business Cooperation Agreement for the year ended 31 December 2019. A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions undertaken in the normal course of business of the Group are provided under note 33 to the consolidated financial statements. None of these related party transactions constitutes a connected transaction as defined under the Listing Rules that is required to be disclosed, except for those disclosed in the paragraph headed "Continuing Connected Transactions" above, in respect of which the disclosure requirements in accordance with Chapter 14A of the Listing Rules have been complied with.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Directors confirm that the Company complies with the minimum of public float as required under the Listing Rules.

AUDITOR

Deloitte Touche Tohmatsu was appointed by the Directors as the auditor of the Company. Deloitte Touche Tohmatsu will retire, and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting. A resolution for their re-appointment as auditor of the Company will be proposed at the forthcoming annual general meeting. The consolidated financial statements for the year ended 31 December 2019 have been audited by Deloitte Touche Tohmatsu.

TAX RELIEF

The Company is not aware of any relief from taxation available to the shareholders by reason of their holding of the Company's listed securities.

EQUITY-LINKED AGREEMENTS

Save as disclosed in this annual report relating to the Share Option Scheme, no equity-linked agreements were entered into during the year ended 31 December 2019.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

EVENTS AFTER THE REPORTING PERIOD

Renewal of lease agreement

On 1 January 2020, Shangrao Hongmiao entered into a lease agreement (the "**2020 Lease Agreement**") with Dafy Yundai, for the period of 1 January 2020 to 31 December 2020, to renew the lease of the hardware and software system in connection with the financial information and technology services on the mobile application "達飛雲貸" owned by Dafy Yundai initially expired on 31 December 2019. The amount of fees payable by Shangrao Hongmiao under the 2020 Lease Agreement is RMB1,840,000. The transactions contemplated under the 2020 Lease Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules and are subject to the announcement, reporting and annual review requirements but exempt from the circular (including independent financial advice) and the independent shareholders' approval requirements under Rule 14A.76 of the Listing Rules. For details, please refer to the Company's announcement dated 2 January 2020.

Proposed issue of convertible bonds

On 8 January 2020, the Company and Applied Development Holdings Limited (the "**Subscriber**") entered into a subscription agreement, to which the Company has conditionally agreed to issue to the Subscriber, and the Subscriber has conditionally agreed to subscribe for the convertible bonds in an aggregate principal amount of up to US$8,000,000 with 6% coupon rate at the initial conversion price of HK$1.22 per conversion share with a term of 364 days (which can, at the option of the Company, be extended for a six-month period). Upon a full conversion of the convertible bonds at the initial conversion price (subject to adjustment), a maximum of 51,147,540 conversion shares will be issued, representing approximately 3.84% of the issued share capital of the Company as at the date of the subscription agreement. Assuming the conversion rights attaching to the convertible bonds are fully exercised at the initial conversion price, the net proceeds from the issue of the convertible bonds, after deducting related expenses, are estimated to be HK$61,700,000. The Directors intend to use the net proceeds from the issue of the convertible bonds (after deduction of the expenses payable in connection with the issue of the convertible bonds) (i) as to approximately HK$56,000,000 in financing its potential future acquisition(s) and for business development; and (ii) as to approximately HK$5,700,000 as general working capital of the Group. The Company and the Subscriber have mutually agreed to terminate the subscription agreement on 30 March 2020 and the subscription would not proceed. For details, please refer to the Company's announcements dated 8 January 2020 and 30 March 2020, respectively.

Change of Directors and chairman of the Board and appointment of corporate development adviser

On 20 February 2020, Mr. Wang Jing was appointed as an executive Director and chairman of the Board and Mr. Gao Yunhong stepped down from the chairman of the Board and executive Director to a non-executive Director. On the same date, Mr. Zhang Huaqiao was appointed as the corporate development adviser of the Company. For details, please refer to the Company's announcement dated 20 February 2020.

Change of company name

On 20 March 2020, the Board announced the proposal for the change of its registered English name from "Dafy Holdings Limited" to "Steering Holdings Limited" and its Chinese name from "達飛控股有限公司" to "旭通控股有限公司". On 9 April 2020, the special resolution for change of the Company's name was duly passed by the shareholders of the Company at its extraordinary general meeting. The Certificate of Incorporation on Change of Name was issued by the Registrar of Companies in the Cayman Islands on 9 April 2020, and the Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company was issued by the Registrar of Companies of Hong Kong on 28 April 2020.

Following the change of the Company's name, the stock short name for trading in the shares of the Company on the Stock Exchange has been changed from "DAFY HOLDINGS" to "STEERING HLDGS" in English and from "達飛控股" to "旭通控股" in Chinese with effect from 11 May 2020. Further, the Company's logo has been changed to and the Company's website has been changed to "www.steering.com.hk".

The Board considers that the change of Company name would better reflect the strategic business plan and future business development of the Group and believes that the change of Company name is in the best interests of the Company and its shareholders as a whole.

By Order of the Board
Wang Jing
Chairman

Hong Kong, 11 May 2020

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

TO THE SHAREHOLDERS OF STEERING HOLDINGS LIMITED
旭通控股有限公司
(FORMERLY KNOWN AS DAFY HOLDINGS LIMITED)
(前稱達飛控股有限公司)
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Steering Holdings Limited (formerly known as Dafy Holdings Limited) (the "**Company**") and its subsidiaries (collectively referred to as "**the Group**") set out on pages 66 to 147, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter

Revenue and profit recognition of contracting service and contract assets

We identified the revenue and profit recognition of contracting service and contract assets as a key audit matter due to significant management judgements and estimation are required in the determination of the total outcome of the contracting service contracts as well as the stage of completion of contracting service.

The Group provided contracting service for alteration and addition works, maintenance, specialist works and new development. As disclosed in Note 19 to the consolidated financial statements, at 31 December 2019, the Group recorded contract assets of HK$131,132,000 in relation to contracting service. The Group has recognised revenue and profit from contracting service of HK$489,053,000 and HK$28,926,000, respectively for the year ended 31 December 2019 as described in Note 5 to the consolidated financial statements.

As set out in Note 4 to the consolidated financial statements, the Group recognises contract revenue and profit of contracting service and contract assets according to the Group’s management’s estimation of the total outcome of the contracting service contracts as well as the stage of completion of contracting service which is measured based on the Group’s efforts or inputs to the satisfaction of the performance obligation relative to the total expected inputs to the satisfaction of that performance obligation. The management is also required to exercise significant judgement in their assessment of the completeness and accuracy of forecasted costs to complete and the ability to deliver contracts within forecasted timescales.

Our procedures in relation to the revenue and profit recognition of contracting service and contract assets included:

- Evaluating the estimation of revenue and profit recognised on contracting service contracts, on a sample basis, by:
  - — agreeing the contract sum and budgeted costs to respective signed contracts and approved budgets;
  - — understanding from the management and project managers about how the approved budgets were prepared and the respective stage of completion were determined;
  - — challenging the reasonableness of key judgements inherent in the approved budgets;
  - — comparing the existence and valuation of variations to correspondence with customers;
  - — challenging the management’s assessment on the Group’s ability to deliver contracts within budgeted timescales and any penalty for late delivery of contract works by comparing the progress of the contracts against the terms stipulated in the contracts; and
  - — obtaining the certificates issued by the external surveyors to evaluate the reasonableness of stage of completion as at year end.
- Assessing the reliability of the approved budgets by comparing the actual outcome against the management’s estimation of completed contracts on a sample basis; and
- Checking the accuracy of the contract assets by agreeing the amount of progress billings, on a sample basis, to billings issued to customers.

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter

Impairment assessment of trade and retention receivables and contract assets

Key audit matter	How our audit addressed the key audit matter
We identified impairment assessment of trade and retention receivables and contract assets as a key audit matter due to the significance of trade and retention receivables and contract assets to the Group's consolidated financial position and the involvement of subjective judgement and management estimates in evaluating the expected credit losses ("**ECL**") of the Group's trade and retention receivables and contract assets at the end of the reporting period. As at 31 December 2019, the carrying amount of the Group's trade and retention receivables and contract assets amounted to approximately HK\$232,719,000 and HK\$141,067,000, which represented approximately 24% and 14% of total assets of the Group, respectively. As disclosed in Note 4 to the consolidated financial statements, the management of the Group estimates the amount of lifetime ECL of trade and retention receivables and contract assets based on provision matrix through grouping of various debtors that have similar loss patterns, after considering internal credit ratings of trade debtors, ageing, repayment history and/or past due status of respective trade and retention receivables and contract assets. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information. In addition, trade and retention receivables and contract assets that are credit impaired are assessed for ECL individually. The loss allowance amount of the credit impaired trade and retention receivables and contract assets is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses. As disclosed in Note 35(b) to the consolidated financial statements, the Group recognised additional amounts of approximately HK\$176,906,000 and HK\$7,285,000 of impairment of trade and retention receivables and contract assets, respectively for the year and the Group's lifetime ECL on trade and retention receivables and contract assets as at 31 December 2019 amounted to approximately HK\$178,974,000 and HK\$7,854,000, respectively.	Our procedures in relation to the impairment assessment of trade and retention receivables and contract assets included: • Obtaining an understanding of management's process of assessing the ECL for trade and retention receivables and contract assets; • Testing the integrity of information used by management to develop the provision matrix; • Challenging management's basis and judgement in determining credit losses allowance on trade and retention receivables and contract assets as at 31 December 2019, including their identification of credit impaired trade and retention receivables and contract assets, the reasonableness of management's grouping of the remaining debtors into different categories in the provision matrix, and the basis of estimated loss rates applied in each category in the provision matrix (with reference to historical default rates and forward-looking information); and • Testing subsequent settlements of credit impaired trade and retention receivables and contract assets, on a sample basis, by inspecting supporting documents in relation to cash receipt from trade debtors subsequent to the end of the current reporting period.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE 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 HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Tsang Kai Tai.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
11 May 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	5	**1,293,293**	648,541
Cost of services		**(707,720)**	(539,526)
Gross profit		**585,573**	109,015
Other income	6	**1,397**	2,020
Other gains and losses	7	**(54,606)**	(24)
Impairment losses under expected credit loss model, net of reversal	8	**(208,003)**	(1,072)
Other expenses		**–**	(220)
Administrative expenses		**(107,168)**	(39,172)
Finance costs	9	**(2,997)**	(1,930)
Profit before tax	10	**214,196**	68,617
Income tax expense	13	**(97,619)**	(17,321)
Profit for the year		**116,577**	51,296
Other comprehensive (expense) income			
Items that will not be reclassified to profit or loss:			
Fair value loss on investments in equity instruments at fair value through other comprehensive income		**(25,069)**	(5,234)
Exchange differences on translation from functional currency to presentation currency		**(3,089)**	–
		(28,158)	(5,234)
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**3,171**	34
Other comprehensive expense for the year		**(24,987)**	(5,200)
Total comprehensive income for the year		**91,590**	46,096
Profit for the year attributable to:			
Owners of the Company		**20,568**	32,057
Non-controlling interests		**96,009**	19,239
		116,577	51,296
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		**(4,222)**	26,786
Non-controlling interests		**95,812**	19,310
		91,590	46,096
Earnings per share	14		
Basic (HK cents)		**1.7**	2.6
Diluted (HK cents)		**1.7**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment	15a	**4,079**	5,390
Intangible assets	15b	**5,763**	–
Right-of-use assets	16	**7,227**	–
Deposit paid for acquisition of property, plant and equipment		**–**	1,150
Equity instruments at fair value through other comprehensive income	17	**19,697**	44,766
Deferred tax assets	27	**51,780**	270
		88,546	51,576
Current assets			
Contract assets	19	**141,067**	163,451
Trade and other receivables	20	**512,152**	198,094
Financial assets at fair value through profit or loss ("**FVTPL**")	18	**24,683**	–
Tax recoverable		**4,470**	2,751
Pledged bank deposits	21	**36,316**	33,194
Bank balances and cash	21	**171,039**	21,996
		889,727	419,486
Current liabilities			
Trade and other payables	22	**297,754**	169,993
Contract liabilities	23	**37,623**	13,875
Amounts due to shareholders	24	**15,503**	52,355
Tax liabilities		**123,083**	13,704
Lease liabilities	25	**6,818**	–
Bank borrowings	26	**52,600**	53,400
		533,381	303,327
Net current assets		**356,346**	116,159
Total assets less current liabilities		**444,892**	167,735
Non-current liabilities			
Deferred tax liabilities	27	**16,278**	76
Lease liabilities	25	**425**	–
		16,703	76
Net assets		**428,189**	167,659

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Note	**2019** **HK$'000**	2018 HK$'000
Capital and reserves			
Share capital	28	**13,320**	12,320
Reserves		**244,931**	124,654
Equity attributable to owners of the Company		**258,251**	136,974
Non-controlling interests		**169,938**	30,685
Total equity		**428,189**	167,659

The consolidated financial statements on pages 66 to 147 were approved and authorised for issue by the Board of Directors on 11 May 2020 and are signed on its behalf by:

MR. WANG JING,
DIRECTOR

MR. NG KIN SIU,
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Other reserve HK$'000 (Note)	Translation reserve HK$'000	Investment revaluation reserve HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2018	12,320	21,440	1,000	–	–	75,428	110,188	–	110,188
Profit for the year	–	–	–	–	–	32,057	32,057	19,239	51,296
Other comprehensive (expense) income for the year	–	–	–	(37)	(5,234)	–	(5,271)	71	(5,200)
Total comprehensive (expense) income for the year	–	–	–	(37)	(5,234)	32,057	26,786	19,310	46,096
Capital contribution by a non-controlling shareholder of a subsidiary (Note 38)	–	–	–	–	–	–	–	11,375	11,375
At 31 December 2018	12,320	21,440	1,000	(37)	(5,234)	107,485	136,974	30,685	167,659
Profit for the year	–	–	–	–	–	20,568	20,568	96,009	116,577
Other comprehensive income (expense) for the year	–	–	–	279	(25,069)	–	(24,790)	(197)	(24,987)
Total comprehensive income (expense) for the year	–	–	–	279	(25,069)	20,568	(4,222)	95,812	91,590
Shares issued upon exercise of convertible bonds	1,000	124,499	–	–	–	–	125,499	–	125,499
Capital contribution by a non-controlling shareholder of a subsidiary (Note 38)	–	–	–	–	–	–	–	43,441	43,441
At 31 December 2019	13,320	145,939	1,000	242	(30,303)	128,053	258,251	169,938	428,189

Note: As part of the group reorganisation for the listing of the shares of Steering Holdings Limited (formerly known as Dafy Holdings Limited) (the "**Company**") on GEM of the Stock Exchange of Hong Kong Limited ("**Stock Exchange**"), there are series of restructuring within the Company and its subsidiaries (collectively referred to as the "**Group**") mainly involved interspersing investment holding entities between the operating subsidiaries and Mr. Ng Kin Siu. The difference between the Company's share capital and the combined share capital of Fruit Design & Build Limited ("**Fruit Design**"), Harvest Building Consultancy Limited, Win Lee Building Engineering Limited ("**Win Lee Building**"), Marvo Architecture Limited, FDB Innovations Limited, FDB Facade Limited ("**FDB Facade**") and FDB Development Limited was credited to other reserve.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	2019 HK$'000	2018 HK$'000
OPERATING ACTIVITIES		
Profit before tax	**214,196**	68,617
Adjustments for:		
Depreciation of property, plant and equipment	**3,020**	1,758
Amortisation of intangible assets	**111**	–
Depreciation of right-of-use assets	**18,608**	–
Finance costs	**2,997**	1,930
Impairment losses under expected credit losses, net of reversal	**208,003**	1,072
Loss from change in fair value of convertible bonds at FVTPL	**45,499**	–
Loss from change in fair value of financial assets at FVTPL	**8,930**	–
Interest income	**(290)**	(109)
Dividend income	**(275)**	–
Loss on disposal of property, plant and equipment	**12**	39
Operating cash flows before movements in working capital	**500,811**	73,307
Increase in trade and other receivables	**(514,803)**	(79,826)
Decrease in contract assets	**15,099**	44,017
Increase (decrease) in trade and other payables	**121,916**	(36,814)
Increase (decrease) in contract liabilities	**23,748**	(781)
Cash generated from (used in) operations	**146,771**	(97)
Income tax paid	**(25,432)**	(7,466)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**121,339**	(7,563)
INVESTING ACTIVITIES		
Purchases of equity instruments at fair value through other comprehensive income	**–**	(50,000)
Purchase of financial assets at FVTPL	**(33,613)**	–
Purchase of property, plant and equipment	**(1,127)**	(4,057)
Placement of pledged bank deposits	**(12,485)**	–
Withdrawal of pledged bank deposits	**9,363**	2,805
Deposits paid for acquisition of property, plant and equipment	**–**	(1,150)
Interest received	**290**	109
Dividend received	**275**	–
Proceeds from disposal of property, plant and equipment	**550**	–
NET CASH USED IN INVESTING ACTIVITIES	**(36,747)**	(52,293)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	2019 HK$'000	2018 HK$'000
FINANCING ACTIVITIES		
Bank borrowings raised	**110,300**	71,400
Repayment of bank borrowings	**(111,100)**	(70,623)
Repayment of lease liabilities	**(18,863)**	–
Interest paid	**(2,997)**	(1,930)
Capital contribution by a non-controlling shareholder of a subsidiary	**43,441**	11,375
Advances from shareholders	**22,253**	52,355
Repayments to shareholders	**(59,105)**	–
Proceeds on issue of convertible bonds	**80,000**	–
NET CASH FROM FINANCING ACTIVITIES	**63,929**	62,577
NET INCREASE IN CASH AND CASH EQUIVALENTS	**148,521**	2,721
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**21,996**	19,191
Effect of foreign exchange rate changes	**522**	84
CASH AND CASH EQUIVALENTS AT END OF THE YEAR represented by bank balances and cash	**171,039**	21,996

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 19 March 2015. The shares of the Company are listed on the Main Board of the Stock Exchange.

Its immediate holding company is Gentle Soar Limited ("**Gentle Soar**"), a company incorporated in the British Virgin Islands. Its ultimate controlling shareholder is Mr. Gao Yunhong ("**Mr. Gao**"), who was the chairman and executive director of the Company. On 20 February 2020, Mr. Gao stepped down from the position of chairman and was re-designated as a non-executive director of the Company. On the same date, Mr. Wang Jing was appointed as the chairman and an executive director of the Company.

On 11 May 2020, the Company's registered English name was changed from "Dafy Holdings Limited" to "Steering Holdings Limited" and its Chinese name from "達飛控股有限公司" to "旭通控股有限公司". The stock short name for trading in the shares of the Company on the Stock Exchange has been changed from "DAFY HOLDINGS" to "STEERING HLDGS" in English and from "達飛控股" to "旭通控股" in Chinese with effect from 11 May 2020.

The address of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The Company is an investment holding company. The Group is principally engaged in the provision of building consultancy services, contracting business, project management, and provision of financial information and technology services to individuals in the People's Republic of China (the "**PRC**").

In the last quarter of 2018, the Group entered into a new business for the provision of financial information and technology services which link up the individual users in the PRC with various financial institutions or credit service providers. Following the rapid expansion of the Group's financial information and technology service business in the current year, the directors of the Company consider that the primary economic environment in which the Company operates has changed, and therefore the functional currency of the Company has changed to Renminbi ("**RMB**") with effect from 1 January 2019.

The consolidated financial statements are presented in Hong Kong Dollar ("**HK$**") to suit the needs of the shareholders and investors. All values are rounded to the nearest thousand except when otherwise stated.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time in the current year:

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

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

2.1 HKFRS 16 Leases

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

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) — Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated.

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

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and

ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

2.1 HKFRS 16 Leases (Continued)

As a lessee (Continued)

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 4.5% per annum.

	At 1 January 2019 HK$'000
Operating lease commitments disclosed as at 31 December 2018	26,868
Lease liabilities discounted at relevant incremental borrowing rates	25,638
Less: Recognition exemption — short-term leases	(922)
Lease liabilities relating to operating lease recognised upon application of HKFRS 16 as at 1 January 2019	24,716
Analysed as	
Current	21,580
Non-current	3,136
	24,716

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Right-of-use assets HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	24,716
By class:	
Leased properties	24,716

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

2.1 HKFRS 16 Leases (Continued)

As a lessee (Continued)

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018 HK$'000	Adjustments HK$'000	Carrying amounts under HKFRS 16 at 1 January 2019 HK$'000
Non-current Assets			
Right-of-use assets	–	24,716	24,716
Current Liabilities			
Lease liabilities	–	21,580	21,580
Non-current Liabilities			
Lease liabilities	–	3,136	3,136

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

New and amendments to HKFRSs issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

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

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

2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

3 Effective for annual periods beginning on or after a date to be determined

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs issued but not yet effective (Continued)

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

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for the Group's annual periods beginning on or after 1 January 2020. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs issued but not yet effective (Continued)

Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;

- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and

- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies see out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 (since 1 January 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation

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

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

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

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

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

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

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis, except for the allocation of variable considerations.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

Variable consideration

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

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

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

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

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

Short-term leases

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

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

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

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

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

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

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

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

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

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

Operating lease payments are recognised as expenses on a straight-line basis over the lease term.

Lease incentives relating to operating leases are considered as integral part of lease payments, the aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

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

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

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

Exchange differences relating to the retranslation of the Group's net assets in RMB to the Group's presentation currency (i.e. HK$) are recognised directly in other comprehensive income and accumulated in the translation reserve. Such exchange differences accumulated in the translation reserve are not reclassified to profit or loss subsequently.

The change in functional currency of the Company was applied prospectively from the date of change. All items were translated into RMB at the exchange rate on that date. The cumulative currency translation differences which had arisen from the translation of foreign operations up to the date of the change in functional currency were not reclassified from equity to profit or loss until the disposal of the relevant operations.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

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

Retirement benefits costs

Payments to the Mandatory Provident Fund Scheme and state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Equity-settled share-based payment transactions

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

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve.

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

Taxation

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

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

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

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

Impairment on property, plant and equipment, right-of-use assets and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, corporates assets are allocated to individual cash generating units when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, the recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment on property, plant and equipment, right-of-use assets and intangible assets (Continued)

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

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

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("**FVTPL**")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

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

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("**FVTOCI**"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of HKFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Interest income and dividend income is recognised in profit or loss and is included in the “other income” line item.

(ii) Equity instruments designated as at FVTOCI

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

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

(iii) Financial assets at FVTPL

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and contract assets subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including trade and other receivables, pledged bank deposits and bank balances) and contract assets which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on these assets are assessed individually for debtors with significant balances and collectively for other debtors based on the Group's internal credit rating, historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and contract assets subject to impairment assessment under HKFRS 9 (Continued)

(i) Significant increase in credit risk

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and contract assets subject to impairment assessment under HKFRS 9 (Continued)

(ii) Definition of default

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

(iii) Credit-impaired financial assets

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

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and contract assets subject to impairment assessment under HKFRS 9 (Continued)

(v) Measurement and recognition of ECL (Continued)

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and retention receivables and contract assets are each assessed as a separate group or on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit rating where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables and contract assets where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

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

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which HKFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract to be designated as at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities at FVTPL (Continued)

The Group's convertible bonds contain conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments, the convertible bonds are designated as at FVTPL. For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Financial liabilities at amortised cost

Financial liabilities (including trade and other payables, amounts due to shareholders and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key sources of estimation uncertainty

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

Revenue and profit recognition of contracting service and contract assets

The Group provides contracting service for alteration and addition works, maintenance, specialist works and new development.

The Group recognises contract revenue and profit of contracting service and contract assets according to the Group's management's estimation of the total outcome of the contracting service contracts as well as the stage of completion of contracting service which is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation relative to the total expected inputs to the satisfaction of that performance obligation. Estimated construction revenue is determined with reference to the terms of the relevant contract. Construction cost which mainly comprise sub-contracting charges and costs of materials are estimated by the management on the basis of quotations from time to time provided by the major contractors/suppliers/vendors involved and the experience of the management.

The management is also required to exercise significant judgement in their assessment of the completeness and accuracy of forecasted costs to complete and the ability to deliver contracts within forecasted timescales.

Notwithstanding that management reviews and revises the estimates of both contract revenue and costs for the construction contract as the contract progresses, the actual outcome of the contract in terms of its total revenue and costs may be higher or lower than the estimates and this will have significant impact on the revenue and profit recognised and the contract assets.

As at 31 December 2019, the carrying amount of contract assets in relation to contracting service was approximately HK$131,132,000 (2018: HK$147,704,000).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Impairment assessment of ECL for trade and retention receivables and contract assets

The Group estimates the amount of lifetime ECL of trade and retention receivables and contract assets based on provision matrix through grouping of various debtors that have similar loss patterns, after considering internal credit ratings of trade debtors, ageing, repayment history and/or past due status of respective trade and retention receivables and contract assets. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is reasonable and supportable available without undue costs or effort. At each reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade and retention receivables and contract assets that are credit impaired are assessed for ECL individually. The loss allowance amount of the credit impaired trade and retention receivables and contract assets is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade and retention receivables and contract assets are disclosed in Notes 35b, 20 and 19 respectively.

Variable considerations in relation to financial information and technology services

The Group includes in the transaction price some or all of an amount of variable considerations only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Management considers the variable considerations in the financial information and technology services being the service fees settled by installments from the borrowers.

The Group estimates the variable considerations separately, for each financial institution and credit service provider. The expected unearned portion of service fees due to default in partial payments are estimated at contract inception based on the expected value method. The expected value of this component is the sum of probability-weighted amounts in a range of possible consideration amounts on a portfolio basis. The factor that affect the expected value include the estimated rate of default in partial payments. The estimated amount of unearned portion of service fees due to borrowers' default partial payments deducted from the gross transaction price for each transaction before allocating the remaining portion of the transaction price to different performance obligations based on their relative estimated selling prices.

As the Group's experience with certain financial institutions and credit service providers that the Group has been cooperated with for a short period of time is limited, the Group considered that it is highly probable that a significant reversal of revenue will be subsequently occurred for the related service fee. Therefore, service fees are recognised only upon the Group received the related service fees from individual users.

The estimate of variable consideration amounts is reassessed at each reporting date. Any subsequent changes in the transaction price are allocated to the performance obligations in the contract on the same basis as at the contract inception. Amounts allocated to a satisfied performance obligation shall be recognised as revenue in the period in which the transaction price changes.

5. REVENUE AND SEGMENT INFORMATION

The Group recognises revenue from the following major sources:

- Contracting business and project management ("**Contracting service**")
- Provision of building consultancy services ("**Consultancy service**")
- Provision of financial information and technology services ("**Financial information and technology service**")

A. For the year ended 31 December 2019

(i) Disaggregation of revenue from contracts with customers

	For the year ended 31 December 2019			
	Contracting service HK$'000	Consultancy service HK$'000	Financial information and technology service HK$'000	Total HK$'000
Types of service				
Construction	**489,053**	**–**	**–**	**489,053**
Consultancy	**–**	**57,689**	**–**	**57,689**
Provision of financial information and technology services				
— Pre-loan service	**–**	**–**	**739,906**	**739,906**
— Post-loan service	**–**	**–**	**6,645**	**6,645**
Total	**489,053**	**57,689**	**746,551**	**1,293,293**
Geographical markets				
Hong Kong	**489,053**	**57,689**	**–**	**546,742**
Mainland China	**–**	**–**	**746,551**	**746,551**
Total	**489,053**	**57,689**	**746,551**	**1,293,293**
Timing of revenue recognition				
At a point in time	**–**	**–**	**739,906**	**739,906**
Over time	**489,053**	**57,689**	**6,645**	**553,387**
Total	**489,053**	**57,689**	**746,551**	**1,293,293**

5. REVENUE AND SEGMENT INFORMATION (Continued)

A. For the year ended 31 December 2018

(i) Disaggregation of revenue from contracts with customers

	For the year ended 31 December 2018			
	Contracting service HK$'000	Consultancy service HK$'000	Financial information and technology service HK$'000	Total HK$'000
Types of service				
Construction	519,693	–	–	519,693
Consultancy	–	57,053	–	57,053
Provision of financial information and technology services				
— Pre-loan service	–	–	71,535	71,535
— Post-loan service	–	–	260	260
Total	519,693	57,053	71,795	648,541
Geographical markets				
Hong Kong	519,693	57,053	–	576,746
Mainland China	–	–	71,795	71,795
Total	519,693	57,053	71,795	648,541
Timing of revenue recognition				
At a point in time	–	–	71,535	71,535
Over time	519,693	57,053	260	577,006
Total	519,693	57,053	71,795	648,541

5. REVENUE AND SEGMENT INFORMATION (Continued)

A. For the year ended 31 December 2019 (Continued)

(ii) Performance obligation for contracts with customers

Contracting service

The Group provides contracting service for alteration and addition works, maintenance, specialist works and new development to customers. Such services are recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue is recognised for these contracting services based on the stage of completion of the contract using input method.

The Group's construction contracts include payment schedules which require stage payments over the construction period once certain specified milestones are reached. The Group requires certain customers to provide upfront deposits range from 10% to 30% of total contract sum, when the Group receives a deposit before construction commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the specific contract exceeds the amount of the deposit.

A contract asset, net of contract liability related to the same contract, is recognised over the period in which the contracting services are performed representing the Group's right to consideration for the services performed because the rights are conditioned on the Group's future performance in achieving specified milestones. The contract assets are transferred to trade receivables when the rights become unconditional. The Group typically transfer the contract assets to trade receivables within 12 months from the end of the reporting period.

Retention receivables, prior to expiration of defect liability period, are classified as contract assets, which ranges from one to two years from the date of the practical completion of the construction. The relevant amount of contract asset is reclassified to trade receivables when the defect liability period expires. The defect liability period serves as an assurance that the contracting services performed comply with agreed upon specifications and such assurance cannot be purchased separately.

Consultancy service

The Group provides consulting service for alteration and addition works, new development, licensing, building services and architectural design for buildings in Hong Kong. Revenue is recognised over the contract period when the relevant services are provided by the Group and the customers simultaneously receive and consume the benefits provided by the Group's performance.

The Group bills and collects payments from its customers based on the payment schedules stipulated in the consultancy service contracts.

5. REVENUE AND SEGMENT INFORMATION (Continued)

A. For the year ended 31 December 2019 (Continued)

(ii) Performance obligation for contracts with customers (Continued)

Financial information and technology service

The Group provides financial information and technology services which links up the individual users in the PRC with various financial institutions or credit service providers. The Group also provides post loan management service to the borrowers over the loan period.

The pre-loan service and post-loan service are considered as the two distinct performance obligations to be provided by the Group. The Group does not provide these services separately, and there is no available observable price from providing either of these services. As a result, the Group uses its best estimate of selling prices of these service obligations as the basis for allocating the transaction price.

The transaction price allocated to the pre-loan service is recognised as revenue at a point in time upon execution of loan agreements between lenders and borrowers. When the Group provides post-loan service, the borrowers or lenders simultaneously receive and consume the benefits provided by the Group's performance and the transaction price allocated to the post-loan service is recognised over the term of the loan on a straight-line basis, which approximates the timing of when the underlying services are performed.

For both pre-loan service and post-loan service, the Group generally collects the service fees by installments over the period of the loan after the loan is distributed to the borrowers' bank accounts. Upon entering into a contract with customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to provide financial information and technology services to the borrowers. The Group's rights to the consideration for the pre-loan service performed are conditioned on the Group's future performance of the post-loan service and therefore, contract assets are recognised. The contract assets are transferred to trade receivables when the rights become unconditional, i.e. by the end of the loan period.

In some cases, the Group is required to pay a deposit to financial institutions or credit service providers, which is based on a fixed percentage of the amounts of loans distributed to borrowers through the relevant financial institution or credit service provider. The deposit will be released upon the relevant loans are matured. In addition, the Group may make a payment to financial institutions or credit service providers as part of the business cooperation between the Group and the financial institution or credit service provider, as appropriate. Terms of such amounts are negotiated on a case-by-case basis. During the year ended 31 December 2019, the Group paid amounts of approximately HK$49,794,000 and of approximately HK$177,689,000 to a financial institution and a credit service provider respectively, as detailed in Note 20.

The amount of the services fees is the gross amount of the services fee under a service contract before taking into account the impacts of variable considerations resulting from expected amounts of service fees settled by installments from borrowers due to default in partial payments. The estimated amounts of variable considerations, which are calculated using the expected value method, are deducted from the total transaction price for each service contract.

5. REVENUE AND SEGMENT INFORMATION (Continued)

A. For the year ended 31 December 2019 (Continued)

(ii) Performance obligation for contracts with customers (Continued)

Financial information and technology service (Continued)

The Group estimates the variable considerations separately, for each financial institution and credit service provider. The estimate of variable consideration amounts is reassessed at each reporting date. Any subsequent changes in the transaction price are allocated to the performance obligations in the contract on the same basis as at the contract inception. Amounts allocated to a satisfied performance obligation shall be recognised as revenue in the period in which the transaction price changes.

During the year ended 31 December 2019, the Group made the assessment of whether any portion of the cumulative consideration is constrained because the promised consideration for the service fee is highly susceptible to factors outside its own influence. The Group determined that the full amount of the service fee of certain financial institutions and credit service providers is constrained and therefore excluded from the transaction price, as a result of that, although the Group has experienced with similar contracts, that experience is not predictive of the outcome of the current contract because the amount of consideration is highly susceptible to volatility in the current market based on the nature of the credit service industry in the region. Therefore, service fees are recognised only upon the Group received the related service fees from individual users. This determination is made each reporting date and could change towards the end of the contract period.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2019 and the expected timing of recognising revenue are as follows:

	Contracting service HK$'000	Consultancy service HK$'000	Financial information and technology service HK$'000
Within one year	**399,666**	**28,582**	**308**
More than one year but not more than two years	**130,348**	**10,747**	**–**
More than two years	**37,983**	**1,640**	**–**
	567,997	**40,969**	**308**

5. REVENUE AND SEGMENT INFORMATION (Continued)

A. For the year ended 31 December 2019 (Continued)

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers (Continued)

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2018 and the expected timing of recognising revenue are as follows:

	Contracting service HK$'000	Consultancy service HK$'000	Financial information and technology service HK$'000
Within one year	300,811	47,712	497
More than one year but not more than two years	71,825	23,195	–
More than two years	4,470	13,755	–
	377,106	84,662	497

Information reported to the executive directors of the Company, being the chief operating decision maker ("**CODM**"), for the purposes of resource allocation and assessment of segment performance focuses on types of services provided.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

1. Contracting service

2. Consultancy service

3. Financial information and technology service

5. REVENUE AND SEGMENT INFORMATION (Continued)

The following is an analysis of the Group's revenue and results by operating and reportable segments:

For the year ended 31 December 2019

	Contracting service HK$'000	Consultancy service HK$'000	Financial information and technology service HK$'000	Total HK$'000
Segment revenue	**489,053**	**57,689**	**746,551**	**1,293,293**
Segment profit	**28,926**	**14,617**	**325,097**	**368,640**
Unallocated income				**1,397**
Unallocated expenses				**(155,841)**
Profit before tax				**214,196**
Other segment information				
Impairment losses under expected credit loss model, net of reversal	**2,084**	**–**	**205,919**	**208,003**
Loss from change in fair value of financial assets at FVTPL	**–**	**–**	**8,930**	**8,930**

5. REVENUE AND SEGMENT INFORMATION (Continued)

For the year ended 31 December 2018

	Contracting service HK$'000	Consultancy service HK$'000	Financial information and technology service HK$'000	Total HK$'000
Segment revenue	519,693	57,053	71,795	648,541
Segment profit	32,480	17,372	58,091	107,943
Unallocated income				2,035
Unallocated expenses				(41,361)
Profit before tax				68,617
Other segment information				
Impairment losses under expected credit loss model, net of reversal	(10)	–	1,082	1,072

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment profit represents the profit from each segment before tax without allocation of other income, other expenses, certain other gains and losses, administrative expenses and finance costs. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment. No analysis of the Group's assets and liabilities is regularly provided to the CODM for review.

5. REVENUE AND SEGMENT INFORMATION (Continued)

Geographical information

The Group principally operates in Hong Kong and the PRC, which are the principal places of domicile of the relevant group entities.

Information about the Group's revenue from external customers is presented based on the location of the operations. Information about the Group's non-current assets (excluding equity instruments at fair value through other comprehensive income and deferred tax assets) is presented based on the geographical location of the assets.

	Revenue from external customers Year ended		Non-current assets	
	31 December 2019 HK$'000	31 December 2018 HK$'000	**31 December 2019 HK$'000**	31 December 2018 HK$'000
Hong Kong	**546,742**	576,746	**8,102**	6,246
Mainland China	**746,551**	71,795	**8,967**	294
	1,293,293	648,541	**17,069**	6,540

Information about major customers

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

	2019 HK$'000	2018 HK$'000
Customer A[2]	**143,026**	N/A[1]
Customer B[3]	**N/A[1]**	81,229
Customer C[3]	**N/A[1]**	77,148

1 The corresponding revenue did not contribute over 10% of total revenue of the Group in the respective year.

2 Revenue from financial information and technology service segment.

3 Revenue from contracting service segment.

No other revenue from transaction with a single external customer amounted to 10% or more of the total revenue of the Group for both years.

6. OTHER INCOME

	2019 HK$'000	2018 HK$'000
Bank interest income	**290**	109
Dividend income	**275**	–
Others	**832**	1,911
	1,397	2,020

7. OTHER GAINS AND LOSSES

	2019 HK$'000	2018 HK$'000
Net foreign exchange losses (gains)	**165**	(15)
Loss on disposal of property, plant and equipment	**12**	39
Loss from change in fair value of financial assets at FVTPL	**8,930**	–
Loss from change in fair value of convertible bonds at FVTPL	**45,499**	–
	54,606	24

8. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	2019 HK$'000	2018 HK$'000
Impairment losses recognised (reversed) on:		
— Trade receivables	**176,266**	1,884
— Retention receivables	**640**	(242)
— Contract assets	**7,285**	(570)
— Deposits to a credit service provider and a financial institution	**5,212**	–
— Other receivables from a credit service provider	**18,600**	–
	208,003	1,072

Details of impairment assessment are set out in Note 35.

9. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interest on:		
— Bank borrowings	**2,379**	1,795
— Bank overdrafts	**38**	23
— Advances from customers	**–**	112
— Lease liabilities	**580**	–
	2,997	1,930

10. PROFIT BEFORE TAX

	2019 HK$'000	2018 HK$'000
Profit before tax has been arrived at after charging:		
Directors' emoluments (Note 11)	**5,066**	4,206
Salaries and other allowances	**158,747**	83,458
Retirement benefit scheme contributions, excluding those of directors	**12,873**	4,708
Total staff costs	**176,686**	92,372
Auditor's remuneration	**3,117**	2,430
Depreciation of property, plant and equipment	**3,020**	1,758
Amortisation of intangible assets	**111**	–
Depreciation of right-of-use assets	**18,608**	–

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

Directors

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, is as follows:

For the year ended 31 December 2019

	Directors' fees HK$'000	Salaries and other allowances HK$'000	Discretionary bonus HK$'000 (Note a)	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive directors:					
Gao Yunghong (chairman) ("**Mr. Gao**") (Note b)	10	–	–	–	10
Ng Kin Siu (chief executive officer) (Note c)	–	3,465	–	18	3,483
Feng Xuelian (Note l)	10	672	–	–	682
Qi Gang (Note k)	–	–	–	–	–
Lu Xin (Note d)	9	378	–	–	387
Independent non-executive directors:					
Chan Yuk Sang (Note h)	168	–	–	–	168
Wan Chi Wai, Anthony (Note h)	168	–	–	–	168
Lau Kwok Fai, Patrick (Note h)	168	–	–	–	168
	533	4,515	–	18	5,066

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

Directors (Continued)

For the year ended 31 December 2018

	Directors' fees HK$'000	Salaries and other allowances HK$'000	Discretionary bonus HK$'000 (Note a)	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive directors:					
Mr. Gao (chairman) (Note b)	10	–	–	–	10
Ng Kin Siu (chief executive officer) (Note c)	–	3,465	150	18	3,633
Qi Gang (Note k)	10	–	–	–	10
Lu Xin (Note d)	5	–	–	–	5
Zhu Wenhui (Note e)	5	–	–	–	5
Chung Yuk Ming, Christopher (Note f)	–	17	–	–	17
Ip Kong Ling (Note g)	–	17	–	–	17
Independent non-executive directors:					
Chan Yuk Sang (Note h)	163	–	–	–	163
Wan Chi Wai, Anthony (Note h)	163	–	–	–	163
Lau Kwok Fai, Patrick (Note h)	163	–	–	–	163
Chan Chun Hong (Note i)	5	–	–	–	5
Chan Kai Nang (Note i)	5	–	–	–	5
Lau Yiu Kit (Note i)	5	–	–	–	5
Wu Chun Wah (Note j)	5	–	–	–	5
	539	3,499	150	18	4,206

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

Directors (Continued)

Notes:

(a) The discretionary bonus is determined with consideration of the performance for the years of the group entities.

(b) Mr. Gao was appointed as the executive director and the chairman of the board of directors of the Company (the "**Board**") on 5 January 2018. On 20 February 2020, Mr. Gao has been re-designated as a non-executive director of the Company.

(c) Mr. Ng Kin Siu resigned from the role of Chairman of the Board on 5 January 2018. His emoluments disclosed above included those services rendered by him as the chief executive.

(d) Mr. Lu Xin was appointed as the executive director of the Company on 18 July 2018 and has resigned on 29 November 2019.

(e) Ms. Zhu Wenhui was appointed as the executive director of the Company on 5 January 2018 and has resigned on 18 July 2018.

(f) Mr. Chung Yuk Ming, Christopher has resigned as the executive director of the Company on 5 January 2018.

(g) Mr. Ip Kong Ling has resigned as the executive director of the Company on 5 January 2018.

(h) Mr. Chan Yuk Sang, Mr. Wan Chi Wai, Anthony and Mr. Lau Kwok Fai, Patrick were appointed as the independent non-executive directors of the Company on 12 January 2018.

(i) Mr. Chan Chun Hong, Mr. Chan Kai Nang and Mr. Lau Yiu Kit have resigned as the independent non-executive directors of the Company on 12 January 2018.

(j) Dr. Wu Chun Wah has resigned as the independent non-executive director of the Company on 12 January 2018.

(k) Mr. Qi Gang was appointed as the executive director of the Company on 5 January 2018 and has resigned on 24 January 2019.

(l) Ms. Feng Xuelian was appointed as the executive director of the Company on 24 January 2019.

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

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

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 during the current and prior years.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the current and prior years.

The Group has been providing accommodation, which is leased from third party, to Mr. Ng Kin Siu for use by his and his family members at no charge. The estimated monetary value of the benefit in kind is approximately HK$768,000 (2018: HK$764,000). Upon the adoption of HKFRS 16 on 1 January 2019, the Group recognised a right-of-use asset of approximately HK$1,295,000 for the above lease. Depreciation of approximately HK$740,000 was charged to profit or loss for the year and the carrying amount of the related right-of-use asset as at 31 December 2019 amounted to approximately HK$555,000.

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

Employees

The five highest paid employees of the Group for the year ended 31 December 2019 included one director (2018: one director), details of whose remuneration are set out above.

For the year ended 31 December 2019, the remuneration of the remaining four (2018: four) highest paid employees who are neither a director nor chief executive of the Company is as below.

	2019 HK$'000	2018 HK$'000
Salaries and other allowances	**4,351**	4,110
Discretionary bonus	**620**	456
Retirement benefit scheme contributions	**72**	66
	5,043	4,632

For the year ended 31 December 2019, the remuneration of the remaining four individuals (2018: four individuals), were within the following bands:

	2019 No. of employees	2018 No. of employees
HK$1,000,001 to HK$1,500,000	**4**	4

No emoluments were paid by the Group to the top five highest paid employees as an inducement to join, or upon joining the Group, or as compensation for loss of office during the current and prior years.

12. DIVIDENDS

No dividends were paid, declared or proposed during the year ended 31 December 2019, nor has any dividend been proposed since the end of the reporting period (2018: Nil).

13. INCOME TAX EXPENSE

	2019 HK$'000	2018 HK$'000
Current tax:		
Hong Kong	**1,661**	4,176
PRC Enterprise Income Tax	**131,308**	13,644
	132,969	17,820
Overprovision in prior years:		
Hong Kong	**(42)**	(70)
Deferred tax (Note 27)	**(35,308)**	(429)
Income tax expense	**97,619**	17,321

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

Accordingly, the Hong Kong profits tax of the qualifying group entity is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

The Company's subsidiaries that are tax residents in the PRC are subject to the PRC dividend withholding tax at 10% when and if undistributed earnings out of profits that arose on or after 1 January 2008 are declared to be paid as dividends to its immediate holding company which is a non-PRC tax resident. A provision for dividend withholding tax of approximately HK$16,121,000 (2018: Nil) was recognised for the year ended 31 December 2019.

13. INCOME TAX EXPENSE (Continued)

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

	2019 HK$'000	2018 HK$'000
Profit before tax	**214,196**	68,617
Tax at the applicable income tax rate of 25% (2018: 16.5%)	**53,549**	11,322
Tax effect of expenses not deductible for tax purpose	**19,216**	1,531
Effect of different tax rate of subsidiaries operating in other jurisdiction	**(815)**	4,829
Income tax at concessionary rate	**(165)**	(149)
Withholding tax on distributable profits of PRC subsidiaries	**16,121**	–
Tax effect of tax losses not recognised	**9,743**	–
Overprovision in respect of prior years	**(42)**	(70)
Others	**12**	(142)
Income tax expense for the year	**97,619**	17,321

14. EARNINGS PER SHARE

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

	2019 HK$'000	2018 HK$'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share (profit attributable to owners of the Company)	**20,568**	32,057

	2019 '000	2018 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,236,110**	1,232,000
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,236,110**	N/A

The computation of diluted earnings per share does not assume the conversion of the Company's convertible bonds since their assumed exercise would result in an increase in earnings per share.

No diluted earnings per share was presented for the year ended 31 December 2018 as there were no potential ordinary shares in issue for the prior year.

15a. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Office equipment HK$'000	Total HK$'000
COST					
As at 1 January 2018	1,454	427	1,293	3,082	6,256
Additions	3,227	243	–	587	4,057
Disposal/written-off	–	–	–	(60)	(60)
As at 31 December 2018	4,681	670	1,293	3,609	10,253
Additions	191	135	1,680	271	2,277
Disposal/written-off	(585)	(3)	–	(5)	(593)
Exchange difference	–	–	–	(6)	(6)
As at 31 December 2019	4,287	802	2,973	3,869	11,931
DEPRECIATION					
As at 1 January 2018	655	211	821	1,439	3,126
Provided for the year	798	93	228	639	1,758
Eliminated on disposals/ written off	–	–	–	(21)	(21)
As at 31 December 2018	1,453	304	1,049	2,057	4,863
Provided for the year	1,898	123	270	729	3,020
Eliminated on disposals/ written off	(26)	(2)	–	(3)	(31)
Exchange difference	–	–	–	–	–
As at 31 December 2019	3,325	425	1,319	2,783	7,852
CARRYING VALUES					
As at 31 December 2019	962	377	1,654	1,086	4,079
As at 31 December 2018	3,228	366	244	1,552	5,390

The property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their residual value, as follows:

Leasehold improvements	20% or over the lease term, whichever is shorter
Furniture and fixtures	20%
Motor vehicles	30%
Office equipment	20%

15b. INTANGIBLE ASSETS

	Risk management and operations management system HK$'000
COST	
As at 1 January 2018, 31 December 2018 and 1 January 2019	–
Acquired on acquisition of a subsidiary	5,845
Exchange difference	30
As at 31 December 2019	5,875
AMORTISATION	
As at 1 January 2018, 31 December 2018 and 1 January 2019	–
Charged for the year	111
Exchange difference	1
	112
CARRYING VALUES	
As at 31 December 2019	5,763
As at 31 December 2018	–

The above intangible assets are amortised on a straight-line basis over 10 years.

16. RIGHT-OF-USE ASSETS

	Leased properties HK$'000
At 1 January 2019	
CARRYING VALUES	**24,716**
At 31 December 2019	
CARRYING VALUES	**7,227**
For the year ended 31 December 2019	
Depreciation charge	**18,608**
Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of HKFRS 16	**859**
Total cash outflow for leases	**20,302**
Additions to right-of-use assets	**1,390**

The Group regularly entered into short-term leases for car parks. As at 31 December 2019, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense as disclosed above.

17. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019 HK$'000	2018 HK$'000
Listed investments		
— Equity securities listed in Hong Kong (Note)	**19,697**	44,766

Note: The above listed equity investments represent ordinary shares of an entity listed in Hong Kong. These investments are not held for trading, instead, they are held for long-term strategic purposes. The directors of the Company have elected to designate these investments in equity instruments at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 **HK$'000**	2018 HK$'000
Equity securities listed in the PRC (Note)	**24,683**	–

Note: The equity securities were issued by listed company in the PRC. The fair value of the equity securities are determined based on the quoted market price available on the National Equities Exchange and Quotations ("**NEEQ**").

19. CONTRACT ASSETS

	2019 **HK$'000**	2018 HK$'000
Contracting service (Note)	**131,132**	147,704
Financial information and technology service	**9,935**	15,747
	141,067	163,451

Note: As at 31 December 2019, contract assets of approximately HK$13,675,000 (2018: HK$21,658,000) are due from a related party, Land Ease Limited ("**Land Ease**"), a company wholly-owned by Mr. Ng Kin Siu.

As at 31 December 2019, included in contract assets are retention held by customers for contract works amounted to approximately HK$40,970,000 (2018: HK$44,966,000), in which approximately HK$9,675,000 (2018: HK$4,258,000) are retention held by Land Ease. The retention money were expected to be recovered or settled in more than twelve months from the end of the reporting period.

As at 1 January 2018, contract assets amounted to approximately HK$206,898,000.

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on the Group's future performance. The contract assets are transferred to trade receivables when the rights become unconditional.

Typical payment terms which impact on the amount of contract assets recognised are set out in Note 5.

The Group classifies these contract assets as current because the Group expects to realise them in its normal operating cycle.

Details of the impairment assessment are set out in Note 35.

20. TRADE AND OTHER RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade receivables (Note a)	**390,031**	159,318
Less: allowance for credit losses	**(178,285)**	(2,019)
	211,746	157,299
Retention receivables (Note b)	**21,662**	18,259
Less: allowance for credit losses	**(689)**	(49)
	20,973	18,210
Other receivables, deposits and prepayments		
— Deposits to a credit service provider and a financial institution (Note c)	**49,794**	–
Less: allowance for credit losses	**(5,212)**	–
	44,582	–
— Other receivables from a credit service provider (Note d)	**177,689**	–
Less: allowance for credit losses	**(18,600)**	–
	159,089	–
— Prepayment	**43,882**	12,887
— Sundry deposits	**4,917**	4,295
— Accounts receivables in custodian (Note e)	**1,688**	–
— Other receivables	**25,275**	5,403
	75,762	22,585
	512,152	198,094

20. TRADE AND OTHER RECEIVABLES (Continued)

Notes:

(a) As at 1 January 2018, trade receivables from contracts with customers amounted to approximately HK$109,638,000. Included in the trade receivables as at 31 December 2019, approximately HK$20,711,000 (2018: HK$10,847,000) are due from Land Ease. The trade receivables due from Land Ease as at 31 December 2019 and 2018 are all aged within 30 days, based on certificate/invoice dates.

(b) Retention money in relation to completed projects of approximately HK$11,440,000 (2018: HK$10,623,000) were unbilled as at 31 December 2019. The Group has unconditional right to the payment of the unbilled retention receivables which is expected to be billed within 12 months from the end of the reporting period.

(c) During the current year, the Group paid deposits of approximately RMB35,735,000 (equivalent to approximately HK$39,946,000) and RMB8,804,000 (equivalent to approximately HK$9,848,000) to a credit service provider and a financial institution, respectively. Both parties are independent to the Group. The deposits were calculated based on a fixed percentage of the amounts of loans distributed to the borrowers through the credit service provider or the financial institution. The deposits will be released upon the relevant loans are matured. The loans periods are within 3 months to 1 year. As at 31 December 2019, the carrying amount of the deposits was approximately HK$44,582,000, net of allowance of credit losses of approximately HK$5,212,000.

(d) During the current year, the Group provided an amount of approximately RMB158,929,000 (equivalent to approximately HK$177,689,000) to a credit service provider, who is independent to the Group, as part of the business cooperation between the Group and the credit service provider. The amount is unsecured, interest-free and repayable on demand. As at 31 December 2019, the carrying amount of the other receivables was approximately HK$159,089,000, net of allowance of credit losses of approximately HK$18,600,000.

(e) Balance represents revenue collected by custodian on behalf of the Group for service fee earned from individual borrowers in the financial information and technology service business. The balance will be transferred back to the bank accounts of the Group upon the Group's instructions.

The Group allows credit period ranging from 0 to 90 days to its customers. The following is an aged analysis of the Group's trade receivables net of allowance for credit losses presented based on certificate/invoice dates.

	2019 HK$'000	2018 HK$'000
Trade receivables:		
1–30 days	**86,595**	90,221
31–60 days	**25,316**	36,833
61–90 days	**20,307**	1,424
91–180 days	**47,130**	17,189
Over 180 days	**32,398**	11,632
	211,746	157,299

20. TRADE AND OTHER RECEIVABLES (Continued)

	31 December 2019 HK$'000	31 December 2018 HK$'000
Receivables in relation to billed retention money:		
1–30 days	**1,446**	–
31–60 days	**147**	400
61–90 days	**–**	–
91–180 days	**22**	6,715
Over 180 days	**7,918**	472
	9,533	7,587

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed periodically.

As at 31 December 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$133,305,000 (2018: HK$67,742,000) which are past due as at the reporting date. Out of the past due balances, HK$38,027,000 (2018: HK$27,496,000) has been past due 90 days or more and is not considered as in default due to the long-term/on-going relationship and good repayment record from these customers. The Group does not hold any collateral over these balances.

Details of the impairment assessment are set out in Note 35.

21. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

As at 31 December 2019, deposits amounting to HK$36,316,000 (2018: HK$33,194,000) have been pledged to banks to secure banking facilities granted to the Group and guarantee line for issuing surety bonds (see Note 30). The bank balances comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The pledged bank deposit/bank balances carry interest at market rates which are as follows:

	2019	2018
Range of interest rates per annum:		
Pledged bank deposits	**0.100% to 1.635%**	N/A to 0.400%
Bank balances	**0.001% to 0.010%**	0.01% to 0.25%

22. TRADE AND OTHER PAYABLES

	2019 HK$'000	2018 HK$'000
Trade payables	**147,789**	42,521
Retention payables (Note a)	**46,600**	43,950
Accrued subcontracting charges	**58,087**	63,374
Accrued operating expenses (Note b)	**45,278**	20,148
	297,754	169,993

Notes:

(a) In accordance with the normal practice of the industry, a certain percentage of contract sums is usually withheld by the Group as retention money for a period of one to two years after the works of subcontractors have been completed.

(b) Included in the balance as at 31 December 2019, there are amounts due to 深圳達飛科技控股有限公司 (Shenzhen Dafy Technology Holding Co., Ltd.) ("**Shenzhen Dafy**") and 達飛雲貸科技(北京)有限公司 (Dafy Yundai Technology (Beijing) Co., Ltd.) ("**Dafy Yundai**") of approximately Nil (31 December 2018: HK$647,000) and HK$2,114,000 (31 December 2018: Nil), respectively. These related companies are controlled by Mr. Gao for rental expenses payable to these related companies.

Included in the balance as at 31 December 2019, there is amount due to Shenzhen Dafy of approximately HK$6,747,000 (2018: Nil) for the purchase of risk management and operations management system from Shenzhen Dafy and other operating expenses paid by Shenzhen Dafy on behalf of the Group.

The credit period on trade payables is 0 to 30 days.

An aged analysis of the Group's trade payables based on invoice dates at the end of the reporting period is as follows:

	2019 HK$'000	2018 HK$'000
Trade payables:		
1–30 days	**61,531**	34,350
31–60 days	**23,374**	2,712
61–90 days	**27,288**	240
Over 90 days	**35,596**	5,219
	147,789	42,521

23. CONTRACT LIABILITIES

	2019 HK$'000	2018 HK$'000
Deposits from customers	**36,594**	7,294
Advances from customers (Note)	**1,029**	6,581
	37,623	13,875

As at 1 January 2018, contract liabilities amounted to approximately HK$14,656,000.

Note: Advances from customers are unsecured and will be set off progress billings. Except for an amount of HK$3,000,000 (2019: Nil) as at 31 December 2018 carried interest at a rate of 5.25% per annum, the remaining balance is interest-free.

The following table shows how much of the revenue recognised in the current and prior years relates to carried-forward contract liabilities.

	2019 HK$'000	2018 HK$'000
Revenue recognised in contracting service that was included in the contract liability balance at the beginning of the respective years	**8,504**	4,237

Typical payment terms which impact on the amount of contract liabilities recognised are as set out in Note 5.

24. AMOUNTS DUE TO SHAREHOLDERS

The amounts are unsecured, interest-free and repayable within one year from the end of the reporting period.

25. LEASE LIABILITIES

	2019 HK$'000
Lease liabilities payable:	
Within one year	6,818
Within a period of more than one year but not more than two years	425
	7,243
Less: Amount due for settlement with 12 months shown under current liabilities	(6,818)
Amount due for settlement after 12 months shown under non-current liabilities	425

The weighted average incremental borrowing rate applied is 4.5% per annum.

26. BANK BORROWINGS

The variable-rate secured bank borrowings are repayable as follows:

	2019 HK$'000	2018 HK$'000
Carrying amount of bank borrowings that are repayable on demand or within one year (shown under current liabilities)	52,600	53,400

As at 31 December 2019 and 2018, the Group entered into various borrowings with the banks, mainly to finance its business operations. Such borrowings had been secured by the pledged bank deposits (see Note 21).

As at 31 December 2019, the Group's variable-rate bank borrowings are all denominated in HK$ (2018: HK$) and carry interest at rates ranging from Hong Kong Interbank Offered Rate ("**HIBOR**") plus 2.7% to HIBOR plus 3% per annum (2018: ranging from HIBOR plus 2.5% to HIBOR plus 2.7% per annum).

The effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follow:

	2019	2018
Variable-rate per annum:		
Bank borrowings	5.39%–5.69%	4.77%–4.97%

27. DEFERRED TAX ASSETS/LIABILITIES

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2019 **HK$'000**	2018 HK$'000
Deferred tax assets	**51,780**	270
Deferred tax liabilities	**(16,278)**	(76)
	35,502	194

The following is the major deferred tax liabilities and assets recognised by the Group and movements thereon:

	PRC withholding tax on distributable profits HK$'000	**Accelerated tax depreciation** HK$'000	**ECL provision** HK$'000	**Total** HK$'000
At 1 January 2018	–	(235)	–	(235)
Credited to consolidated statement of profit or loss (Note 13)	–	159	270	429
At 31 December 2018	–	(76)	270	194
(Charged) credited to consolidated statement of profit or loss (Note 13)	(16,121)	(81)	51,510	35,308
At 31 December 2019	(16,121)	(157)	51,780	35,502

At the end of the reporting period, the Group has unused tax losses of approximately HK$38,972,000 (2018: Nil) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. All of the unrecognised tax will expire in 2024.

28. SHARE CAPITAL

	Number of Shares	Amount HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2018, 31 December 2018 and 2019	4,000,000,000	40,000
Issued and fully paid:		
At 1 January 2018 and 31 December 2018	1,232,000,000	12,320
Shares issued upon exercise of convertible bonds (Note 31)	100,000,000	1,000
At 31 December 2019	1,332,000,000	13,320

29. RETIREMENT BENEFIT PLANS

The Group participates a Mandatory Provident Fund Scheme ("**MPF Scheme**") for its qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes monthly to the MPF Scheme at the lower of 5% of relevant payroll costs, or HK$1,500 per month for each employee, which contribution is matched by employees.

The employees employed in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their basic payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes. No forfeited contribution is available to reduce the contribution payable in future years.

30. SURETY BONDS

Certain customers of construction contracts undertaken by the Group require the group entities to issue guarantees for performance of contract works in the form of surety bonds and secured by pledged bank deposits (see Note 21). In addition, the Group provided a counter-indemnity to the financial institutions that issue such surety bonds.

As at 31 December 2019, the outstanding amount of surety bonds of the Group was approximately HK$40,208,000 (2018: HK$16,110,000).

31. CONVERTIBLE BONDS

On 1 August 2019, the Company and an independent third party, South China Securities Limited (the "**Placing Agent**") entered into a placing agreement, pursuant to which the Placing Agent has conditionally agreed to use its reasonable endeavours to procure placees to subscribe for the convertible bonds ("**Convertible Bonds**") in an aggregate principal amount of up to HK$80,000,000 at the initial conversion price of HK$0.80 with a term of six months after the completion of the placing (the "**Maturity Date**"). The completion of placing took place on 30 August 2019. The placing has been successfully placed to one placee, Pop Reach Limited ("**Pop Reach**"), a company incorporated in the British Virgin Islands with limited liability and is independent to the Group.

The Convertible Bonds bear coupon interest at the rate of 8% per annum from and including the issue date payable every six months following the issue date or upon the redemption of the Convertible Bonds, whichever is earlier. The Convertible Bonds will, in respect of the conversion rights attached thereto which are not yet exercised, cease to bear interest on the earlier of (a) its conversion date subject to conversion of the Convertible Bonds; and (b) on the repayment in full of the outstanding principal amount on the Maturity Date.

The Convertible Bonds are exercisable for the period commencing on the next business day after the issue date and ending on the date that falls on the 10th day immediately before the Maturity Date, both dates inclusive (the "**Conversion Period**"). Convertible Bonds are converted into duly authorised, validly issued, fully-paid and unencumbered shares at the option of the holder thereof at any time during the Conversion Period.

On 11 December 2019, the Company received a notice of conversion from Pop Reach in relation to the exercise of conversion rights attaching to the Convertible Bonds in the principal amount of HK$80,000,000, representing the entire outstanding principal amount under the Convertible Bonds, at the conversion price of HK$0.8 per share. On 17 December 2019, the Company allotted and issued 100,000,000 shares to Pop Reach.

The Convertible Bonds are designated as at FVTPL, any changes in fair value are recognised in profit or loss, except for the amount of change in the fair value that is attributable to change in the credit risk, if any, is recognised in other comprehensive income.

Black-Scholes model was adopted in determining the fair value of Convertible Bonds. Key valuation inputs used in Black-Scholes model to determine the fair value of Convertible Bonds at the respective dates were as follows:

	At 30 August 2019	At 17 December 2019
Time to maturity (year)	**0.5**	**0.2**
Share price	**HK$0.87**	**HK$1.22**
Dividend yield	**0%**	**0%**
Share price volatility	**66.72%**	**62.96%**
Risk free rate	**2.30%**	**2.40%**
Exercise price	**HK$0.80**	**HK$0.80**

During the year ended 31 December 2019, loss from change in fair value of Convertible Bonds of approximately HK$45,499,000 was recognised in profit or loss.

32. OPERATING LEASE COMMITMENTS

The Group as lessee

	2018 HK$'000
Minimum lease payments paid under operating leases in respect of	
— Office premises	7,700
— Director's quarter (included in directors' emoluments)	764
	8,464

As at the end of the reporting period, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of office premises and director's quarter which fall due as follows:

	2018 HK$'000
Within one year	20,111
In the second to fifth year inclusive	6,757
	26,868

The leases are generally negotiated for a lease term of 2 years at fixed rentals.

33. RELATED PARTY DISCLOSURES

(a) In addition to the transactions disclosed elsewhere in these consolidated financial statements, the Group entered into the following material transactions with related parties:

	2019 HK$'000	2018 HK$'000
Shenzhen Dafy (Note a)		
Short-term lease payment/rental expense in respect of risk management and operations management system	**910**	647
Purchase of risk management and operations management system	**6,713**	–
Dafy Yundai (Note a)		
Short-term lease payment/rental expense in respect of hardware and software system	**2,104**	624
Short term lease payment/rental expense in respect of office premises	**–**	1,162
Land Ease (Note b)		
Contracting service income	**99,935**	59,978
深圳前海微遠至誠運營管理科技有限公司 (Shenzhen Qianhai Weiyuan Zhicheng Operation Management Technology Co., Ltd.) ("**OPCO**") (Note c)		
Short term lease payment in respect of risk management and operations management system	**595**	–

Notes:

(a) The company is controlled by Mr. Gao.

(b) The company is controlled by Mr. Ng Kin Siu.

(c) The amount disclosed above represented short term lease payment paid by the Group to OPCO for the use of risk management and operations management system for the period from 1 June 2019 to 9 September 2019. Since 10 September 2019, the Group acquired the system through obtaining control over OPCO and considered as acquisition of assets through acquisition of a subsidiary.

During the current year, the Group provided financial information and technology services which link up individual users in the PRC to obtain financing from the investors who have registered on the electronic funding platforms of Mr. Gao and his spouse, such cooperation was terminated since July 2019.

(b) Compensation of key management personnel

The directors are identified as key management members of the Company, and their compensation during the year were set out in Note 11.

34. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to stakeholders and maintaining an adequate capital structure. The Group's overall strategy remained unchanged from prior years.

The capital structure of the Group consists of net debts, which includes bank borrowings disclosed in Note 26 and amounts due to shareholders disclosed in Note 24, net of cash and cash equivalents and equity, comprising paid in capital and reserves.

35. FINANCIAL INSTRUMENTS

35a. Categories of financial instruments

	2019 HK$'000	2018 HK$'000
Financial assets		
Financial assets at amortised cost	**675,625**	240,397
Equity instruments at FVTOCI	**19,697**	44,766
Financial assets at FVTPL	**24,683**	–
Financial liabilities		
Financial liabilities at amortised cost	**262,492**	192,226

35b. Financial risk management objectives and policies

The Group's major financial instruments include equity instruments at FVTOCI, financial assets at FVTPL, trade and other receivables, pledged bank deposits, bank balances and cash, trade and other payables, amounts due to shareholders and bank borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate lease liabilities (see Note 25 for details). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances, pledged bank deposits and bank borrowings. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and pledged bank deposits and HIBOR arising from bank borrowings.

The Group's exposure to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

The directors of the Company consider that the overall interest rate risk is not significant as the fluctuation of the interest rates on bank balances and pledged bank deposits and HIBOR on bank borrowings is minimal. Accordingly, no sensitivity analysis is prepared and presented.

35. FINANCIAL INSTRUMENTS (Continued)

35b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

Other price risk

The Group is exposed to equity price risk through its investments in equity securities measured at FVTOCI and FVTPL. The Group's equity price risk is mainly concentrated on equity instruments in bank or financial institution industry sector which listed in the Stock Exchange and NEEQ.

Sensitivity analysis

The sensitivity analyses have been determined based on the exposure to equity price risk at the reporting date. The sensitivity rate is increased to 68% or 14%, respectively on equity securities at FVTOCI and equity securities at FVTPL in current year as a result of the volatile financial market.

If the price of the equity securities measured at FVTOCI had been 68% (2018: 23%) higher/lower, the other comprehensive income for the year ended 31 December 2019 would increase/decrease by approximately HK$13,394,000 (2018: HK$10,296,000) as a result of the changes in fair value of equity instruments at FVTOCI.

If the price of the equity securities measured at FVTPL had been 14% (2018: Nil) higher/lower, the post-tax profit for the year ended 31 December 2019 would increase/decrease by approximately HK$3,456,000 (2018: Nil) as a result of the changes in fair value of financial assets at FVTPL.

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade and other receivables, contract assets, pledged bank deposits and bank balances. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets and contract assets.

Except for equity instruments at FVTOCI and financial assets at FVTPL, the Group performed impairment assessment for financial assets and other items under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as below:

35. FINANCIAL INSTRUMENTS (Continued)

35b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Trade and retention receivables and contract assets arising from contracts with customers

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount trade debt at the end of the reporting period to ensure that adequate impairment loss is recognised for irrecoverable amount. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group is exposed to concentration of credit risk as at 31 December 2019 on the trade and retention receivables from the Group's five major customers amounting to approximately HK$94,341,000 (2018: HK$26,147,000) and accounted for 41% (2018: 15%) of the Group's total trade and retention receivables. In the opinion of the directors of the Company, the major customers of the Group are reputable organisation in the market. The directors of the Company consider that the credit risk is limited in this regard.

In addition, the Group performs impairment assessment under ECL model on trade balances individually or based on provision matrix. Credit-impaired debtors are assessed for impairment individually, the remaining trade and retention receivables and contract assets are grouped under a provision matrix based on shared credit risk characteristics by reference to repayment histories for recurring customers and current past due exposure for the new customers. During the year ended 31 December 2019, net impairment losses of approximately HK$176,906,000 and HK$7,285,000 (2018: a provision of HK$1,642,000 and a reversal of provision of HK$570,000) are recognised for trade and retention receivables and contract assets, respectively. Details of the quantitative disclosures are set out below in this note.

Other receivables and deposits

The directors of the Company estimate the loss rates of deposits to a credit service provider and a financial institution and other receivables from a credit service provider based on historical credit loss experience of these counterparties as well as other factors, including the operation scale and business performance of these counterparties. For the remaining other receivables and deposits, the directors of the Company make periodic individual assessment on the recoverability of these receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The directors of the Company believe that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12-month ECL.

For the year ended 31 December 2019, impairment losses of approximately HK$5,212,000 and HK$18,600,000 (2018: Nil) are recognised for deposits to a credit service provider and a financial institution and other receivables from a credit service provider, respectively. For the years ended 31 December 2019 and 2018, the Group assessed the ECL for the remaining other receivables and deposits were insignificant and thus no loss allowance was recognised.

35. FINANCIAL INSTRUMENTS (Continued)

35b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Pledged bank deposits and bank balances

Credit risk on pledged bank deposits and bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by international credit agencies. The Group assessed 12-month ECL for pledged bank deposits and bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12-month ECL on pledged bank deposits and bank balances is considered to be insignificant.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables/ contract assets	Other financial assets/ other items
Low risk	The counterparty has a low risk of default and have past-due amounts that are less than 30 days as at the reporting date	Lifetime ECL — not credit-impaired	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL — not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL — not credit-impaired	Lifetime ECL — not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit-impaired	Lifetime ECL — credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

35. FINANCIAL INSTRUMENTS (Continued)

35b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

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

	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount 2019 HK$'000	Gross carrying amount 2018 HK$'000
Financial assets at amortised costs					
Trade and retention receivables	N/A	Note 1	Lifetime ECL (not credit-impaired) (provision matrix)	251,421	177,577
	N/A	Loss	Credit-impaired	160,272	–
				411,693	177,577
Other receivables and deposits	N/A	Low risk	12-month ECL	259,363	9,698
Bank balances	Baa2 to A1	N/A	12-month ECL	171,039	21,996
Pledged bank deposit	Baa2 to A1	N/A	12-month ECL	36,316	33,194
Other item					
Contract assets	N/A	Note 1	Lifetime ECL (not credit-impaired) (provision matrix)	148,921	164,020

Note 1:

For trade and retention receivables and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with credit-impaired, the Group determines the expected credit losses on these items by using a provision matrix, grouped by internal credit rating.

Provision matrix — internal credit rating

As part of the Group's credit risk management, the Group applies internal credit rating for its customers. The following table provides information about the exposure to credit risk for trade and retention receivables and contract assets which are assessed based on provision matrix within lifetime ECL (not credit impaired). Credit-impaired debtors with gross carrying amount of approximately HK$160,272,000 (2018: Nil) were assessed individually.

35. FINANCIAL INSTRUMENTS (Continued)

35b. Financial risk management objectives and policies (Continued)

Gross carrying amount

Internal credit rating	2019 Average loss rate	2019 Trade and retention receivables HK$'000	2019 Contract assets HK$'000	2018 Average loss rate	2018 Trade and retention receivables HK$'000	2018 Contract assets HK$'000
Low risk	**0.49%**	**88,096**	**131,727**	0.54%	139,837	164,020
Watch risk	**10.51%**	**163,325**	**–**	2.96%	37,740	–
Doubtful	**42.22%**	**–**	**17,194**	N/A	–	–
		251,421	**148,921**		177,577	164,020

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated. The contract assets have substantially the same risk characteristics as the trade receivables for the same type of contracts. The Group has therefore concluded that the loss rates for trade and retention receivables are a reasonable approximation of the loss rates for contract assets.

During the year ended 31 December 2019, the Group recognised impairment allowance of approximately HK$17,770,000 and HK$7,285,000 (2018: HK$1,884,000 and Nil) and reversed approximately HK$1,136,000 and nil impairment allowance (2018: HK$242,000 and HK$570,000) for trade and retention receivables and contract assets respectively, based on the provision matrix. Impairment allowance of approximately HK$160,272,000 (2018: Nil) were made on credit-impaired trade and retention receivables.

35. FINANCIAL INSTRUMENTS (Continued)

35b. Financial risk management objectives and policies (Continued)

Gross carrying amount (Continued)

The following table shows the movement in lifetime ECL that has been recognised for trade and retention receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) HK$'000	**Lifetime ECL (credit-impaired)** HK$'000	**Total** HK$'000
At 1 January 2018	426	–	426
Impairment loss recognised	1,884	–	1,884
Impairment loss reversed	(242)	–	(242)
At 31 December 2018 and 1 January 2019	2,068	–	2,068
Impairment loss recognised	17,770	160,272	178,042
Impairment loss reversed	(1,136)	–	(1,136)
At 31 December 2019	18,702	160,272	178,974

The following table shows the movement in lifetime ECL that has been recognised for contract assets under the simplified approach.

	Lifetime ECL (not credit-impaired) HK$'000
At 1 January 2018	1,139
Impairment loss reversed	(570)
At 31 December 2018 and 1 January 2019	569
Impairment loss recognised	7,285
At 31 December 2019	7,854

35. FINANCIAL INSTRUMENTS (Continued)

35b. Financial risk management objectives and policies (Continued)

Liquidity risk

In management of the liquidity risk, the Group monitors and maintains levels of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other financial liabilities are based on the agreed repayment dates.

Liquidity table

	Weighted average effective interest rate %	Repayable on demand or less than 1 year HK$'000	Repayable in 1 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying value HK$'000
At 31 December 2019					
Trade and other payables	–	194,389	–	194,389	194,389
Amount due to shareholders	–	15,503	–	15,503	15,503
Variable-rate bank borrowings	5.48	52,600	–	52,600	52,600
Financial guarantee contract (Note)	–	40,208	–	40,208	–
Lease liabilities	4.5	7,125	464	7,589	7,243
		309,825	464	310,289	269,735

35. FINANCIAL INSTRUMENTS (Continued)

35b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity table (Continued)

	Weighted average effective interest rate %	Repayable on demand or less than 1 year HK$'000	Repayable in 1 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying value HK$'000
At 31 December 2018					
Trade and other payables	–	86,471	–	86,471	86,471
Amount due to shareholders	–	52,355	–	52,355	52,355
Variable-rate bank borrowings	4.92	53,400	–	53,400	53,400
Financial guarantee contract (Note)	–	16,110	–	16,110	–
		208,336	–	208,336	192,226

Note: Certain customers of construction contracts undertaken by the Group require the group entities to issue guarantees for performance of contract works in the form of surety bonds (see Note 30). The amount included above for financial guarantee contract represented the amount of counter-indemnity the Group provided to the financial institutions that issue such surety bonds.

Bank borrowings with a repayment on demand clause are included in the "repayable on demand or less than 3 months" time band in the above maturity analysis. As at 31 December 2019 and 2018, the aggregate undiscounted principal amounts of these bank borrowings amounted to HK$52,775,000 and HK$53,857,000 respectively. Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank borrowings will be repaid within one year after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements. Aggregate principal and interest cash outflows are set out below:

	Weighted average effective interest rate %	**Repayable on demand or less than 3 months** HK$'000	**3 months to 1 year** HK$'000	**Total undiscounted cash flows** HK$'000	**Total carrying amount** HK$'000
At 31 December 2019					
Bank borrowings — variable rate	5.48	52,775	–	52,775	52,600
At 31 December 2018					
Bank borrowings — variable rate	4.92	48,324	5,533	53,857	53,400

35. FINANCIAL INSTRUMENTS (Continued)

35c. Fair value measurements of financial instruments

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

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	2019	2018		
	HK$'000	HK$'000		
Listed equity securities at FVTOCI	**19,697**	44,766	Level 1	Quoted bid price in an active market
Listed equity securities at FVTPL	**24,683**	–	Level 2	Quoted bid price in NEEQ

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on recurring basis

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values based on discounted cash flows analysis.

36. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Interest payable HK$'000	Bank borrowings HK$'000 (Note 26)	Amounts due to shareholders HK$'000 (Note 24)	Lease liability HK$'000 (Note 25)	Convertible bonds HK$'000	Total HK$'000
At 1 January 2019	–	53,400	52,355	24,716	–	130,471
Financing cash flows	(2,417)	(800)	(36,852)	(19,443)	80,000	20,488
Interest expenses (Note 9)	2,417	–	–	580	–	2,997
New leases entered	–	–	–	1,390	–	1,390
Shares issued upon exercise of convertible bonds (Note 28)	–	–	–	–	(80,000)	(80,000)
At 31 December 2019	–	52,600	15,503	7,243	–	75,346
At 1 January 2018	–	52,623	–	–	–	52,623
Financing cash flows	(1,930)	777	52,355	–	–	51,202
Interest expenses (Note 9)	1,930	–	–	–	–	1,930
At 31 December 2018	–	53,400	52,355	–	–	105,755

37. SHARE-BASED PAYMENT TRANSACTIONS

Pursuant to the Company's share option scheme (the "**Scheme**") adopted on 16 September 2015 for the primary purpose of providing incentives to directors, eligible employees, consultant or adviser of the Group, the directors, employees, consultant or adviser of the Group may, at the discretion of the directors, be granted options (the "**Options**") to subscribe for shares in the Company at a price determined by its directors, but shall not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of the offer of grant, which must be a trading day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares on the date of grant of the option.

Without prior approval from the Company's shareholders, the total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, and the number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time.

The Scheme will remain in force for a period of ten years from the date of its adoption. Options granted must be taken up not later than 7 days after the date of grant. A consideration of HK$1 is payable on acceptance of the offer of grant of an option.

The exercisable period of an option, which shall not exceed 10 years from the date of grant, is determined by the Board of Directors of the Company at their discretion.

No options have been granted since its adoption.

38. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

38.1 General information of subsidiaries

Details of the Company's principal subsidiaries at the end of the reporting period are set out below:

Name of subsidiary	Place and date of incorporation/ operation	Equity interest attributable to the Company 2019	2018	Issued and fully paid share capital/ registered capital	Principal activities
FDB & Associates Limited*	BVI/Hong Kong 25 February 2015	**100%**	100%	Ordinary share USD1	Investment holding
Fruit Design	Hong Kong 7 December 2006	**100%**	100%	Ordinary shares HK$28,100,000 (2018: HK$5,000,000)	Contracting business and provision of building consultancy services
Win Lee Building	Hong Kong 10 May 1999	**100%**	100%	Ordinary shares HK$1,000,000	Contracting business and project management mainly for property refurbishment and renovation
FDB Facade	Hong Kong 25 April 2014	**100%**	100%	Ordinary shares HK$3,000,000	Contracting business and projects management
上海飛毓科技有限公司 (Shanghai Faye Yu Technology Company Limited)	The PRC 13 April 2018 (Note 2)	**100%**	100%	Registered RMB$5,000,000	Provision of computer information network, electronic technology development consulting and advertising
上饒市紅淼信息科技有限公司 ("上饒紅淼") (formerly known as 上饒市達飛金融信息服務有限公司) (Note 1)	The PRC 12 June 2018 (Note 3)	**51%**	51%	Registered RMB$100,000,000	Financial information and technology service
深圳雲騰達飛科技有限公司	The PRC 18 September 2018 (Note 4)	**51%**	51%	Registered RMB$10,000,000	Cost Centre
北京雲揚達飛科技有限公司	The PRC 3 August 2018 (Note 4)	**51%**	51%	Registered RMB$10,000,000	Cost Centre

* Directly held by the Company

Note 1: On 3 August 2018 ("**Acquisition Date**"), the Group acquired 51% of equity interest of 上饒紅淼 from Mr. Gao at a consideration of RMB 1. 上饒紅淼 was established under the laws of the PRC on 12 June 2018 and was inactive and has not generated any revenue or profit since its establishment to the Acquisition Date. At the Acquisition Date, 上饒紅淼 has no assets and liabilities.

During the current year, the non-controlling shareholder contributed capital injection of approximately HK$43,441,000 (2018:HK$11,375,000) to 上饒紅淼.

Note 2: Wholly foreign-owned enterprise registered in the PRC.

Note 3: Sino-foreign equity joint venture.

Note 4: Limited liability company.

None of the subsidiaries had issued any debt securities at the end of the year.

38. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

38.2 Details of a non-wholly owned subsidiary that has material non-controlling interests

The table below shows details of a non-wholly-owned subsidiary of the Group that has material non-controlling interests:

Name of subsidiary	Place and date of incorporation/ operation	Proportion of equity interest and voting rights held by the non-controlling interests At 31 December 2019	2018	Profits allocated to non-controlling interests 2019 HK$'000	2018 HK$'000	Accumulated non-controlling interests 2019 HK$'000	2018 HK$'000
上饒紅淼	The PRC 12 June 2018	**49%**	49%	**118,838**	19,348	**192,876**	30,794
Individually immaterial subsidiaries with non-controlling interests				**(22,829)**	(109)	**(22,938)**	(109)
				96,009	19,239	**169,938**	30,685

Summarised financial information in respect of 上饒紅淼 that has material non-controlling interests is set out below.

	2019 HK$'000	2018 HK$'000
Current assets	**634,745**	89,209
Non-current assets	**3,065**	294
Current liabilities	**(244,186)**	(26,659)
Non-current liabilities	**–**	–
Equity attributable to owners of the Company	**200,748**	32,050
Non-controlling interests	**192,876**	30,794

38. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

38.2 Details of a non-wholly owned subsidiary that has material non-controlling interests (Continued)

	Year ended 31 December 2019 HK$'000	Year ended 31 December 2018 HK$'000
Revenue	**746,551**	71,795
Expenses	**(504,024)**	(32,310)
Profit for the year	**242,527**	39,485
Profit attributable to owners of the Company	**123,689**	20,137
Profit attributable to the non-controlling interests	**118,838**	19,348
Profit for the year	**242,527**	39,485
Other comprehensive income attributable to owners of the Company	**988**	39
Other comprehensive income attributable to the non-controlling interests	**950**	37
Other comprehensive income for the year	**1,938**	76
Total comprehensive income attributable to owners of the Company	**124,677**	20,176
Total comprehensive income attributable to the non-controlling interests	**119,788**	19,385
Total comprehensive income for the year	**244,465**	39,561
Net cash inflow (outflow) from operating activities	**98,442**	(8,160)
Net cash outflow from investing activities	**(25,745)**	(343)
Net cash inflow from financing activities	**45,533**	11,375
Net cash inflow	**118,230**	2,872

39. EVENTS AFTER REPORTING PERIOD

(i) On 8 January 2020, the Company and an independent third party, Applied Development Holdings Limited (the "**Subscriber**") entered into a subscription agreement, to which the Company has conditionally agreed to issue to the Subscriber, and the Subscriber has conditionally agreed to subscribe for the convertible bonds in an aggregate principal amount of up to US$8,000,000 with 6% coupon rate at the initial conversion price of HK$1.22 per conversion share with a term of 364 days (which can, at the option of the Company, be extended for a six-month period). On 30 March 2020, the Company and the Subscriber have mutually agreed to terminate the subscription agreement and the subscription would not proceed thereon.

For details, please refer to the announcements of the Company dated 9 January 2020 and 30 March 2020.

(ii) The outbreak of coronavirus disease ("**COVID-19**")

The business operation of the Group has been affected by the COVID-19 coronavirus outbreak (the "**Epidemic**"). Some of the customers' repayments are in unexpected arrears. In addition, strict anti-epidemic measures implemented in the PRC has resulted in difficulties for some of the Group's employees in the PRC to report duty, which has adversely affected the operational efficiency of the Group. The Company expects that the situation will improve gradually upon the Epidemic effectively controlled or constrained.

Given the dynamic nature of these circumstances, the directors of the Company consider that the financial effects on the Group's consolidated financial statements cannot be reasonably estimated as at the date these financial statements are authorised for issue, but are expected to affect the consolidated results for the year 2020.

40. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

	2019 HK$'000	2018 HK$'000
Non-current assets		
Investments in subsidiaries	**2**	2
Amounts due from subsidiaries	**75,168**	34,666
	75,170	34,668
Current assets		
Other receivables and prepayments	**285**	444
Amounts due from subsidiaries	**21,106**	–
Bank balances and cash	**16**	–
	21,407	444
Current liabilities		
Accrued charges	**1,395**	1,680
Amounts due to subsidiaries	**2**	7,205
	1,397	8,885
Net current assets (liabilities)	**20,010**	(8,441)
Net assets	**95,180**	26,227
Capital and reserves		
Share capital (see Note 28)	**13,320**	12,320
Reserves	**81,860**	13,907
Total equity	**95,180**	26,227

Movement in the Company's reserve

	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2018	21,440	(1,330)	20,110
Loss and total comprehensive expenses for the year	–	(6,203)	(6,203)
At 31 December 2018	21,440	(7,533)	13,907
Shares issued upon exercise of convertible bonds	124,499	–	124,499
Loss and total comprehensive expenses for the year	–	(56,546)	(56,546)
At 31 December 2019	145,939	(64,079)	81,860

FINANCIAL SUMMARY

For the five years ended 31 December 2015, 2016, 2017, 2018 and 2019

RESULTS

	2015 HK$'000	2016 HK$'000	2017 HK$'000	2018 HK$'000	**2019** **HK$'000**
Revenue	276,825	395,781	744,755	648,541	**1,293,293**
Profit before tax	19,836	37,667	38,152	68,617	**214,196**
Income tax expense	(4,519)	(6,493)	(6,969)	(17,321)	**(97,619)**
Profit and total comprehensive income for the year	15,317	31,174	31,183	46,096	**91,590**

ASSETS AND LIABILITIES

	2015 HK$'000	2016 HK$'000	2017 HK$'000	2018 HK$'000	**2019** **HK$'000**
Total assets	149,525	228,029	388,019	471,062	**978,273**
Total liabilities	(82,556)	(137,894)	(276,557)	(303,403)	**(550,084)**
Net assets	66,969	90,135	111,462	167,659	**428,189**