ANNUAL REPORT 2019

PING AN SECURITIES GROUP (HOLDINGS) LIMITED
平 安 證 券 集 團 (控 股) 有 限 公 司

(Carrying on business in Hong Kong as PAN Securities Group Limited)
(Incorporated in Bermuda with limited liability)
(Stock Code: 00231)

This report, in both English and Chinese versions, is available on the Company's website at http://www.pingansecgp.com (the "Company Website").

Shareholders who have chosen or have been deemed consented to receive the corporate communications of the Company (the "Corporate Communications") via the Company Website and who for any reason have difficulty in receiving or gaining access to this report posted on the Company Website will promptly upon request be sent this report in printed form free of charge.

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BOARD OF DIRECTORS

Executive Directors:

Mr. Cheung Kam Fai *(Chief Executive Officer)*
Mr. Lin Hongqiao

Non-executive Directors:

Mr. Cheung Ming Ming
Mr. Tsui Cheung On

Independent Non-executive Directors:

Mr. Suen To Wai
Mr. Wong Yee Shuen, Wilson
Mr. Yau Wai Lung

AUDIT COMMITTEE

Mr. Wong Yee Shuen, Wilson *(Chairman)*
Mr. Suen To Wai
Mr. Yau Wai Lung

REMUNERATION COMMITTEE

Mr. Suen To Wai *(Chairman)*
Mr. Wong Yee Shuen, Wilson
Mr. Yau Wai Lung
Mr. Cheung Kam Fai

NOMINATION COMMITTEE

Mr. Yau Wai Lung *(Chairman)*
Mr. Suen To Wai
Mr. Yau Wai Lung
Mr. Cheung Kam Fai

AUTHORISED REPRESENTATIVES

Mr. Cheung Kam Fai
Mr. Chan Kwan Pak

COMPANY SECRETARY

Mr. Chan Kwan Pak

AUDITORS

Cheng & Cheng Limited
Level 35, Tower 1, Enterprise Square Five,
38 Wang Chiu Road
Kowloon Bay
Kowloon
Hong Kong

PRINCIPAL BANKERS

Bank of Communications Co. Ltd.
(Hong Kong Branch)
Bank of China

PRINCIPAL REGISTRARS AND TRANSFER OFFICES

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

HONG KONG BRANCH REGISTRAR AND TRANSFER OFFICE

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

REGISTERED OFFICE

4th Floor North Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 510, 5/F,
China Insurance Group Building
141 Des Voeux Central
Hong Kong

WEBSITE

www.pingansecgp.com

STOCK CODE

00231

Chief Executive Officer's Statement

On behalf of the board of directors (the "Board") of Ping An Securities Group (Holdings) Limited (carrying on business in Hong Kong as PAN Securities Group Limited) (the "Company", together with its subsidiaries, the "Group"), I am pleased to present the annual results of the Group for the year ended 31 December 2019 ("FY2019").

RESULTS

For the year ended 31 December 2019 ("FY2019"), the Group recorded a turnover of HK$40,496,000 from continuing operations, while the turnover from continuing operations for the year ended 31 December 2018 ("FY2018") was HK$76,355,000, representing a decrease of approximately 47%. The Group's consolidated loss for the current year was HK$969,951,000, representing a decrease of approximately 24% in loss when compared with the loss of HK$1,276,536,000 for FY2018.

BUSINESS REVIEW

For FY2019, the Company's principal activity continued to be investment holding, whilst its subsidiaries were mainly engaged in the business of provision of securities brokerage, securities underwriting and placements, asset management and financial advisory services, loan financing and insurance brokerage as well as property development.

As a result of the disposal of a non-wholly owned subsidiary with principal operation as provision of data verification service, data verification service is presented as discontinued operation in FY2019 and recorded a loss of HK$565,000 in FY2019 (FY2018: loss of HK$1,904,000).

The Group's consolidated loss for FY2019 amounted to HK$969,951,000, representing a decrease of approximately 24% when compared with the loss of HK$1,276,536,000 for FY2018. The substantial decrease in loss was mainly attributable to (i) property tax expenses and other related surcharges in connection with pre-leasing of investment properties under development recognised as expenses for FY2019 as compared to FY2018, sharply decreased by 78% from approximately HK$103,039,000 to approximately HK$22,733,000 as the pre-leasing activities sharply decreased in FY2019; (ii) as the pre-leasing of investment properties under development sharply decreased in FY2019, the corresponding distribution costs also recorded a decrease of approximately HK$170,516,000 as compared to FY2018; (iii) expected credit losses on loans and interest receivables in FY2019 increased significantly by approximately HK$278,088,000; (iv) impairment loss on goodwill was sharply decreased from approximately HK$725,865,000 in FY2018 to approximately HK$698,000 in FY2019; and (v) investment properties under development located in Foshan recorded a loss from changes in fair value of HK$386,130,000 in FY2019 (FY2018: loss of HK$137,818,000).

As mentioned above, the financial services segment provides a wide range of financial services including the provision of securities brokerage, securities underwriting and placements in Hong Kong which recorded a turnover of HK$11,982,000 (FY2018: HK$57,510,000), representing a decrease of approximately 79% when compared with FY2018. As the asset management service was downscaled in FY2019, asset management fee income decreased to HK$341,000 (FY2018: HK$38,270,000).

As the loan financing activities were commenced in the second half of FY2018, interest income arising from loan financing activities was increased by approximately 46% to HK$24,456,000 in FY2019 as compared to FY2018.

The Group's land in Foshan City, Guangdong Province, the PRC, the flagship investment property development project of the Group, is being developed into a complex of shops, offices and hotel (including some serviced apartments) with a total gross floor area of approximately 241,000 square metres. Pre-leasing of some serviced apartments has commenced from 2017 with approximately 86,000 square metres having been pre-leased for over 20 years and rental income amounting to approximately HK$649 million was received in advance. As an initial stage promotion policy, lessees have been granted the right to put their pre-leased units back to the Group at the initial contract price within one month immediately after the 10th anniversary. Accordingly, corresponding rental income from pre-leasing could not be recognised at this stage.

As a result of the disposal of a non-wholly owned subsidiary with principal operation as provision of data verification service during FY2019, revenue arising from data verification service amounting to HK$14,977,000 in FY2019 (FY2018: HK$5,039,000) was classified as revenue from discontinued operation.

PROSPECTS AND OUTLOOK

At the beginning of 2020, with the fading of social unrest in Hong Kong and the signing of the first phase of the U.S.-China trade agreement, we expected an improvement to the Hong Kong China economy and a recovery of the market sentiment. Nevertheless, the sudden outbreak of coronavirus (COVID-19) has put forth an even larger challenge to the Group for the remaining part of the year.

Passing through a year full of difficulty in 2019, the Group has been in a tight liquidity, and the situation has been worsened as a fundraising exercise in late 2019 was stillborn. As a result, the Group is scaling down the operations of other businesses and will refocus on the financial services and the property project (the "Foshan Project") located in Xiqiao Town, Foshan City, Guangdong Province.

Due the unfavourable financial status of the Group, Ping An Securities Limited, our principal subsidiary for provision of financial services, cannot operate at a normal scale except executing sell orders from its clients who have sufficient stockholding in their accounts to meet their settlement obligation.

As regards the Foshan Project, the scheduled completion of its construction works for phases I and II and delivery of those pre-leased residential and commercial units under the Project to the leasees have experienced some delay also due to the unfavourable financial status of the Group.

As such, improvement to its financial strength is the first and foremost task of the Group. We will strive to leverage our internal and external resources through fundraising or introducing strategic investors to achieve this goal. We will explore the possibility of debt restructuring as well.

APPRECIATION

The Directors would like to express our sincere gratitude to the management of the Group and all the staff for their hard work and dedication, as well as our shareholders, business partners, bankers and auditors for their support to the Group throughout the year.

Cheung Kam Fai
Executive Director & CEO
Hong Kong, 22 June 2020

FINANCIAL REVIEW

As mentioned in the business review section, the decrease in distribution costs from HK$227,593,000 to HK$57,077,000 in FY2019 was mainly attributable to the decrease in recognition of property tax and other related surcharges and penalty in connection with the decrease of pre-leasing of investment properties under development launched by a PRC subsidiary in FY2019.

One the other hand, during FY2019, compensation paid to tenants in connection with the pre-leasing of the above mentioned properties increased to HK$40,554,000 (FY2018: HK$6,941,000). As the development of the above properties were not completed on or before the handover date as stipulated in some pre-leasing agreements in FY2019, compensations had been paid by the PRC subsidiary as per pre-leasing agreements.

Impairment losses on goodwill for FY2019 was HK$698,000 (FY2018: HK$725,865,000). Besides, expected credit losses on loan and interest receivables amounting to HK$296,464,000 (FY2018: HK$18,376,000) were made by the Group in FY2019 after assessing their recoverable amounts.

Investment properties under development located in Foshan as held by a wholly-owned subsidiary recorded a loss from change in fair value of HK$386,130,000 (FY2018: loss of HK$137,818,000).

Finance cost increased by 107% to HK$98,112,000 in FY2019 (FY2018: HK$47,371,000) and the main reasons attributable to the increase were as follows:

i) During FY2019, other borrowings increased sharply to HK$69,527,000 (FY2018: HK6,906,000) and therefore, interests on bank and other borrowings increased by HK$10,991,000;

ii) Due to the events of default occurred in FY2019, imputed interests on convertible notes amounting to approximately HK$24,000,000 were recognised in FY2019; and

iii) Due to the deconsolidation of Super Harvest Global Fund SPC ("SH Fund") during FY2019, interest expenses arising on senior notes issued by SH Fund amounting to HK$11,019,000 were recognised in 2019.

As the Group has terminated the operation relating to mining and trading of crypto currencies since the end of 2018, for FY2019 no loss from this operation (FY2018: HK$3,241,000) was recognised, no depreciation related to the equipment used in the above operation (FY2018: HK$37,671,000) was recorded, and no loss on writing off of equipment (FY2018: HK$11,720,000) was recognised.

The increase in current liabilities from HK$709,009,000 in FY2018 to HK$1,539,721,000 in FY2019 were mainly attributable to:

i) Due to the deconsolidation of SH Fund as held by a wholly owned subsidiary of the Group in FY2019, Senior Notes amounting to HK$283,101,000 (repayable within 12 months from the year end date) issued by the Company to SH Fund were recognized as current liabilities in FY2019; and

ii) Secured and unsecured third parties short term loans repayable within 12 months from the year end date increased from HK$6,906,000 (FY2018) to HK$69,527,000 (FY2019).

iii) Due to the receipt of a petition from SH Fund to apply for the winding up of the Company and the Group's default in repayment on the Senior Notes, the aggregate principal amounts of the borrowings of the Group of HK$646,981,000 has constituted the events of default under the respective borrowing agreements including Debentures, Senior Notes and Convertible Notes for the principal amounts of HK$73,880,000, HK$283,101,000 (as mentioned in (i)) and HK$290,000,000 respectively. Due to the abovementioned situation, all the above borrowings are deemed to become immediately repayable and classified as current liabilities; and

iv) Lease liabilities relating to operating leases recognised upon application of HKFRS 16 in FY2019 amounting to HK$15,790,000 and HK$4,517,000 recognised as current liabilities and non current liabilities respectively.

CAPITAL REORGANISATION

The Company conducted a capital reorganisation during the year. Reference is made to the Company's announcement dated 16 August 2019 in relation to a proposed capital reorganisation involving the following:

(a) Capital Reduction which will involve reduction of (i) the issued share capital of the Company by cancelling the paid up capital of the Company to the extent of HK$0.19 on each of the then issued Existing Shares such that the par value of each issued Existing Share will be reduced from HK$0.20 to HK$0.01; and (ii) the authorised share capital of the Company by reducing the par value of all Existing Shares from HK$0.20 each to HK$0.01 each resulting in the reduction of the authorised share capital of the Company from HK$3,000,000,000 divided into 15,000,000,000 Existing Shares to HK$150,000,000 divided into 15,000,000,000 New Shares; and

(b) Capital Increase (to be effected upon the Capital Reduction becoming effective) which will involve the increase of the authorised share capital of the Company from HK$150,000,000 divided into 15,000,000,000 New Shares to HK$3,000,000,000 divided into 300,000,000,000 New Shares.

The resolution on the proposed capital reorganisation was duly passed by the Shareholders as a special resolution of the Company at the special general meeting hold on 18 September 2019 and the capital reorganisation took effect on 19 September 2019.

LIQUIDITY, FINANCIAL RESOURCES, CHARGE ON ASSETS AND GEARING

As at 31 December 2019, the Group's current assets and current liabilities were HK$289,612,000 and HK$1,539,721,000 respectively.

As at 31 December 2019, bank deposits and investment properties of the Group amounting to HK$4,474,000 and HK$57,577,000 respectively were charged.

The Group's gearing ratio as at 31 December 2019 was 140%, which is calculated on the Group's total liabilities divided by its total assets.

CAPITAL COMMITMENTS

As at 31 December 2019, capital commitments contracted but not provided for were approximately HK$218,319,000.

CONTINGENT LIABILITIES

As at 31 December 2019, details of contingent liabilities are set out in note 43 to the financial statement.

FOREIGN EXCHANGE RISK

The Group's operations are principally in the PRC and Hong Kong and all assets and liabilities were denominated either in Renminbi or Hong Kong dollars. The Directors consider that the Group does not have any material exposure to fluctuations in exchange. Therefore, no hedging measures have been taken at present.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, the Group had a total of approximately 107 employees (2018: approximately 173), who were remunerated according to nature of the job and market trend, as well as individual qualifications and performance. The Group has participated in the Mandatory Provident Fund Scheme. On the job training was provided to its staff from time to time.

EXECUTIVE DIRECTORS

Mr. Cheung Kam Fai, aged 48, has been an executive Director since 27 November 2019. Mr. Cheung was the managing director of a finance company's China subsidiary before joining the Company in 2016, responsible for promoting the company's business in China. He has over 18 years of experience in the securities sector and has established extensive networks in the field. Mr. Cheung is a non-executive director of Beng Soon Machinery Holdings Limited (Stock Code: 1987, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange")). Mr. Cheung was an executive Director from 23 January 2016 to 6 June 2019, and was also the managing director of the Company from 17 August 2016 to 30 November 2017.

Mr. Lin Hongqiao, aged 54, has been an executive Director since 8 September 2017. Mr. Lin obtained his Bachelor of Finance from the Shanghai University of Finance and Economics in July 1988, the Master of Economics from Fudan University in January 1997 and the securities practice qualification from China Securities Association of China in February 2008. Mr. Lin was a director of the business department of Orient Securities Company Limited (stock code: 3958), an integrated securities company whose shares are listed on the Main Board of the Stock Exchange, from June 2006 to April 2017. Since January 2017 he has been a director of King Focus International Limited and its wholly owned subsidiary Well Up (Hong Kong) Limited, which holds 58% of the share capital of the Company.

NON-EXECUTIVE DIRECTORS

Mr. Cheung Ming Ming, aged 43, was appointed as an executive Director on 29 November 2019 and re-designated as a non-executive Director on 28 February 2020. He obtained his Master of Philosophy degree from the University of Hong Kong and graduated from the Hong Kong University of Science & Technology with a bachelor degree in Biochemistry. Mr. Cheung is currently Head of Leveraged and Acquisition Finance Department in at Haitong International Securities Group Limited ("Haitong International") (the shares of which are listed on the Stock Exchange (stock code: 665)). He has been in the investment banking industry for 11 years. Mr. Cheung has extensive experience in the area of merger and acquisition advisory, acquisition and corporate finance, and private equity investment. He has been with Haitong International for 6 years. Prior to that, he had worked in ING Bank N.V. for more than 5 years.

Mr. Cheung is a director of Well Up (Hong Kong) Limited ("Well Up"), a substantial shareholder of the Company having interests in 2,880,015,658 shares of the Company (representing approximately 55.75% of the total issued share capital of the Company) before his appointment as one of the joint and several receivers.

Mr. Tsui Cheung On, aged 38, was appointed as a non-executive Director on 29 November 2019, re-designated to executive Director on 10 December 2020, and further re-designated to non-executive Director on 28 February 2020. He graduated from the City University of Hong Kong with a Bachelor degree in Policy Studies and Administration in 2007. He is currently the Director of Leveraged and Acquisition Finance Department of Haitong International. He has been in the investment banking industry for more than 12 years. Mr. Tsui has extensive experience in the area of merger and acquisition, financing and listed company corporate actions, and has participated in and played leading roles in a number of deals relating to such areas.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Yee Shuen, Wilson, aged 53, has been an independent non-executive director since 20 February 2020. He holds a master of commerce degree, specializing in banking and finance from the University of New South Wales. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, member of Australian Society of Certified Practising Accountants and associate member of Financial Services Institute of Australasia. With approximately 20 years of experience in PricewaterhouseCoopers and Ernst and Young, Mr. Wong specializes in the area of auditing banks and listed companies.

Mr. Wong is serving as an independent non-executive director of Softpower International Limited (formerly known as China Pipe Group Limited (stock code: 380) (a company listed on the Main Board of the Stock Exchange) and PT International Development Corporation Limited (stock code: 372) (a company listed on the Main Board of the Stock Exchange), he also serving as a non-executive director of Impact Global Holdings (Cayman) Company Limited. He is the chief financial officer of China Animation Characters Company Limited (Stock code: 1566) (a company listed on the Main Board of the Stock Exchange). Mr. Wong was an independent non-executive Director of the Company from 17 November 2015 to 1 December 2017.

Mr. Suen To Wai, aged 46, has been an independent non-executive Director since 20 February 2020. He received his bachelor's degree in Commerce from the University of Western Australia and is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Suen has over 10 years of experience in financial reporting and corporate finance.

Mr. Suen is serving as an independent non-executive director of China Zenix Auto International Limited (NYSE (now OTC) stock code: ZX). Mr. Suen had served as an independent non-executive director of CT Environmental Group Limited (Stock code: 1363) (a company listed on the Main Board of the Stock Exchange) from February 2018 to April 2019.

Mr. Yau Wai Lung, aged 48, has been appointed as an independent non-executive Director since 11 June 2020. He has ample experience in project investment and management in Hong Kong and China. Mr. Yau has held a number of senior business development roles in major corporations and, during his tenure with these corporations, he was involved in different cross-border business projects and was responsible for the investment and management of those projects. Mr. Yau is studying an executive MBA course in Beijing University. Mr. Yau was an executive director of China Shandong Hi-Speed Financial Group Limited (stock code: 412, a company listed on the Main Board of the Stock Exchange) from August 2014 to May 2019, and thereafter has been appointed as its consultant.

The Company is committed to maintaining the highest standards of corporate governance that properly protect and promote the interests of all shareholders at all times. The Board believes that good corporate governance practices are the cornerstones for a successful business.

CODE OF CORPORATE GOVERNANCE PRACTICE

The Board regularly reviews the Group's corporate governance guidelines and practices. During the year, the Company has complied with the code provisions in the Code of Corporate Governance Practice (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited ("SEHK").

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") as contained in Appendix 10 to the Listing Rules. The Company has made specific enquiry to all Directors regarding any non-compliance with the Model Code during the year and they all confirmed that they have fully complied with the required standard set out in the Model Code.

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company and oversees the Group's business, strategic decisions and performances. The senior management was delegated the authority and responsibilities by the Board of the day-to-day management and operations of the Group. Approval has to be obtained from the Board prior to any significant transactions entered into by the senior management.

All Directors have full and timely access to all relevant information in relation to the Company as well as the advice and services of the company secretary, if and when required, with a view ensuring that the Board procedures and all applicable rules and regulations are followed.

There are established procedures for Directors to seek independent professional advice for them to discharge their duties and responsibilities, where appropriate at the Company's expenses.

The Board currently comprises two executive Directors, namely, Mr. Cheung Kam Fai and Mr. Lin Hongqiao; two non-executive Directors, namely, Mr. Cheung Ming Ming and Mr. Tsui Cheung On; and three independent non-executive Directors, namely, Mr. Wong Yee Shuen, Wilson, Mr. Suen To Wai and Mr. Yau Wai Lung.

The Code Provisions require regular meetings of the Board be held at least four times a year at approximately quarterly intervals. Such Board meetings involve the active participation, either in person or by telephone conference.

During the year under review, 15 board meetings and 2 general meetings were held during the year of 2019. The individual attendance record is as follows:

Director	Board Meetings attended/eligible to attend	General Meetings attended/eligible to attend
Executive Directors		
Mr. Teng Wei *(Note 1)*	1/1	1/1
Mr. Gong Qingli	10/14	2/2
Mr. Cheung Kam Fai *(Note 2)*	3/6	1/1
Mr. Lin Hongqiao	12/15	2/2
Mr. Wong Zihao *(Note 3)*	1/1	0/0
Mr. Cheung Ming Ming *(Note 4)*	1/1	0/0
Mr. Tsui Cheung On *(Note 5)*	1/1	0/0
Non-executive Directors		
Ms. Tao Yanyan *(Note 6)*	2/4	0/1
Mr. Lee Chun Pong *(Note 7)*	1/1	0/0
Ms. Luo Xia *(Note 8)*	1/1	0/0
Independent Non-executive Directors		
Mr. Tsang Wah Kwong	15/15	2/2
Dr. Leung Wing Cheung, William	15/15	2/2
Dr. Yang Tao *(Note 9)*	6/9	0/2

Notes:

1. Mr. Teng Wei resigned on 15 April 2019

2. Mr. Cheung Kam Fai was appointed on 27 November 2019

3. Mr. Wong Zihao was appointed on 29 November 2019

4. Mr. Cheung Ming Ming was appointed on 29 November 2019

5. Mr. Tsui Cheung on was appointed on 29 November 2019

6. Ms. Tao Yanyan resigned on 15 July 2019

7. Mr. Lee Chun Pong was appointed on 29 November 2019

8. Ms. Luo Xia was appointed on 29 November 2019

9. Dr. Yang Tao resigned on 21 November 2019

The Board members have no financial, business, family or other material/relevant relationships with each other.

The biographical details of the Directors are set out in the section "Biographical Details of Directors" of this Annual Report.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

According to code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

To ensure that a balance of power and authority, in the year under review, the role of the Chairman and Chief Executive Officer was segregated until Mr. Teng Wei resigned as Chairman with effect from 15 April 2019. However, the Board considers that the absence of the post of Chairman for some time has not impaired the management of the Group. Decisions of the Company were made collectively by the Chief Executive Officer and the executive Directors to execute strategies set by the Board and assume daily management of the Group and report back to the Board on a regular basis.

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the year under review, the Board had three independent non-executive Directors most of time until Dr. Yang Tao resigned on 21 November 2019. As at the date of this Annual Report, the Company has three independent non-executive Directors, representing one-third of the Board and at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise.

The functions of independent non-executive Directors are primarily to bring an independent judgement on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conducts at Board meetings.

CONFIRMATION OF INDEPENDENCE

The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE AND INDEMNITY

The Company has arranged appropriate liability insurance to indemnify its Directors and officers in respect of legal actions against the Directors and officers. Throughout the year under review, no claim had been made against the Directors and the officers of the Company.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Appointment of any new Director is considered upon recommendation by the Nomination Committee and approved by the Board by taking into account criteria such as expertise, experience, integrity and commitment of a candidate as well as the diversity policy of the Company.

In accordance with the Bye-laws of the Company ("Bye-laws"), all Directors are subject to retirement by rotation and re-election at annual general meetings ("AGMs") of the Company. New Directors appointed by the Board are required to retire and submit themselves for re-election at the first general meeting immediately following their appointments. Further, at each AGM, one-third of the Directors, or if their number is not a multiple of three, then the number nearest to but not exceeding one-third, are required to retire from office.

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

The Company provides regular updates on the business development of the Group. The Directors are regularly provided information on the latest development regarding the Listing Rules and other applicable statutory requirements to ensure compliance and upkeep of good corporate governance practices. All Directors have participated in appropriate continuous professional development and refreshed their knowledge and skills during the year for ensuring that their contribution to the Board remains informed and relevant and be kept abreast of the ever changing business environment. Such professional development was undergone either by way of attending briefings, conference, courses, forum and seminars, or through teaching, self-reading and participating in business-related researches which are relevant to the business of the Group or Directors' duties.

AUDIT COMMITTEE

During the year under review, the Audit Committee comprised all three independent non-executive Directors (until 21 November 2019) and was chaired by Mr. Tsang Wah Kwong, who has appropriate professional qualifications and experience as required by the Listing Rules. At the date of this Annual Report, the Audit Committee comprises all three independent non-executive Directors, namely, Mr. Wong Yee Shuen, Wilson, Mr. Suen To Wai and Mr. Yau Wai Lung, and is chaired Mr. Wong Yee Shuen, Wilson, who has appropriate professional qualifications and experience as required by the Listing Rules. The Audit Committee's terms of reference are in conformity with the requirements of the Code Provisions. The primary duties of the Audit Committee include the following:

(a) monitoring and ensuring a proper relationship with the Company's external auditor;

(b) review of the Group's interim and annual reports and compliance with accounting standards, the Listing Rules, and legal requirements before submission to the Board; and

(c) oversight of the Company's financial reporting process and risk management and internal control systems.

The Audit Committee has reviewed the audited financial statements of the Group for the year ended 31 December 2019 and recommended the same to the Board for its approval. With effect from 1 January 2016, the Audit Committee has extended its functions to oversee the Group's risk management system.

During the year under review, the Audit Committee held two meetings, to review the Group's interim and final financial statements, to meet and discuss with the external auditor about audit findings, and discuss with the management about appointment of the external auditor. The attendance records are as follows:

Committee Member	**Number of attendance**
Mr. Tsang Wah Kwong	2/2
Dr. Leung Wing Cheung, William	2/2
Dr. Yang Tao *(Note)*	2/2

Note: Dr. Yang Tao resigned on 21 November 2019

REMUNERATION COMMITTEE

During the year under review, the Remuneration Committee comprised all three independent non-executive Directors (until 21 November 2019), an executive Director Mr. Gong Qingli (until 27 November 2019) and Mr. Cheung Kam Fai (since 27 November 2019), and was chaired by Dr. Leung Wing Cheung, William. At the date of this Annual Report, the Remuneration Committee comprises all three independent non-executive Directors, namely, Mr. Wong Yee Shuen, Wilson, Mr. Suen To Wai, Mr. Yau Wai Lung, as well as executive Director and CEO Mr. Cheung Kam Fai, and is chaired Mr. Suen To Wai.

The primary duties of the Remuneration Committee are to make recommendations to the Board on the Group's policy and structure for the Directors and senior management remuneration, make recommendations on the remuneration packages of individual Director and ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration. The terms of reference of the Remuneration Committee are in conformity with the requirements of the Code Provisions.

During the year under review, the Remuneration Committee held three meetings to review the remuneration package of the Directors and senior management. The attendance records are as follows:

Committee Member	Number of attendance
Mr. Tsang Wah Kwong	2/3
Dr. Leung Wing Cheung, William	3/3
Dr. Yang Tao *(Note 1)*	2/2
Mr. Gong Qingli *(Note 2)*	3/3
Mr. Cheung Kam Fai *(Note 3)*	0/0

Notes:

1. Dr. Yang Tao resigned on 21 November 2019

2. Mr. Gong Qingli ceased to be a member on 27 November 2019

3. Mr. Cheung Kam Fai was appointed on 27 November 2019

NOMINATION COMMITTEE

During the year under review, the Nomination Committee comprised all three independent non-executive Directors (until 21 November 2019), as well as an executive Director and CEO Mr. Gong Qingli (until 27 November 2019) and Mr. Cheung Kam Fai (since 27 November 2019), and is chaired by Dr. Yang Tao (until 21 November 2019). At the date of this Annual Report, the Remuneration Committee comprises all three independent non-executive Directors, namely, Mr. Wong Yee Shuen, Wilson, Mr. Suen To Wai, Mr. Yau Wai Lung, as well as executive Director and CEO Mr. Cheung Kam Fai, and is chaired Mr. Yau Wai Lung.

The primary duties of the Nomination Committee are to review the size, structure, composition and diversity of the Board, identify suitably qualified individuals for appointment to the Board, assess the independence of independent non-executive Directors and make recommendations to the Board on the election or re-election of the Directors and succession planning for the Directors. The terms of reference of the Nomination Committee are in conformity with the requirements of the Code Provisions.

The Nomination Committee held three meetings during the year to nominate candidates to the Board and review the composition of the Board and the suitability of the Directors proposed for re-election at the AGM. The attendance records are as follows:

Committee Member	Number of attendance
Mr. Tsang Wah Kwong	3/3
Dr. Leung Wing Cheung, William	3/3
Dr. Yang Tao *(Note 1)*	1/2
Mr. Gong Qingli *(Note 2)*	2/2
Mr. Cheung Kam Fai *(Note 3)*	1/1

Notes:

1. Dr. Yang Tao resigned on 21 November 2019

2. Mr. Gong Qingli ceased to be a member on 27 November 2019

3. Mr. Cheung Kam Fai was appointed on 27 November 2019

Board Diversity Policy

The Company aims to build and maintain a Board with a diversity of Directors, including but not limited to gender, age, cultural and educational background, or professional experience. The Board has adopted a Board Diversity Policy which sets out the approach to achieve and maintain diversity on the Board.

The Nomination Committee will discuss and agree annually measurable objectives for implementing diversity on the Board and recommend them to the Board for adoption.

Director Nomination Policy

The Board has adopted this Policy to assist the Nomination Committee in nominating suitable candidates to the Board for it to consider and appoint as Director(s) to fill casual vacancies, and make recommendations to shareholders for election as Director(s) at general meetings.

The Nomination Committee shall consider, among others, the following criteria in evaluating and selecting candidates for directorships:

- Character and integrity;

- Personal attributes including professional qualifications, skills, knowledge, experience and expertise that are relevant to the Company's business and corporate strategy, and the ability to provide insights and practical wisdom based on those attributes;

- Willingness to devote adequate time to discharge duties as a Board member, other directorships, memberships of various committees and significant commitments;

- For independent non-executive directors to be appointed in accordance with the Listing Rules and whether the candidates would be considered independent with reference to the independence guidelines set out in the Listing Rules;

- Ability to develop a good working relationship with other Board members and contribute to the Board's working relationship with senior management of the Company;
- Board Diversity Policy and any measurable objectives adopted by the Committee for achieving diversity on the Board; and
- Any other perspectives appropriate to the Company's business.

COMPANY SECRETARY

Mr. Chan Kwan Pak is the Company Secretary of the Company. He is an external service provider and was appointed by the Board. Mr. Chan supports the Board by ensuring good information flow within the Board and that Board policy and procedures are followed. He also advises the Board on corporate governance matters and facilitates induction and professional development of the Directors. Mr. Chan reports directly to the Board. All the Directors have access to the advice and services of the Company Secretary at any time in relation to their duties and operation of the Board. The Company Secretary participated in no less than 15 hours of relevant professional training during the year.

RISK MANAGEMENT AND INTERNAL CONTROL

The board is responsible for overseeing the internal control system and risk management of the Group and for reviewing its effectiveness and adequacy on an ongoing basis.

In order to safeguard the Group's assets, effectiveness of business operation, ensure the reliability of financial report that the Company employs in its business or releases to the public and ensure compliance with relevant laws and regulations, the Company has established the risk management and internal control system and conducts regular reviews of the effectiveness of the such system through the Audit Committee, executive management, functional departments, external advisers and external auditors. The internal control system and risk management are designed to manage rather than eliminate the risk of to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

During the year, in order to comply with the applicable CG Code to the Listing Rules, the Board has retained an external professional consultant to carry out the internal audit functions of the Company, with a view to facilitating adequacy of resources and quality of review to satisfy the Group's internal audit function as required by the Stock Exchange and to assist the Board in performing annual reviews on the effectiveness of the Group's internal control systems for the year ended 31 December 2019. The reviews cover material controls including financial, operational and compliance controls at entity and operational levels. The Audit committee and the Board have discussed and reviewed the relevant results of the review. The Board had conducted review of the effectiveness of the risk management. The Group will continuously enhance its internal control systems according to findings therein and recommendations made to the Group and risk management.

The Group has established procedures in handling and dissemination of inside information in an accurate and secure manner and to avoid possible mishandling of inside information within the Group.

Based on the risk management and internal control systems established and maintained by the Group, the review of the effectiveness of risk management and internal control systems performed by the management, respective Board Committees and the Board, the Board is of the view that the Group has maintained effective risk management and internal control system during the year ended 31 December 2019.

AUDITOR'S REMUNERATION

Total auditor's remuneration in relation to statutory audit work of the Group for the year amounted to HK$1,500,000 (2018: HK$1,300,000). HK$1,157,000 was incurred for non-audit services provided by the auditor for the Group during the year (2018: HK$870,000).

The responsibilities of the auditor with respect to financial reporting are set out in the section of "Independent Auditor's Report" on page 35.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for overseeing the preparation of accounts for each financial period with a view to ensuring such accounts give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. The Company's accounts are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently, and that judgments and estimates made are prudent and reasonable.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Board has established a shareholders' communication policy to maintain an on-going dialogue with its shareholders and investors in a timely, open and transparent manner. The Board reviews the policy on a regular basis to ensure effective communication between the Company and its shareholders and investors.

The Board communicates with its shareholders and investors through various channels. The Board members meet and communicate with shareholders and investors at AGMs and other general meetings. Corporate communications (such as interim and annual reports, notices, circulars and announcements) are sent to shareholders in a timely manner and are available on the websites of the Company and the SEHK.

SHAREHOLDERS' RIGHTS

Procedures for Nomination of a Director

A notice in writing of the intention to propose a person for election as a director of the Company and a notice in writing by that person of his willingness to be elected together with his/her particulars (such as qualifications and experience) and information as required to be disclosed under Rule 13.51(2) of the Rules Governing the Listing of Securities on the SEHK shall be lodged at the Company's head office and principal place of business (Room 510, 5/F, China Insurance Group Building, 141 Des Voeux Central, Hong Kong). The period for lodgment of the notices required will commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting, and the minimum length of the period during which such notices to the Company may be given will be at least 7 days.

Shareholders to convene a Special General Meeting

Special general meetings shall be convened on the requisition of one or more shareholders of the Company holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board of Directors or the Secretary of the Company (Room 510, 5/F, China Insurance Group Building, 141 Des Voeux Central, Hong Kong) for the purpose of requiring a special general meeting to be called by the Board for the transaction of any business specified in such requisition.

If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may convene such meeting, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company. Such meeting shall be held within 3 months after the deposit of such requisition.

The Directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of the principal subsidiaries are set out in detail in notes 45 to the financial statements.

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to results by principal activity and geographical area of operations for the year ended 31 December 2019 is set out in note 7 to the financial statements.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2019 and the state of affairs of the Group at that date are set out in the financial statements on pages 36 to 142.

The Directors do not recommend the payment of any dividends in respect of the year ended 31 December 2019 (2018: Nil).

DIVIDEND POLICY

The Company considers stable and sustainable returns to the shareholders of the Company to be our goal. Declaration and payment of dividends shall be determined at the sole discretion of the Board.

In proposing any dividend payout, the Board shall also take into account, inter alia, the operating results, cash flow, financial condition and capital requirements of the Group and the interests of the Shareholders of the Company as a whole. The Company's distribution of dividends shall also be subject to any restrictions under the Bermuda Companies Act and the Bye-laws of the Company as well as all applicable laws, rules and regulations.

The Dividend Policy allows the Board to declare special dividends from time to time in addition to the interim and/or annual dividends. There is no guarantee that any particular amount of dividends will be distributed for any specific periods.

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group's future business development are provided in the CEO Statement on pages 4 to 5 of this Annual Report. Description of the financial risk management objectives and policies of the Group can be found in Note 6 to the financial statements. An analysis of the Group's performance during the year using financial key performance indicators are provided in the Management Discussion and Analysis on pages 6 to 7 of this Annual Report. The Group's environmental policies, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are contained in the Corporate Governance Report are discussed below.

Environmental Policy and Performance

The Group commits to the principle and practice of recycling and reducing. To help conserve the environment, it implements green office practices such as re-deployment of idle office furniture as far as possible, encourage use of recycled paper for printing and copying, double-sided printing and copying, setting up recycling bins, reduce energy consumption by switching off idle lightings, air conditioning and electrical appliances.

The Group will review its environmental practices from time to time and consider implementing further eco-friendly measures, sustainability targets and practices in the operation of the Group's businesses to embrace the principles of reducing, recycling and reusing, and further minimizing our already low impact on the natural environment.

Compliance with Relevant Laws and Regulations

For the year ended 31 December 2019, compliance procedures were in place to ensure adherence to applicable laws, rules and regulations, in particular those have significant impact on the Group. The employees to understand, comply with and keep themselves abreast of the laws, rules and regulations applicable to their positions and the operation of the businesses of the Group. The Company has employed suitable personnel and engaged professional advisers as and when appropriate to provide legal advice on the applicability, existence or interpretation of any laws, rules and regulations.

Relationship with Stakeholders

The Group is committed to create good internal and external corporate relationships, and build a harmonious enterprise to take its responsibilities for its various stakeholders, such as customers, employees, shareholders and community. The Board recognizes the importance of fostering loyalty and mutual trust with the Group's employees, customers, suppliers and business partners as this creates immense long-term benefits for the Group. To achieve the above purpose, the Group strives to promote constant and effective communications. The Board considers that the Group has overall maintained good relationship with employees, customers, suppliers and business partners for the operation of its businesses.

Environmental, Social and Governance

The details of environmental, social and governance policies and performance of the Group will be disclosed in a standalone Environmental, Social and Governance Report, which will be available on the Company's website (www.pingansecgp.com) and on the website of the Stock Exchange (www.hkexnews.hk).

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group for the last five financial years ended 31 December 2019, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 143. The summary is not part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group are set out in note 19 to the financial statements.

SHARE CAPITAL

Details of the Company's share capital are set out in note 39 to the financial statements.

RESERVES

Details of movements in the reserves of the Company and of the Group are set out in note 47 to the financial statements and on page 40 respectively.

DISTRIBUTABLE RESERVES

At 31 December 2019 the Company did not have any reserves available for distribution to equity shareholders of the Company.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's five largest customers accounted for more than 30% of the total sales for the year, and the purchases attributable of the five largest suppliers accounted for less than 30% of the Group's total purchases. Information about major customers are set out in note 7 to the financial statements.

DIRECTORS

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

Executive Directors

Mr. Teng Wei	*(Resigned on 15 April 2019)*
Mr. Gong Qingli	*(Resigned on 20 February 2020)*
Mr. Cheung Kam Fai	*(Retired on 6 June 2019 and re-appointed on 27 November 2019)*
Mr. Lin Hongqiao	
Mr. Wong Zihao	*(Appointed on 29 November 2019 and resigned on 28 February 2020)*

Non-executive Directors

Ms. Tao Yanyan	*(Resigned on 15 July 2019)*
Mr. Cheung Ming Ming	*(Appointed as an Executive Director on 29 November 2019 and re-designated to Non-executive Director on 28 February 2020)*
Mr. Tsui Cheung On	*(Appointed as a Non-executive Director on 29 November 2019 re-designated to Executive Director on 10 December 2019 and re-designated to Non-executive Director on 28 February 2020)*
Mr. Lee Chun Pong	*(Appointed on 29 November 2019 and resigned on 28 February 2020)*
Ms. Luo Xia	*(Appointed on 29 November 2019 and resigned on 28 February 2020)*

Independent Non-executive Directors

Mr. Tsang Wah Kwong	*(Resigned on 11 March 2020)*
Dr. Leung Wing Cheung, William	*(Resigned on 28 February 2020)*
Dr. Yang Tao	*(Resigned on 21 November 2019)*
Mr. Wong Yee Shuen, Wilson	*(Appointed on 20 February 2020)*
Mr. Suen To Wai	*(Appointed on 20 February 2020)*
Mr. Yau Wai Lung	*(Appointed on 11 June 2020)*

At the forthcoming annual general meeting ("AGM"), Mr. Cheung Kam Fai, Mr. Cheung Ming Ming, Mr. Tsui Cheung On, Mr. Wong Yee Shuen, Wilson, Mr. Suen To Wai and Mr. Yau Wai Lung shall retire in accordance with Bye-law 100, while Mr. Lin Hongqiao shall retire in accordance with Bye-law 109(A). All of them being eligible, will offer themselves for re-election thereat.

DIRECTORS' SERVICE AGREEMENTS

Each of Mr. Cheung Kam Fai and Mr. Lin Hongqiao has entered into a service agreement with the Company for an initial term of three years from their date of appointment and the agreements shall be renewed for the same term automatically thereafter when expire unless terminated in accordance with the terms of the agreements. All of them shall be subject to retirement by rotation and be eligible for re-election at the AGMs of the Company pursuant to the Bye-laws.

Each of the independent non-executive Directors have entered into a letter of appointment with the Company. All of them are for an initial term of one year, renewable automatically for a successive term of one year upon expiry of every term of appointment. All of them shall be subject to retirement by rotation and be eligible for re-election at the AGMs of the Company pursuant to the Bye-laws.

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

There has been no transaction, arrangement or contract of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party and in which a Director of the Company or an entity connected with the Director is or was materially interested, either directly or indirectly, subsisting during or at the end of the year.

EQUITY-LINKED AGREEMENTS

Other than the convertible bonds and the share option scheme of the Company, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

At 31 December 2019, none of the Directors were interested in any business apart from the Group's businesses which competed or was likely to compete, either directly or indirectly, with the business of the Group.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

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

As at 31 December 2019, the interests of the Directors and chief executives of the Company or their associates had any interest or short position in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the SEHK pursuant to the Model Code.

Long position in Shares:

(a) Interest in Shares:

Name of Director	Nature of interests	Number or attributable number of shares held or short positions	Approximate percentage or attributable percentage of shareholding
Mr. Wang Zihao *(Note)*	in the capacity as a joint and several receiver	889,800,000	17.22%
Mr. Cheung Ming Ming *(Note)*	in the capacity as the a joint and several receiver	889,800,000	17.22%
Mr. Cheung Kam Fai	Beneficial owner	147,050,000	2.85%

Note:

Mr. Wang Zihao and Mr. Cheung Ming Ming (together, the "Receivers") were joint and several receivers of 889,800,000 shares in Ping An Securities Group (Holdings) Limited when they were appointed as executive Directors on 29 November 2019.

(b) Long position in underlying shares:

Name of Director	Nature of interests	Description of securities	Number of underlying shares	Approximate% of interests
Mr. Cheung Kam Fai	Beneficial owner	Convertible Bonds	31,250,000	0.60%

INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2019, the interests of substantial shareholders (other than the Directors or chief executives) in the Shares or the underlying shares of the Company which were required to be notified to the Company pursuant to Part XV of the SFO, or which were required to be recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Long position in Shares:

(a) Interest in Shares:

Name of substantial shareholder	Nature of interests	Number or attributable number of shares held or short positions	Approximate percentage or attributable percentage of shareholding
Well Up (Hong Kong) Limited ("Well Up") *(Note)*	Beneficial owner	2,880,015,658	55.75%
King Focus International Limited ("King Focus") *(Note)*	Interests of controlled corporation	2,880,015,658	55.75%
Ever Step Holdings Limited ("Ever Step") *(Note)*	Interests of controlled corporation	2,880,015,658	55.75%
Chong Sing Holdings FinTech Group Limited ("Chong Sing") *(Note)*	Interests of controlled corporation	2,880,015,658	55.75%
Cui Xintong ("Ms. Cui") *(Note)*	Founder of discretionary trust who can influence how the trustee exercise his discretion	2,880,015,658	55.75%
Lee Ken-yi Terence ("Mr. Lee") *(Note)*	Interests of controlled corporation	2,880,015,658	55.75%
TMF (Cayman) Limited ("TMF") *(Note)*	Trustee	2,880,015,658	55.75%
Deep Wealth Holdings Limited ("Deep Wealth") *(Note)*	Interests of controlled corporation	2,880,015,658	55.75%
Charm Success Group Limited ("Charm Success") *(Note)*	Interests of controlled corporation	2,880,015,658	55.75%
Finest Achieve Limited ("Finest Achieve") *(Note)*	Interests of controlled corporation	2,880,015,658	55.75%
HongDa Financial Holdings Limited ("HongDa") *(Note)*	Interests of controlled corporation	2,880,015,658	55.75%

Note:

Well Up is wholly-owned by King Focu. King Focus, which is in turn owned as to 49% by Charm Success, 37% by Ever Step and 14% by Finest Achieve, respectively.

Charm Success is wholly-owned by Deep Wealth, which is in turn wholly-owned by TMF as a trustee. Ms. Cui is the founder of the Trust and Mr. Lee is the spouse of Ms. Cui.

Ever Step is wholly-owned by Chong Sing.

Therefore each of King Focus, Ever Step, Chong Sing, Charm Success, Deep Wealth, TMF, Ms. Cui and Mr. Lee is deemed to be interested in 55.75% of the entire issued share capital of the Company. Through such interests, each of them is therefore deemed to be interested in Shares in which Well Up is interested for the purpose of the SFO.

(b) *Interests in underlying shares:*

Name of substantial shareholder	Nature of interests	Description of securities	Number of underlying shares	Approximate% of interests
Topsource International Holding Co., Limited ("Topsource")	Beneficial owner	Convertible Bonds *(Note)*	520,833,333	10.08%
Shanghai Xinhua Distribution Group Co., Ltd. ("Shanghai Xinhui")	Interest of controlled corporation	Convertible Bonds *(Note)*	520,833,333	10.08%

Note: Since Topsouce is wholly-owned by Shanghai Xinhua, and Shanghai Xinhui is deemed to be interested in the same number of shares in which Topsource was interested under the SFO.

Save as disclosed above, as at 31 December 2019, there was no other person (other than the Directors or chief executives of the Company) who had any interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the SEHK.

SHARE OPTION SCHEME

At the AGM held on 23 June 2011, the terms of the share option scheme (the "Scheme") was adopted by providing incentive to eligible participants to work better for the interests of the Group, under which the Board may, at its discretion, offer to grant an option to any full-time or part-time employee and directors of the Company or any of its subsidiaries and service providers of the Group (collectively the "Grantees").

The maximum number of shares in respect of which options may be granted under the Scheme must not in aggregate exceed 10% of the total number of shares in issue on the date of adoption of the Scheme (as refreshed on 29 May 2014), being 1,184,264,739 shares. The total number of shares which may fall to be issued upon exercise of the share options granted under the Scheme to each Grantee in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue as at the date of grant.

Any grant of options to a director, chief executive or substantial shareholder of the Company or any of their respective associates is required to be approved by the independent non-executive Directors. If the Board proposed to grant options to a substantial shareholder or any independent non-executive Director or their respective associates which will result in the number of shares to be issued upon exercise of the options granted and to be granted to such person in the 12-month period up to and including the date of such grant, representing in aggregate over 0.1% of the shares in issue on the date of grant and having an aggregate value in excess of HK$5 million, based on the closing price of the shares at the date of each grant, such further grant of options will be subjected to the shareholders' approval in general meeting.

The offer of a grant of share options may be accepted within 28 days from the offer date or within such other period of time as may be determined by the Board. Upon acceptance of the options, the Grantee shall pay HK$1.00 to the Company by way of consideration for the grant.

The subscription price of a share in respect of any option granted under the Scheme shall be priced as the Board in its absolute discretion shall determine, but must be at least the higher of (i) the closing price of the Company's shares as quoted on the SEHK on the date of grant; (ii) the average closing price of the Company's shares as quoted on the SEHK for the five consecutive business days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company.

The period during which an option may be exercise will be determined by the Board in its absolute discretion. 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 shares to be allotted upon the exercise of an option will not carry voting rights until the completion of the registration of the Grantee.

No share option under the Scheme were granted or exercised during the year nor remained outstanding as at 31 December 2019.

PRE-EMPTIVE RIGHTS

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

PERMITTED INDEMNITY

Pursuant to the Bye-laws, subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in or about the execution of their duty in their offices. Such permitted indemnity provision has been in force throughout the Year. The Company has arranged appropriate directors' and officers' liability insurance coverage for the directors and officers of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption of listed securities of the Company by the Company or any of its subsidiaries during the year.

MANAGEMENT CONTRACTS

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

CONTINGENT LIABILITIES

As at 31 December 2019, details of contingent liabilities are set out in note 43 to the financial statements.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date hereof, there is sufficient public float of not less than 25% of the Company's issued shares as required by the Listing Rules.

AUDIT COMMITTEE

The Audit Committee has reviewed and approved the Group's annual results for the year ended 31 December 2019 in conjunction with the Company's external auditor prior to the approval of the annual results by the Board. Information on the work of the Audit Committee and its composition are set out in the Corporate Governance Report on pages 11 to 18.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2019 have been audited by Cheng & Cheng Limited ("Cheng & Cheng"). Cheng & Cheng will retire at the conclusion of the forthcoming AGM and, being eligible, offer itself for re-appointment at the forthcoming AGM. A resolution for re-appointment of Cheng & Cheng as auditor of the Company will be proposed at the forthcoming AGM.

ON BEHALF OF THE BOARD

Cheung Kam Fai
Executive Director and Chief Executive Officer

Hong Kong, 22 June 2020

CHENG & CHENG LIMITED
CERTIFIED PUBLIC ACCOUNTANTS
鄭鄭會計師事務所有限公司

TO THE SHAREHOLDERS OF PING AN SECURITIES GROUP (HOLDINGS) LIMITED
(Incorporated in Bermuda with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of PING AN SECURITIES GROUP (HOLDINGS) LIMITED (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 36 to 142, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss 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 financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

BASIS FOR DISCLAIMER OF OPINION

1) Going concern

The Group had incurred a loss of HK$969,951,000 for the financial year ended 31 December 2019 and, as of that date, the Group was in net current liability position of HK$1,250,109,000, and in net liability position of HK$641,542,000.

As at 31 December 2019, the aggregate principal amount of four batches of Senior Notes issued by the Company of HK$58,411,500 and aggregate interest payable of HK$4,260,000 as described in note 30 to the consolidated financial statements, were overdue and the Group was in default in repayment. The maturity dates of these four batches of Senior Notes were 1 November 2019, 15 November 2019, 3 December 2019 and 13 December 2019. On 18 November 2019, the Company received a petition ("First Petition") from the creditor of the immediate holding company of the Company ("Well Up (Hong Kong) Limited") to apply for the winding up of the Company. On 21 November 2019, the Group received another petition (the "Second Petition") from a Senior Note holder to apply for the winding up of the Company. The High Court has granted an order to withdraw the First Petition and Second Petition on 8 January 2020 and 22 January 2020, respectively. Up to the date of this report, the Group has not been able to obtain approval from the lenders regarding extension of repayments of these Senior Notes and the abovementioned outstanding amounts were still not yet settled.

Due to the abovementioned petitions and the Group's default in repayment on the Senior Notes, the aggregate principal amount of the borrowings of the Group of HK$646,981,000 were considered "default" as at 31 December 2019 as the abovementioned facts and circumstances had constituted the events of default under the respective borrowing agreements. These borrowings included unsecured Debentures, Senior Notes and Convertible Notes for the principal amounts of HK$73,880,000, USD36,350,000 (equivalents to HK$283,101,000) and HK$290,000,000 respectively as set out in notes 30, 30 and 32 to the consolidated financial statements respectively.

The Company announced a proposed rights issues on the basis of one rights share for every two existing shares on 11 October 2019 ("Proposed Rights Issues") and published prospectus for the Proposed Rights Issues dated 1 November 2019. Since then, the Company started receiving proceeds from existing shareholders and received approximately HK$192,770,000 (included in note 28 to the consolidated financial statements) before close of application. Such balance was included in Group's bank balances as at 31 December 2019. However, the board of directors of the Company announced termination of the Proposed Rights Issue on 18 November 2019 after receiving the First Petition against the Company. The proceeds received were refunded to the shareholders in January 2020.

Moreover, as at 31 December 2019, the Group's investment properties located in The People's Republic of China ("PRC"), as described in note 19 to the consolidated financial statements, were still under development. As at 31 December 2019, the outstanding construction cost payable amounted to HK$174,411,000 (included in note 29 to the consolidated financial statements) which had been overdue. The development process had been suspended since June 2019 due to the Group's failure to pay the outstanding construction costs to the constructors. The Group had received prepayments from customers when the Group signed agreements of pre-leasing the investment property since 2017, which had been recognised as the Group's liabilities, amounting to HK$649,203,000 as at 31 December 2019. (see note 29 to the consolidated financial statements) The Group was unable to complete the development project on time and to make the properties available for customers' usage. We were told by the management of the relevant PRC subsidiary that, as at 31 December 2019, over 200 tenants had applied to the court to ask for refund for breach of the contracts amounting to HK$39,612,000 and that there was increasing number of legal actions carried out by customers subsequent to the end of the reporting period.

These conditions mentioned above indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern. Notwithstanding the abovementioned, the management has prepared the consolidated financial statements on a going concern basis.

Up to the date of this report, we were unable to obtain sufficient appropriate supporting bases from the Group for their underlying assumptions on going concern as set out in Note 3 to the consolidated financial statements to satisfy ourselves that they were reasonable and supportable. Hence, we were unable to assess the appropriateness or reasonableness of the use of the going concern assumption in the preparation of the consolidated financial statements.

Because of the significance of the matters mentioned above, we were unable to form an opinion as to whether the use of going concern assumption in the preparation of the consolidated financial statements is appropriate. Should the Group fail to achieve the intended effects of the plans and measures described in Note 3 to the consolidated financial statements, it might not be able to continue to operate as a going concern and to settle its obligations and commitments, and adjustments may have to be made to write down the Group's assets to amounts that can be realized, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effects of these adjustments have not been reflected in the consolidated financial statements.

2) Unauthorised transfer of shares of Super Harvest Asset Management Limited and Super Harvest Global Fund SPC ("SH Asset Management" and "SH Fund" respectively) and scope limitation on inability to obtain sufficient appropriate audit evidence about the Group's revenue and account receivable in respect of management fee from SH Fund to SH Asset Management and interest income from investment

On 23 March 2020, the Company made an announcement (the "Announcement") that the board of the directors of the Company (the "Board") had recently discovered 2 unauthorised transactions that were conducted without any notice to, or the prior approval of the Board at the relevant times: the first one was about a sale and purchase agreement relating to the transfer of the 100% shareholdings in SH Asset Management, an indirect wholly owned subsidiary of the Company, at US$1, entered into between Vulture Capital Management Limited (as Purchaser A) and Earnest Wish Limited (an indirect wholly-owned subsidiary of the Company) (as Vendor) on 25 September 2019 and the second one was about a sale and purchase agreement relating to the transfer of the management share of SH Fund entered into between SH Asset Management and Wong Yi Na (as Purchaser B) on 6 November 2019 and Purchaser B had been registered as the holder of the Management Share on the register members of SH Fund since 28 November 2019. The Announcement also mentioned that the first unauthorised transaction was subsequently cancelled and reversed on 15 October 2019. Moreover, in respect of the second unauthorised transaction, the Board asserted that it had not been provided with the sale and purchase agreement and that the Group had not received the consideration of US$1 up to the date of this report as well as that there was an alleged trust arrangement.

Before the occurrence of the abovementioned two unauthorised transactions, SH Asset Management and SH Fund were considered by the management as subsidiaries of the Group. Soon after the sale and purchase agreement of the second unauthorized transaction, on 21 November 2019, SH Fund, as the Senior Note holder, applied for the winding up of the Company as described in point 1 above. The new management of the Group had also lost control of the financial information and books and records of SH Fund. Therefore, the new management of the Group decided to deconsolidate SH Fund for the year ended 31 December 2019.

On 17 March 2020, the Board passed resolutions to authorize two independent non-executive directors of the Company, to form the Special Investigation Committee to undertake investigation on matters pertaining to the 2 unauthorised transactions and to review the internal control system of the Group. Up to the date of this report, the Special Investigation Committee were still conducting the investigation and we have not obtained any result from the investigation.

We were unable to obtain sufficient appropriate audit evidence and were unable to carry out alternative audit procedures, to satisfy ourselves as to the validity, nature and purpose of the abovementioned transactions. Also, we were unable to access and obtain certain financial information and books and records of SH Fund for the period from 1 January 2019 to 31 December 2019. And, the management of the Group could not confirm to us that all financial information and books and records of SH Fund were provided to us. We were unable to verify transactions entered into by SH Fund, the financial performance and the related cash flows for the period from 1 January 2019 up to date of deconsolidation and to verify the balances of all assets and liabilities of SH Fund as at the date when the unauthorised transactions took place and thereafter. Therefore, we were unable to verify any gain or loss arising from these unauthorised transactions and the completeness, occurrence, accuracy and disclosure of the related financial items in the consolidated financial statements. And, there were no sales and purchase agreements relating to the 2 unauthorised transactions provided by the management of the Group to us. Therefore, we were also unable to verify whether there were any events after 31 December 2019 and contingent liabilities arising from sales and purchases agreements that might have material impacts to the Group. And, we could not verify the completeness of the financial information and books and records of SH Fund.

As represented by the Board, these two unauthorized transactions were executed by the previous management of the Group which were found by the new management of the Group in March 2020. As the abovementioned investigation was still in progress, before completion of the Investigation, the management of the Group was unable to confirm whether there are any other unauthorized transactions. We were unable to obtain sufficient appropriate audit evidence and were unable to carry out alternative audit procedures to satisfy ourselves as to the validity, nature and purpose of the abovementioned transactions. Also, we were unable to obtain sufficient audit evidence to conclude that there was no other transaction which was unauthorized and we were unable to assess whether the Group had identified, recorded and disclosed all contingent liabilities.

3) Scope limitation on inability to obtain sufficient appropriate audit evidence about the fair value of the Group's investment properties under development and the related prepayments from customers

As at 31 December 2019, the Group owned investment properties under development located in Foshan City, the People's Republic of China, with the fair value estimated by the management of HK$999,000,000 (see note 19 to the consolidated financial statements). We were told by the management of the Group that the fair value of the investment properties under development as at 31 December 2019 was determined with reference to a valuation report issued by an independent valuer as at 31 December 2019. However, as mentioned above, the construction of the investment properties under development had been suspended since June 2019. Also, we were told by the management of the Group that since the management of the Group could not provide sufficient information to the valuer to determine the fair value of the properties under development as at 31 December 2019, the independent valuer could only determine a wide range of fair value of the properties from RMB656,000,000 (equivalent to approximately HK$731,000,000) to RMB896,000,000 ((equivalent to approximately HK$999,000,000). With such facts and circumstances, we were unable to obtain sufficient appropriate audit evidence and were unable to carry out alternative audit procedures about (a) how the fair value of the investment properties under development were affected by the suspended construction and (b) whether the assumptions and inputs adopted by the management of the Group in determining the fair value of the properties were appropriate.

In the absence of sufficient appropriate audit evidence, we were unable to assess whether the fair value of investment properties as at 31 December 2019 and the fair value change of the investment properties for the year then ended were free from material misstatements. Any adjustments found to be necessary in respect thereof, had we obtained sufficient appropriate audit evidence, might have consequential effect on the net liabilities of the Group as at 31 December 2019, on its loss for the year then ended, on the statement of cash flows for the year then ended and the disclosures in the notes to the consolidated financial statements for the year then ended.

In addition, as at 31 December 2019, prepayments from customers, amounting to HK$649,203,000 were recognized as liabilities in the consolidated statement of financial position and were presented as non-current liabilities.

In the absence of sufficient appropriate evidence provided to us, we were unable to assess the accuracy, completeness and presentation of such prepayments obtained from customers and to determine whether it is appropriate to classify such prepayments as non-current liabilities. Any adjustments found to be necessary in respect thereof, had we obtained sufficient appropriate audit evidence, might have a consequential effect on the net liabilities of the Group as at 31 December 2019, on its loss for the year then ended and the related presentation and disclosures in the notes to the consolidated financial statements.

4) Scope limitation on inability to obtain sufficient appropriate audit evidence about the impairment assessment of the Group's intangible assets relating to the "financial services" segment

On 18 November 2019, the Company made an announcement (the "November Announcement") that the Board intended to apply to Securities and Futures Commission ("SFC") for the cessation of regulated activities by two wholly owned subsidiaries of the Group namely Ping An Securities Limited ("Ping An Securities") and Super Harvest Securities and Futures Limited ("SH Securities and Futures"). These two subsidiaries were engaged in "financial services" segment as described in note 7 to the consolidated financial statements. The management of the Group told us the reason for the application for cessation of the business was that it was considered necessary to redeploy the cash locked up in those two subsidiaries to meet the Group's statutory payment obligations, including wages and salaries of the staff.

After the November Announcement have been published, as told by the management of the Group, the Group's financial services segment had not been generating any positive cash flows. As at 31 December 2019, the Group had recognised intangible assets in relation to the "financial services" segment with the carrying amount of HK$287,948,000, as described in note 22 to the consolidated financial statements. In addition, deferred tax liabilities relating to such intangible assets were recognised in the Group's consolidated statement of financial position as at 31 December 2019, amounting to HK$47,510,000, as described in note 34 to the consolidated financial statements.

Given the above facts and circumstances, the Group had identified indications of impairment of the abovementioned intangible assets and the Group had engaged an independent valuer to help determining the recoverable amount of the intangible assets as at the end of the reporting period. As defined in Hong Kong Accounting Standard 36 "Impairment of assets" ("HKAS 36") issued by the Hong Kong Institute of Certified Public Accountants, the recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use. We were advised by the independent valuer that he was unable to find comparable recent transactions in similar assets to determine the fair value less cost of disposal of the intangible assets and hence, as an alternative, the recoverable amount was determined using an income-based approach with reference to the Group's historical financial information relating to the "financial services" segment and with an assumption that the Group would be able to resume its business in the near future. The recoverable amount of the intangible assets determined on such basis was higher than the carrying amount of the intangible assets. On this basis, management of the Group concluded that there was no need to recognise any impairment loss on the intangible assets for the year ended 31 December 2019.

Up to the date of this report, the Group had still been negotiating with the SFC as to when it can resume the normal business activities.

We were unable to obtain sufficient appropriate audit evidence to assess whether the inputs and assumptions used in determining the recoverable amount of the intangible asset at the end of the reporting period were supportable and reasonable. Also, there were no alternative audit procedures that we could perform to satisfy ourselves as to (a) whether the carrying amount of the intangible assets and the related deferred liabilities as at 31 December 2019 were free from material misstatements and (b) how much impairment loss on the intangible assets and reversal of deferred tax liabilities should be recognised for the year ended 31 December 2019. Any adjustments found to be necessary in respect thereof, had we obtained sufficient appropriate audit evidence, might have a consequential effect on the net liabilities of the Group as at 31 December 2019, on its loss for the year then ended and the disclosures in the notes to the consolidated financial statements for the year then ended. Any adjustments found to be necessary might also have consequential effect on the net liabilities of the Company as at 31 December 2019 disclosed in note 47 to the consolidated financial statements.

5) Scope limitation on inability to obtain sufficient appropriate audit evidence about the full impairment on loans receivables and related interest receivable recognised by the Group for the year ended 31 December 2019

The Group had made loans to various debtors in 2018 with the total amount of HK$273,598,000, bearing interest of 15% per annum. These loans were previously approved by some of the then executive directors, including the CEO, Mr. Gong Qingli ("Mr. Gong"). On 20 November 2019, Mr. Gong tendered resignation as a director of the Company with effect from 20 February 2020. After Mr. Gong tendered resignation as a director and ceased to be the CEO with effect from 27 November 2019, the debtors ceased communication with the new management of the Group. These debtors failed to settle the loan principals and loan interests with the aggregate amounts of HK$273,598,000 and HK$41,151,000 respectively on the maturity dates. We were told by the new management of the Group that they had taken various actions to try to recover the debts such as issuing demand letters to the debtors and considering taking legal actions against the debtors. However, there were no responses from these debtors. Therefore, the new management of the Group considered the recovery of the aforesaid loan principal and loan interest was remote and hence recognised impairment loss of HK$296,464,000 for the year ended 31 December 2019.

We have sent confirmations to these debtors several times and none of them have replied to us.

We were unable to obtain sufficient appropriate audit evidence whether it was appropriate for the Group to recognise full impairment loss for the year ended 31 December 2019. Any adjustments found to be necessary in respect thereof, had we obtained sufficient appropriate audit evidence, might have a consequential effect on the net liabilities of the Group as at 31 December 2019, on its loss for the year then ended and the disclosures in the notes to the consolidated financial statements for the year then ended.

6) Scope limitation on inability to access to books and records of a PRC subsidiary disposed of during the year ended 31 December 2019

During the year ended 31 December 2019, the Group disposed of 60% interest in a PRC subsidiary, namely 聯潤(上海)信息科技有限公司 ("聯潤"). Since the Group had lost control of this subsidiary after the disposal, the management of the Group was unable to provide us with financial information, books and records of the disposed subsidiary. We were unable to access to the financial information, books and records of the disposed subsidiary regarding financial information before the disposal. We were unable to verify the transactions and cash flows of the disposed subsidiary before the disposal and we were unable to verify the balances of all assets and liabilities as at disposal date and therefore, we could not verify the accuracy of any gain or loss on disposal of this subsidiary (see note 38 to the consolidated financial statements). Any adjustments found to be necessary in respect thereof, had we obtained sufficient appropriate audit evidence, might have a consequential effect on the presentation and disclosure of items included in the Group's consolidated statement of profit or loss and other comprehensive income and statement of cash flows for the year ended 31 December 2019 and the related disclosures in the Group's consolidated financial statements for the year ended 31 December 2019.

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

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

When we read the Chief Executive Officer's Statement, the Management Discussion and Analysis, the Corporate Governance Report and the Report of the Directors, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Audit Committee.

RESPONSIBILITIES OF THE 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 Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. However, because of the matters described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

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.

CHENG & CHENG LIMITED
Certified Public Accountants
Cheng Hong Cheung
Practising Certificate number P01802

Hong Kong

22 June 2020

Consolidated Statement of Profit or Loss

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000 (Restated)
Continuing operations			
Revenue	7 & 8	**40,496**	76,355
Cost of sales		**–**	(2,058)
Gross profit		**40,496**	74,297
Other income	8	**1,064**	897
Other gain and losses, net		**(17,957)**	–
Distribution costs		**(57,077)**	(227,593)
Administrative expenses		**(208,813)**	(214,897)
Finance costs	9	**(98,112)**	(47,371)
Loss from changes in fair value of investment properties under development	19	**(386,130)**	(137,818)
Fair value change on financial assets at fair value through profit or loss		**4,556**	(19,500)
Fair value change on derivative financial liabilities	32	**8,130**	27,000
Net losses on mining and trading of crypto currencies		**–**	(3,241)
Property, plant and equipment written off		**–**	(11,761)
Loss on disposal of property, plant and equipment		**(150)**	–
Impairment losses on goodwill		**(698)**	(725,865)
Impairment losses on intangible assets		**(325)**	–
Expected credit losses on financial assets	10	**(302,465)**	(24,675)
Gain on the extinguishment of convertible notes		**4,400**	–
Loss before tax from continuing operations		**(1,013,081)**	(1,310,527)
Income tax credit	11	**43,695**	35,895
Loss for the year from continuing operations	12	**(969,386)**	(1,274,632)
Loss for the year from discontinued operation	37	**(565)**	(1,904)
Loss of the year		**(969,951)**	(1,276,536)
Loss attributable to:			
– Owners of the Company		**(993,035)**	(1,278,979)
– Non-controlling interests		**23,084**	2,443
		(969,951)	(1,276,536)
Loss attributable to the owners of the Company:			
– from continuing operations		**(993,199)**	(1,277,836)
– from discontinued operation		**164**	(1,143)
		(993,035)	(1,278,979)
Loss attribute to non-controlling interests:			
– from continuing operations		**23,813**	3,204
– from discontinued operation		**(729)**	(761)
		23,084	2,443
Loss per share			
– Basic and diluted (HK cents)			
From continuing and discontinued operations	16	**19.22 cents**	25.93 cents
From continuing operations		**19.23 cents**	25.90 cents

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000 (Restated)
Loss for the year		**(969,951)**	(1,276,536)
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences arising on translation of financial statements of foreign operations		**(3,361)**	(15,383)
– Reclassification adjustment on translation reserve released on disposals of subsidiaries	38	**(54)**	–
Other comprehensive loss for the year		**(3,415)**	(15,383)
Total comprehensive loss for the year		**(973,366)**	(1,291,919)
Other comprehensive (loss) income for the year attributable to:			
– Owners of the Company		**(1,568)**	(15,410)
– Non-controlling interests		**(1,847)**	27
		(3,415)	(15,383)
Total comprehensive (loss) income for the year attributable to:			
– Owners of the Company		**(994,603)**	(1,294,389)
– Non-controlling interests		**21,237**	2,470
		(973,366)	(1,291,919)
Total comprehensive (loss) income for the year attributable to the owners of the Company:			
– from continuing operations		**(994,767)**	(1,292,485)
– from discontinued operation		**164**	(1,904)
		(994,603)	(1,294,389)
Total comprehensive (loss) income attributable to non-controlling interests:			
– from continuing operations		**21,966**	2,470
– from discontinued operation		**(729)**	–
		21,237	2,470

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	**8,025**	12,504
Right-of-use assets	18	**–**	–
Investment properties	19	**999,000**	1,366,000
Goodwill	20	**–**	701
Intangible assets	22	**287,948**	306,630
Other deposits	23	**2,309**	2,309
Deferred tax assets	34	**–**	30
		1,297,282	1,688,174
CURRENT ASSETS			
Loan receivables	24	**–**	256,365
Financial assets at amortised cost	25	**–**	93,701
Tax recoverable		**–**	1,206
Financial assets at fair value through profit or loss	26	**338**	282
Trade and other receivables	27	**17,502**	44,721
Pledged bank deposit	28	**4,474**	3,453
Bank balances and cash – trust accounts	28	**25,140**	86,848
Bank balances and cash – general accounts	28	**242,158**	159,960
		289,612	646,536
CURRENT LIABILITIES			
Trade and other payables	29	**790,017**	602,763
Borrowings – current portion	30	**143,407**	6,906
Senior notes	30	**283,101**	–
Tax liabilities		**1,036**	–
Amount due to a related party	31	**15,000**	–
Derivative financial liabilities	32	**1,370**	1,400
Convertible notes – current portion	32	**290,000**	97,940
Lease liabilities – current portion	33	**15,790**	–
		1,539,721	709,009
NET CURRENT LIABILITIES		**(1,250,109)**	(62,473)
TOTAL ASSETS LESS CURRENT LIABILITIES		**47,173**	1,625,701

	Notes	2019 HK$'000	2018 HK$'000
CAPITAL AND RESERVES			
Share capital	39	**51,659**	1,033,172
Reserves		**(693,201)**	(680,111)
(Deficit) equity attributable to the owners of Company		**(641,542)**	353,061
Non-controlling interests		**–**	326,012
TOTAL (DEFICIT) EQUITY		**(641,542)**	679,073
NON-CURRENT LIABILITIES			
Borrowings – non-current portion	30	**–**	70,869
Deferred tax liabilities	34	**47,537**	94,216
Convertible notes – non-current portion	32	**–**	168,435
Amount due to a related party	31	**–**	15,000
Prepayment from customers	29	**636,661**	598,108
Lease liabilities – non current portion	33	**4,517**	–
		688,715	946,628
TOTAL EQUITY AND NON-CURRENT LIABILITIES		**47,173**	1,625,701

The accompanying notes form an integral part of these consolidated financial statements.

The consolidated financial statements on pages 36 to 142 were approved and authorised for issue by the board of directors on 22 June 2020 and are signed on its behalf by:

Cheung Kam Fai
Director

Tsui Cheung On
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	Contributed surplus reserve HK$'000	Capital redemption reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total (deficit) equity HK$'000
At 1 January 2018	944,752	1,828,103	–	52	(14,065)	(1,252,864)	1,505,978	–	1,505,978
Loss for the year	–	–	–	–	–	(1,278,979)	(1,278,979)	2,443	(1,276,536)
Other comprehensive loss for the year	–	–	–	–	(15,410)	–	(15,410)	27	(15,383)
Total comprehensive loss for the year	–	–	–	–	(15,410)	(1,278,979)	(1,294,389)	2,470	(1,291,919)
Issue of new shares	88,420	53,052	–	–	–	–	141,472	–	141,472
Acquisition of subsidiary *(note 35)*	–	–	–	–	–	–	–	1,855	1,855
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	325,687	325,687
Dividends paid to non-controlling interest	–	–	–	–	–	–	–	(4,000)	(4,000)
At 31 December 2018 and 1 January 2019	1,033,172	1,881,155	–	52	(29,475)	(2,531,843)	353,061	326,012	679,073
Loss for the year	–	–	–	–	–	(993,035)	(993,035)	23,084	(969,951)
Other comprehensive loss for the year	–	–	–	–	(1,568)	–	(1,568)	(1,847)	(3,415)
Total comprehensive loss for the year	–	–	–	–	(1,568)	(993,035)	(994,603)	21,237	(973,366)
Disposal subsidiary *(note 38)*	–	–	–	–	–	–	–	(416,006)	(416,006)
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	190,562	190,562
Capital redemption from non-controlling interests	–	–	–	–	–	–	–	(111,371)	(111,371)
Dividends paid to non-controlling interest	–	–	–	–	–	–	–	(10,434)	(10,434)
Capital reduction *(note 39(c))*	(981,513)	–	981,513	–	–	–	–	–	–
At 31 December 2019	51,659	1,881,155	981,513	52	(31,043)	(3,524,878)	(641,542)	–	(641,542)

	2019 HK$'000	2018 HK$'000
OPERATING ACTIVITIES		
Loss before tax from continuing operations	**(1,013,081)**	(1,310,527)
Loss before income tax from discontinued operation	**(565)**	(1,904)
Adjustments for:		
Finance costs	**98,112**	47,371
Dividend income	**–**	(23)
Interest income	**–**	(682)
Depreciation for property, plant and equipment	**4,544**	40,312
Amortisation of intangible assets	**18,357**	18,382
Gain on disposals of subsidiaries, net	**(1,259)**	–
Property, plant and equipment written off	**150**	11,761
Loss from changes in fair value of investment properties under development	**386,130**	137,818
Gain on disposal of financial asset at fair value through profit or loss	**(5)**	–
Fair value change of financial assets at fair value through profit or loss	**7,264**	19,500
Fair value change on derivative financial liabilities	**(8,130)**	(27,000)
Impairment losses on goodwill	**698**	725,865
Impairment of intangible assets	**325**	–
Gain on extinguishment of convertible notes	**(4,400)**	–
Depreciation for right-of-use assets	**14,207**	–
Impairment of right-of-use assets	**17,957**	–
Expected credit losses on financial assets	**302,465**	24,675
Operating cash flows before movements in working capital	**(177,231)**	(314,452)
Decrease in bank balances and cash – trust account	**61,708**	14,712
Increase in other deposits	**–**	(2,036)
(Increase) decrease in trade and other receivables	**(37,242)**	3,849
Increase in loan receivables	**–**	(273,598)
Increase in trade and other payables	**244,885**	631,224
Cash from operation	**92,120**	59,699
Tax paid	**–**	(3,424)
Net cash from operating activities	**92,120**	56,275

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
INVESTING ACTIVITIES			
Interest received		–	682
Dividends received		–	23
Additions of investment properties		**(56,646)**	(343,385)
Purchase of property, plant and equipment		**(327)**	(13,352)
Proceeds from disposal of property, plant and equipment		**86**	–
Purchase of financial assets at fair value through profit or loss		**(18,940)**	(500)
Purchase of financial assets at amortised cost		–	(100,000)
Net cash inflow on acquisition of a subsidiary	35, 36	–	5,820
Net cash outflows arising on disposals of subsidiaries	38	**(20,196)**	–
Decrease in pledged bank balances		**(1,148)**	(3,581)
Proceeds from disposal of listed securities at fair value through profit or loss		**195**	56,637
Net cash used in investing activities		**(96,976)**	(397,656)
FINANCING ACTIVITIES			
Repayment to amount due to a director of the Company		–	(45,000)
New borrowings raised		**74,036**	7,162
Repayment for convertible notes		**(10,000)**	–
Payment for extension of 2017 CB1 (as defined in note 32)	32	**(10,000)**	–
Repayments of borrowings		**(10,209)**	–
Interest paid		**(12,180)**	(14,392)
Repayment of lease liabilities		**(13,875)**	–
Capital injection of non-controlling interest		**190,562**	325,687
Capital redemption of non-controlling interest		**(111,371)**	–
Dividends paid to non-controlling interest		**(10,434)**	(2,000)
Proceeds from issue of new shares		–	141,472
Net cash generated from financing activities		**86,529**	412,929
Net increase in cash and cash equivalents		**81,673**	71,548
Cash and cash equivalents at 1 January		**159,960**	88,986
Effect of foreign exchange rate changes		**525**	(574)
Cash and cash equivalents at 31 December represented by bank balances and cash – general accounts		**242,158**	159,960

1. GENERAL

Ping An Securities Group (Holdings) Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information of the annual report.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"). Other than those subsidiaries established in the People's Republic of China ("PRC") whose functional currency is Renminbi ("RMB"), the functional currency of the Company and its subsidiaries (collectively referred to as the "Group") is HK$. The directors of the Company consider that it is more appropriate to present the consolidated financial statements in HK$ as the shares of the Company are listed on the Stock Exchange.

The Company is an investment holding company. The principal activities of the principal subsidiaries are set out in note 45.

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

New and Amendments to HKFRSs that are mandatory effective for the current year

The Group has applied the following mandatorily to HKFRSs issued by the 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

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 performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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(FRIC)-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 continues a lease.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

HKFRS 16 *Leases (continued)*

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 recognized additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b) (ii) transition. Any difference at the date of initial application is recognised in the opening accumulated losses 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.

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 incremental borrowing rates applied was 13%.

Reconciliation of lease commitment to lease liabilities is set out as follow:

	At 1 January 2019 HK$'000
Operating lease commitments disclosed as at 31 December 2018:	
Rented premises and other assets *(note 42)*	40,290
Lease liabilities discounted at relevant incremental borrowings rate	(5,461)
Less: Recognition exemption – short-term leases	(647)
	34,182
Lease liabilities discounted at relevant incremental borrowing rates relating to operating leases recognised upon application of HKFRS 16 as at 1 January 2019	34,182
Analysed as	
Current	16,338
Non-current	17,844
	34,182

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

HKFRS 16 *Leases (continued)*

As a lessee *(continued)*

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	34,182
Less: Accrued lease liabilities relating to lease of property at 1 January 2019	(2,018)
	32,164
By class:	
Leased office premise	32,164

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$'000	**Adjustment** HK$'000	**Carrying amounts under HKFRS 16 at 1 January 2019** HK$'000
Non-current assets			
Right-of-use assets	–	32,164	32,164
Current liabilities			
Trade and other payables	2,018	(2,018)	–
Lease liabilities	–	16,338	16,338
Non-current liabilities			
Lease liabilities	–	17,844	17,844

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

New and revised HKFRSs in issue but not yet effective

A number of new standards and amendments to standards and interpretations that are relevant to the Group but not yet effective for the financial year beginning at 1 January 2019 and have not been early adopted by the Group are as follows:

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	*Classification of Liabilities as Current or Non-Current*[5]
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]
Amendments to HKFRS 16	*COVID-19 Related Rent Concessions*[6]

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.
5 Effective for annual periods beginning on or after 1 January 2022.
6 Effective for annual periods beginning on or after 1 June 2020.

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.

The directors of the Company anticipate that the application of all the new and amendments to HKFRSs and interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES

STATEMENT OF COMPLIANCE

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 ("Listing Rules") and by the Hong Kong Companies Ordinance (Cap. 622).

BASIS OF PREPARATION

In preparing the consolidated financial statements, the directors of the Company have given consideration to the future liquidity of the Group in light of the fact that the Group has incurred losses for number of years and a net loss of HK$969,951,000 during the year ended 31 December 2019 and as of that date, the Group's total liabilities exceeded its total assets by approximately HK$641,542,000. In addition, the Group's net current liabilities as of 31 December 2019 amounted to HK$1,250,109,000.

As at 31 December 2019, the aggregate principal amounts of four batches of Senior Notes issued by the Company of HK$58,411,500 and aggregate interest payables of HK$4,260,000 as described in note 30 to the consolidated financial statements were overdue and the Group was in default in repayment. The maturity dates of these four batches of Senior Notes were 1 November 2019, 15 November 2019, 3 December 2019 and 13 December 2019. On 18 November 2019, the Company received a petition ("First Petition") from the creditor of the immediate holding company of the Company ("Well Up (Hong Kong) Limited") to apply for the winding up of the Company. On 21 November 2019, the Group received another petition (the "Second Petition") from a Senior Note holder to apply for the winding up of the Company. The High Court has granted an order to withdraw the First Petition and Second Petition on 8 January 2020 and 22 January 2020, respectively. Up to the date of this report, the Group has not been able to obtain approval from the lenders regarding extension of repayments of these Senior Notes and the abovementioned outstanding amounts were still not yet settled.

Due to the abovementioned petitions and the Group's default in repayment on the Senior Note, the aggregate principal amount of the borrowings of the Group of HK$646,981,000 were considered "default" as at 31 December 2019 as the abovementioned facts and circumstances had constituted the events of default under the respective borrowing agreements. These borrowings included unsecured Debentures, Senior Notes and Convertible Notes for the principal amounts of HK$73,880,000, USD36,350,000 (equivalents to HK$283,101,000) and HK$290,000,000 respectively as set out in note 30, 30 and 32 to the consolidated financial statements.

The Company announced a proposed rights issues on the basis of one rights share for every two existing shares on 11 October 2019 ("Proposed Rights Issues") and published prospectus for the Proposed Rights Issues dated 1 November 2019. Since then, the Company started receiving proceeds from existing shareholders and received approximately HK$192,770,000 (included in note 28 to the consolidated financial statements) before close of application. However, the board of the Company announced termination of the Proposed Rights Issue on 18 November 2019 after receiving the First Petition against the Company. The proceeds received was refunded to the shareholders in January 2020.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

BASIS OF PREPARATION *(continued)*

Moreover, as at 31 December 2019, the Group's investment properties in PRC, as described in note 19 to the consolidated financial statements, were still under development. As at 31 December 2019, the outstanding construction cost payable amounted to HK$174,411,000 (included in note 29) which had been overdue. The development process had been suspended since June 2019 due to the Group's failure to pay the outstanding construction costs to the constructors. The Group had received prepayments from customers when the Group signed agreements of pre-leasing the investment property since 2017, which had been recognised as the Group's liabilities, amounting to HK$649,203,000 as at 31 December 2019. The Group was unable to complete the development project on time and to make the properties available for customers' usage. As at 31 December 2019, over 200 tenants had applied to the court to ask for refund for breach of the contracts amounting to HK$39,612,000 and that there was increasing number of legal actions carried out by customers subsequent to the end of the reporting period.

All of the above conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern. In view of such circumstances, the directors of the Company have given consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain measures have been taken to mitigate the liquidity pressure and to improve the Group's financial position which include, but are not limited to, the following:

(i) The Group has been actively negotiating with the lenders to extend the repayment dates of the overdue borrowing.

(ii) The Group has been actively negotiating with substantial shareholders of the Company to provide additional sources of financing to meet the liabilities as they fall due.

(iii) The Group is taking measures to tighten cost controls over various operating costs and expenses with the aim to attain profitable and positive cash flow operation.

(iv) The Group has been actively negotiating with the lenders such that no action will be taken by the lenders to demand immediate repayments of borrowings in any breach of loan covenants or default.

(v) To negotiate with and maintain a good business relationship with the suppliers of the Group in particular those in relation to the Group's property development project such that no actions will be taken by those suppliers against the Group should the Group not be able to meet all the payment obligation on a timely basis.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

BASIS OF PREPARATION *(continued)*

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

(i) the successful negotiations with the lenders for the renewal of or extensions for repayments of outstanding borrowings, including those with overdue principals and interests;

(ii) the success of additional new sources of financing as and when needed;

(iii) the successful negotiation with the Group's existing lenders such that no action will be taken by the relevant lenders to demand immediate repayments of the borrowings in any breach of loan covenants or default; and

(iv) the successful maintenance of relationship with the suppliers of the Group, in particular those in relation to the Group's property development projects such that no actions will be taken by those suppliers against the Group should the Group not be able to meet all the payment obligations on a timely basis.

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

The consolidated financial statements have been prepared on the historical cost basis, except for investment properties and certain financial instruments, which are measured at fair values at the end of each reporting period, as explained in the accounting policies set 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 this financial information is determined on such a basis, except for share-based payments transactions that are within the scope of HKFRS 2, Share-based payment, leasing transactions that are accounted for in accordance with HKFRS 16 Leases (since 1 January 2019) or HKAS 17, Leases (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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

BASIS OF PREPARATION *(continued)*

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.

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 into line with the Group's accounting policies.

All intragroup assets and 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)*

CHANGES IN THE GROUP'S OWNERSHIP INTERESTS IN EXISTING SUBSIDIARIES

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group losses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interest (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 Financial Instruments or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

BUSINESS COMBINATIONS

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12, Income taxes and HKAS 19, Employee benefits respectively;

- liabilities or equity instruments related to shared-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2, Share-based payment at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5, Non-current assets held for sale and discontinued operation are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

BUSINESS COMBINATIONS *(continued)*

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

GOODWILL

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units). Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2)

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.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs (sales commissions), as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

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)

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative standalone price of the lease component and the aggregate stand-alone price of the non-lease components.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of premises that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straightline 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 in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

LEASES *(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 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)*

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. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

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.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

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)*

LEASES *(continued)*

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs (other than those incurred by manufacturer or dealer lessors) are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Interest and rental income which are derived from the Group's ordinary course of business are presented as revenue.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment including leasehold land and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

INVESTMENT PROPERTIES

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under redevelopment for such purposes).

Effective 1 January 2019, investment properties also include leased properties which are being recognised as right-of-use assets upon application of HKFRS 16 and subleased by the Group under operating leases.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values, adjusted to exclude any prepaid or accrued operating lease income. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Construction costs incurred for investment properties under development are capitalised as part of the carrying amount of the investment properties under development.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

INTANGIBLE ASSETS

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortisation and any accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below). Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment on property, plant and equipment, right-of-use assets, other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, intangible assets with finite useful lives to determine whether there is any indication that these 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, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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 cashgenerating 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 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.

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 each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss for the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the Group's interests. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign 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, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the translation reserve (attributed to non-controlling interest as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified in profit or loss.

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 BENEFIT COSTS

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 loss before tax as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on 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 differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interest in a joint venture, 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 and interests 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 the 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 rates (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 investment properties that are measured using fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodies in the investment property over time, rather than through sale.

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. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

CASH AND CASH EQUIVALENTS

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of the subsequent reporting period, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with HKAS 37, Provisions, contingent liabilities and contingent assets and the amount initially recognised less cumulative amortisation recognised in accordance with HKAS 18, Revenue.

FINANCIAL INSTRUMENTS

Initial recognition under HKAS39 and HKFRS9

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instruments.

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 and 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 fair value through profit or loss are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Financial assets

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income 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 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.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Classification and subsequent measurement of financial assets

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

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are measured subsequently 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 of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Financial assets (continued)

Effective interest method *(continued)*

Classification and subsequent measurement of financial assets (continued)

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.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and 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 (see below). 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designed 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. All recognised financial assets of the Group that are within the scope of HKFRS 9 (including trade receivables, other receivables, bank balances and cash) are subsequently measured at amortised costs.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade receivables, loan receivables, other receivables and bank balance, 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.

The Group always recognises lifetime ECL for trade receivables and contract assets and measures the lifetime ECL for portfolios of trade receivables and contract assets that share similar economic risk characteristics. The ECL on these financial assets are estimated using an analysis of assets by risk level of customers and apply a probability-weighted estimate of the credit losses within the relevant risk type. The probability-weighted estimate of the credit losses is determined 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 as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group measures the loss allowance equal to 12-month 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 instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring since initial recognition.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Significant increase in credit risk (continued)

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

- 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 for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;

- 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; and

- 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 on a financial asset 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.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default; ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when the asset has internal or external credit rating of "investment grade" as per the globally understood definitions.

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)*

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, 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.

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:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- 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; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

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, e.g. 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 past due over two years, 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. Any recoveries made are recognised in profit or loss.

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.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Measurement and recognition of ECL (continued)

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

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

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12m ECL at the current reporting date.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount 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 party.

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.

Classification as liabilities or equity

Debt and equity instruments that are issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement 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 Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

The Group's financial liabilities including trade and other payables and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Financial liabilities at amortised cost (continued)

Classification of financial liabilities and equity instruments

Financial liabilities 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 Group 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.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not i) contingent consideration of an acquirer in a business combination; ii) held-for-trading; or iii) designated measured as at FVTPL, are subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash 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 liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

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.

Offsetting arrangements

Financial assets and financial liabilities are offset and the net amount presented in the consolidated financial statements when the Group has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

Discontinued operations

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the consolidated statement of profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Related parties

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

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

(ii) has significant influence over the Group; or

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

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

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

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

(iii) The entity and the Group are joint ventures of the same third party.

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

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

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

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

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

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

4. CRITICAL ACCOUNTING JUDGEMENT AND 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 judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Control over Super Harvest Global Fund SPC "SH Fund")

Note 45 describes that SH Fund was a subsidiary of the Group in 2018 although the Group does not share any ownership interest in SH Fund.

The directors of the Company assessed whether or not the Group has control over SH Fund based on whether the Group has the practical ability to direct the relevant activities of SH Fund unilaterally. In making the judgement, the directors of the Company considered the Group's voting rights and the other shareholders' rights and power over SH Fund. The Group had contractual right to appoint all directors to the board of directors of SH Fund, whom had rights including but not limited to appointment of investment manager which made decisions concerning investments of the fund. Further, the investment manager appointed by the board is a wholly owned subsidiary of the Group. After assessment, the directors of the Company concluded that the Group had absolute power to direct the relevant activities of SH Fund and therefore the Group has control over SH Fund.

On 23 March 2020, the Company made an announcement (the "Announcement") that the board of the directors of the Company (the "Board") had recently discovered 2 unauthorised transactions that were conducted without any notice to, or the prior approval of the Board at the relevant times: the first one was about a sale and purchase agreement relating to the transfer of the 100% shareholdings in Super Harvest Asset Management Limited ("SH Asset Management"), an indirect wholly owned subsidiary of the Company, at US$1, entered into between Vulture Capital Management Limited (as Purchaser A) and Earnest Wish Limited (an indirect wholly-owned subsidiary of the Company) (as Vendor) on 25 September 2019 and the second one was about a sale and purchase agreement relating to the transfer of the management share of SH Fund entered into between SH Asset Management and Wong Yi Na (as Purchaser B) on 6 November 2019 and Purchaser B had been registered as the holder of the Management Share on the register members of SH Fund since 28 November 2019. The first unauthorised transaction was subsequently cancelled and reversed on 15 October 2019. Moreover, in respect of the second unauthorised transaction, the Board asserted that it had not been provided with the sale and purchase agreement and that the Group had not received the consideration of US$1 up to the date of this report as well as that there was an alleged trust arrangement. Therefore, the directors of the Company considered the Group lost control over SH Fund and results disposal of subsidiaries (note 38).

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

KEY SOURCES OF ESTIMATION UNCERTAINTY

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

(i) Useful lives and amortisation of intangible assets

Items of intangible assets are amortised on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. The Group reviews the estimated useful lives and residue value of the assets at each balance sheet date in order to determine the amount of amortisation expense to be recorded during the year. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The amortisation expense for future periods is adjusted if there are significant changes from previous estimates.

(ii) Fair value of investment properties

Investment properties are carried in the consolidated statement of financial position at their fair value. The fair value was based on a valuation on these properties conducted by AP Appraisal Limited ("AP Appraisal"), a professional independent valuer not connected to the Group, using property valuation techniques which involve making assumptions on certain market conditions and or by reference to combined result of the different property valuation techniques, if necessary. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment properties and the corresponding adjustments to the gain or loss recognised in the consolidated statement of profit or loss. As at 31 December 2019, the Group's investment properties are stated at fair value of approximately HK$999,000,000 (2018: approximately HK$1,366,000,000).

(iii) Impairment of intangible assets

Intangible assets are tested for impairment if there is any indication that the carrying value of these assets may not be recoverable and the assets are subject to impairment loss. The recoverable amount is the value in use. The value-in-use calculation requires the directors of the Company to estimate the future cash flows expected to arise from the relevant cash generating unit and a suitable discount rate is used in order to calculate the present value. As at 31 December 2019, the carrying amount of the Group's intangible assets was approximately HK$287,948,000 (2018: approximately HK$306,630,000).

(iv) Impairment of trade and other receivables and loan receivables

The Group maintains an allowance for estimated loss arising from the inability of its trade and other receivables and loan receivables to make the required payments. The Group makes its estimates based on the history of its client, such as financial difficulties or default payments and current market conditions. If the financial condition of its receivables was to deteriorate so that the actual impairment loss might be higher than expected, the Group would be required to revise the basis of making the allowance and its future results would be affected. As at 31 December 2019, the carrying amount of the Group's trade and other receivables and loan receivables was approximately HK$17,502,000 (2018: approximately HK$44,721,000) and nil (2018: approximately HK$256,365,000), respectively. For the year ended 31 December 2019, expected credit losses on financial assets amounted HK$302,465,000 (2018: HK$24,675,000) was recognised.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

(v) Income taxes and deferred taxation

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

Deferred tax assets relating to certain temporary differences and tax losses are recognised when the management of the Company determines it is likely that future taxable profits will be available against the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different. When the expectations are different from the original estimates, such differences will impact the recognition of deferred tax assets and income tax charges in the period in which such estimates are changed.

(vi) Impairment of goodwill

Determining whether the goodwill is impaired requires an estimation of the recoverable amount of the cash-generating units to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value-in-use calculation requires management to estimate the future cash flows expected to arise from the cash-generating units and suitable discount rate in order to calculate the present value. The fair value less costs of disposal require management to determine the fair value by taking reference to the valuation report conducted by independent valuer. As at 31 December 2018, the carrying amount of the Group's goodwill was approximately HK$701,000 (2019: nil).

(vii) Fair value of derivatives and other financial instruments

As described in note 32, the directors of the Company use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument. The carrying amounts of the derivative financial liabilities and debt component of convertible notes as at 31 December 2019 were approximately HK$1,370,000 (2018: approximately HK$1,400,000) and HK$290,000,000 (2018: approximately HK$266,375,000) respectively. Details of the assumptions used are disclosed in note 32. The directors of the Company believe that the chosen valuation techniques and assumptions are appropriate in determining the fair value of derivative financial liabilities.

5. CAPITAL RISK MANAGEMENT

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern in order to support its business and maximise shareholders' value.

The capital structure of the Group consists of net debt, which included the borrowings/senior notes, amount due to a related party, convertible notes and derivative financial instrument, pledged bank deposit bank balances and cash, disclosed in notes 30, 31, 32 and 28 respectively, and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on an annual basis. As part of this review, the directors of the Company consider the cost of the capital and risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through payment of dividends and new share issues as well as the issue of new debt or the redemption of existing debt.

There is no change in the capital risk management policy adopted by the Company during the years ended 31 December 2019 and 31 December 2018.

Ping An Securities Limited ("Ping An"), a wholly-owned subsidiary of the Group, is registered with Securities and Futures Commission ("SFC") for the business it operates in. Ping An is subject to liquid capital requirements under Securities and Futures (Financial Resources) Rules ("SF(FR)R") adopted by the SFC. Under the SF(FR)R, Ping An must maintain their liquid capital in excess of HK$3 million or 5% of their total adjusted liabilities, whichever is the higher. The required information is filed with SFC on a monthly basis.

6. FINANCIAL INSTRUMENTS

(a) CATEGORIES OF FINANCIAL INSTRUMENTS

	2019 HK$'000	2018 HK$'000
Financial assets		
Fair value through profit or loss		
– Listed securities at fair value	**78**	98
– Unlisted investment funds at fair value	**260**	184
– Convertible notes at fair value	**–**	–
	338	282
Loans and receivables at amortised cost		
– Loan receivables	**–**	256,365
– Other financial assets	**–**	93,701
– Trade and other receivables	**16,981**	41,042
– Pledged bank deposit	**4,474**	3,453
– Bank balances and cash - general accounts	**242,158**	159,960
– Bank balances and cash - trust accounts	**25,140**	86,848
	288,753	641,369
	289,091	641,651
Financial liabilities		
Fair value through profit or loss		
– Derivative financial liabilities – embedded conversion option	**1,370**	1,400
	1,370	1,400
Other financial liabilities at amortised cost		
– Trade payables	**26,851**	99,808
– Other payables	**748,741**	502,955
– Borrowings	**143,407**	77,775
– Senior notes	**283,101**	–
– Amount due to a related party	**15,000**	15,000
– Convertible notes – debt component	**290,000**	266,375
	1,507,100	961,913
	1,508,470	963,313

6. FINANCIAL INSTRUMENTS *(continued)*

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include loan receivables, trade and other receivables, financial assets at fair value through profit or loss, financial assets at amortised cost, bank balances and cash, trade payables, other payables, amount due to a related party, borrowings, senior notes, convertible notes and derivative financial liabilities. Details of these financial instruments are disclosed in respective notes.

The risks associated with these financial instruments include market risk (foreign currency risk and interest rate risk), credit risk, liquidity risk and equity price risk.

The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Foreign currency risk

The functional currency of certain subsidiaries is RMB since part of the revenue of the Group are derived from operations in the PRC. In relation to the fluctuation on RMB against HK$, the Group considers that exchange risk arising from those currencies does not have significant financial impact to the Group. No hedging or other alternatives have been implemented during the year. The Group will consider hedging significant foreign currency exposure should the need arise. Other than the above, the Group did not have significant exposure to risk resulting from changes in foreign currency exchange rates.

As at 31 December 2019, the Group did not have significant monetary assets and monetary liabilities which were denominated in currencies other than the functional currency of the relevant group companies.

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed rate borrowings/senior notes (see note 30), fixed rate loan receivables (see note 24), and cash flow interest rate risk in relation to variable-rate bank balances (see notes 28). The Group has not used any derivative contracts to hedge its exposure to interest rate risk. The directors of the Company consider the Group's exposure of the short-term bank deposits and bank balances, to interest rate risk is not significant as interest bearing bank balances are within short maturity periods.

6. FINANCIAL INSTRUMENTS *(continued)*

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Market risk (continued)

(ii) Interest rate risk *(continued)*

Total interest revenue/income from financial assets that are measured at amortised cost is as follows:

	2019 HK$'000
Interest revenue	
Financial assets at amortised cost	**30,748**
Other income	
Financial assets at amortised cost	**450**
Total interest income	**31,198**

	2018 HK$'000
Interest revenue	
Financial assets at amortised cost	23,101
Other income	
Financial assets at amortised cost	146
Total interest income	23,247

Interest expense on financial liabilities not measured at fair value through profit or loss:

	2019 HK$'000	2018 HK$'000
Financial liabilities at amortised cost	**98,112**	47,371

Interest rate sensitivity

The sensitivity analysis below is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 25 basis points (2018: 25 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

As at 31 December 2019 and 2018, the Group has no significant variable-rate bank deposits and borrowing as at the end of reporting period.

6. FINANCIAL INSTRUMENTS *(continued)*

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk

As at 31 December 2019, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise credit risk, the directors of the Company have delegated its finance team to develop and maintain the Group's credit risk gradings to categorise exposures according to their degree of risk of default. The finance team uses publicly available financial information and the Group's own historical repayment records to rate its major customers and debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. In addition, the Group performs impairment assessment under ECL model upon application HKFRS 9 on trade balances individually or provision matrix. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry in which customers operate also has an influence on credit risk but to a lesser extent. At the end of the reporting period, the Group has a certain degree of concentration of credit risk as 69% (2018: 20%) and 84% (2018: 53%) of the total trade receivables were due from the Group's largest customer and the five largest customers, respectively. However, the directors of the Company consider the credit risk is under control since the management exercise due care in granting credit and check the financial background of these customers on a regular basis.

6. FINANCIAL INSTRUMENTS *(continued)*

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk (continued)

The credit risk on loan receivable is managed through regular analysis of the ability of borrowers to meet interest and principal repayment obligations. The Group reviews the recoverable amount of loan receivable at the end of the reporting period. The directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group's concentration of credit risk by geographical locations is in Hong Kong and the PRC, which accounted for all of the Group's trade receivables as at 31 December 2019 and 2018.

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 does not have any past-due amounts	Lifetime ECL – not credit-impaired	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date	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

6. FINANCIAL INSTRUMENTS *(continued)*

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk (continued)

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

2019	*Note*	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount HK$'000
Financial assets at amortised costs					
Loan receivables	24	N/A	Write off	Life time ECL	273,598
Pledged bank deposits	28	AA	N/A	12-month ECL	4,474
Bank balances - general a/c	28	AA	N/A	12-month ECL	241,980
Other receivables	27	N/A	*Note 1*	12-month ECL	20,065
Interest receivables	27	N/A	Write off	Life time ECL	41,151
Trade receivables	27	N/A	Low risk	12-month ECL	2,917

2018	*Note*	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount HK$'000
Financial assets at amortised costs					
Loan receivables	24	N/A	Low risk	12-month ECL	273,598
Financial assets at amortised cost	25	N/A	Low risk	12-month ECL	100,000
Pledged bank deposits	28	AA	N/A	12-month ECL	3,453
Bank balances – general a/c	28	AA	N/A	12-month ECL	159,705
Other receivables	27	N/A	*Note 1*	12-month ECL	9,971
Interest receivable	27	N/A	Low risk	12-month ECL	17,697
Trade receivables	27	N/A	Low risk	12-month ECL	14,517

6. FINANCIAL INSTRUMENTS *(continued)*

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk (continued)

Note:

1. For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

	Past due	**Not past due/No fixed repayment terms**	**Total**
	HK$'000	HK$'000	HK$'000
Other receivables	–	20,065	20,065

Liquidity risk

In the management of the liquidity risk, the Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it meets the liquidity requirements in the short and long term.

The maturity analysis for other non-derivative financial liabilities is prepared based on the scheduled repayment dates.

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, certain borrowings were considered "default" as at 31 December 2019 and were include in the earliest time band regardless of the probability of the lenders choosing to exercise their rights. The maturity dates for other financial liabilities are based on the agreed repayment dates.

6. FINANCIAL INSTRUMENTS *(continued)*

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk (continued)

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

As at 31 December 2019

	Weighted average interest rate	Within 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Total undiscounted cashflow HK$'000	Carrying amount HK$'000
AMORTISED COST						
Trade payables	–	26,851	–	–	26,851	26,851
Other payables	–	748,741	–	–	748,741	748,741
Amount due to a related party	–	15,000	–	–	15,000	15,000
Convertible notes (debt component)	3.59%	290,000	–	–	290,000	290,000
Borrowings	11.86%	143,407	–	–	143,407	143,407
Senior notes	7.51%	283,101	–	–	283,101	283,101
		1,507,100	–	–	1,507,100	1,507,100

As at 31 December 2018

	Weighted average interest rate	Within 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Total undiscounted cashflow HK$'000	Carrying amount HK$'000
AMORTISED COST						
Trade payables	–	99,808	–	–	99,808	99,808
Other payables	–	502,955	–	–	502,955	502,955
Amount due to a related party	–	15,000	–	–	15,000	15,000
Convertible notes (debt component)	3.46%	110,000	215,000	–	325,000	266,375
Borrowings	6.42%	11,621	18,045	61,660	91,326	77,775
		739,384	233,045	61,660	1,034,089	961,913

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

6. FINANCIAL INSTRUMENTS *(continued)*

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as financial asset at fair value through profit or loss (note 26) and derivative financial liabilities (note 32). The directors of the Company consider that the equity price risk is low because the exposure is limited.

Equity price risk sensitivity

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date. For sensitivity analysis purpose, the sensitivity rate is 10% in current year as a result of the volatile financial market. If the prices of the respective equity underlying the instruments had been 10% (2018: 10%) higher/lower, post-tax loss for the year ended 31 December 2019 would decrease/increase by approximately HK$288,000 (2018: decrease/increase by approximately HK$872,000) as a result of the changes in fair value of financial assets at FVTPL and derivative financial liabilities.

(c) FAIR VALUE

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

The following table gives information about how the fair values of the Group's financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used).

	Fair values as at 31 December		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
	2019 HK$'000	2018 HK$'000			
Listed equity securities classified as financial assets at fair value through profit or loss	Assets – HK$78	Assets – HK$98	Level 1	Quoted bid prices in an active market	N/A
Derivative financial instruments	Liabilities – HK$1,370	Liabilities – HK$1,400	Level 3	Binomial option pricing model Key inputs are share price, exercise price, option life, risk free rate, volatility, bond yield rate and dividend yield	The estimation of risk free rate has been made with reference to the yields to maturity of respective Hong Kong Exchange Fund Notes as at the valuation date Volatility is the annualised standard deviation of the continuously compounded rates of return on the daily adjusted share price of the Company
Unlisted investment fund	Assets – HK$260	Assets – HK$184	Level 1	Quoted bid prices in an active market	N/A

6. FINANCIAL INSTRUMENTS *(continued)*

(c) FAIR VALUE *(continued)*

There were no transfers between all levels in both years.

Fair value of financial assets and financial liabilities that are not measured at fair value (but fair value disclosures are required)

Except as detailed in the following table, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate to their fair values.

	As at 31 December 2019		As at 31 December 2018	
	Carrying amount HK$'000	**Fair value HK$'000**	Carrying amount HK$'000	Fair value HK$'000
Financial liabilities				
Convertible notes				
– debt component	**290,000**	**265,631**	266,375	259,093

The fair value of the debt component of convertible notes is determined assuming redemption on maturity date and using a range of 5% to 6% interest rate.

Reconciliation of Level 3 fair value measurements of financial assets and liabilities

	Financial asset – convertible notes HK$'000	**Derivative financial liabilities – embedded conversion option of convertible notes** HK$'000	**Total** HK$'000
At 1 January 2018	(21,000)	28,400	7,400
Disposal	15,000	–	15,000
Arising on changes in fair value	6,000	(27,000)	(21,000)
At 31 December 2018 and 1 January 2019	–	1,400	1,400
Issue of convertible note	–	8,100	8,100
Arising on changes in fair value	–	(8,130)	(8,130)
At 31 December 2019	–	1,370	1,370

6. FINANCIAL INSTRUMENTS *(continued)*

(c) FAIR VALUE *(continued)*

Reconciliation of Level 3 fair value measurements of financial assets and liabilities (continued)

Included in profit or loss for the year were, approximately HK$4,556,000 (gain) and HK$8,130,000 (gain) related to financial assets and derivative financial liabilities (2018: approximately HK$19,500,000 (loss) and HK$27,000,000 (gain), respectively.

The significant unobservable input used in the level 3 fair value measurements is the expected volatility of the shares, which range from 136.15% to 166.03% (2018: 46.19% to 58.29%). The fair value measurement is positively correlated to the expected volatility. As at 31 December 2019, it is estimated that with all other variables held constant, an increase/decrease in the expected volatility by 5% would have increase/decrease the group's loss by approximately HK$419,000 (2018: approximately HK$1,000,000).

7. SEGMENT INFORMATION

The Group's operating segments are determined based on information reported to the executive directors of the Company, being the chief operating decision maker ("CODM"), for the purpose of resource allocation and assessment of segment performances.

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

Financial services	Securities dealing and financial services
Insurance brokerage segment	Provision of insurance referral services
Loan financing	Provision of financing services
Mining and trading of crypto currencies	Mining and trading of crypto currencies
Property development	Development of primarily hotel and commercial properties

SEGMENT REVENUES AND RESULTS

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

For the year ended 31 December 2019

	Financial services HK$'000	Insurance brokerage HK$'000	Loan financing HK$'000	Mining and trading of crypto currencies HK$'000	Property development HK$'000	Total HK$'000
Revenue	11,982	4,058	24,456	–	–	40,496
Segment loss	(29,217)	(813)	(273,099)	(12)	(484,554)	(787,695)
Unallocated corporate expenses						(135,579)
Unallocated other income						8,305
Finance costs						(98,112)
Loss before tax from continuing operations						(1,013,081)

7. SEGMENT INFORMATION *(continued)*

SEGMENT REVENUES AND RESULTS *(continued)*

For the year ended 31 December 2018

	Financial services HK$'000	Insurance brokerage HK$'000	Loan financing HK$'000	Mining and trading of crypto currencies HK$'000	Property development HK$'000	Total HK$'000
Revenue	57,510	2,150	16,695	–	–	76,355
Segment loss	(723,471)	(5,149)	(1,747)	(53,054)	(388,252)	(1,171,673)
Unallocated corporate expenses						(119,209)
Unallocated other income						27,726
Finance costs						(47,371)
Loss before tax from continuing operations						(1,310,527)

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the years ended 31 December 2019 and 31 December 2018.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit or loss represents the profit or loss from each segment without allocation of central administration costs, directors' emoluments, interest income, finance costs, gain on disposal of subsidiaries, fair value change on financial assets at fair value through profit or loss and fair value change on derivative financial liabilities. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

7. SEGMENT INFORMATION *(continued)*

SEGMENT REVENUES AND RESULTS *(continued)*

Disaggregation of revenue

Types of goods or service	2019 HK$'000	2018 HK$'000
Continuing operations		
Financial services segment		
Commission and brokerage income	**2,855**	5,865
Interest income from cash and margin clients	**42**	156
Placing and underwriting commission	**1,994**	6,519
Asset management fee income	**341**	38,270
Corporate financial advisory service income	**500**	450
Interest income from investment	**6,250**	6,250
	11,982	57,510
Loan financing segment		
Interest income from loans receivables	**24,456**	16,695
Insurance brokerage segment		
Commission from insurance brokerage	**1,128**	143
Commission from client referral	**2,930**	2,007
	4,058	2,150
Total	**40,496**	76,355

7. SEGMENT INFORMATION *(continued)*

SEGMENT ASSETS AND LIABILITIES

The following is an analysis of the Group's assets and liabilities by reportable segment:

	2019 **HK$'000**	2018 HK$'000
Segment assets		
Continuing operations		
Loan financing	**18**	272,439
Financial services	**316,856**	498,261
Property development	**1,004,136**	1,370,315
Insurance brokerage	**79**	1,390
Total segment assets	**1,321,089**	2,142,405
Unallocated corporate assets	**265,805**	188,299
Total consolidated assets for continuing operations	**1,586,894**	2,330,704
Discontinued operation		
Data verification service	**–**	4,006
Total consolidated assets	**1,586,894**	2,334,710
Segment liabilities		
Continuing operations		
Loan financing	**25**	2
Financial services	**74,523**	156,377
Property development	**1,122,355**	992,085
Insurance brokerage	**1,271**	918
Mining and trading of crypto currencies	**18,039**	18,039
Total segment liabilities	**1,216,213**	1,167,421
Unallocated corporate liabilities	**1,012,223**	483,663
Total consolidated liabilities for continuing operations	**2,228,436**	1,651,084
Discontinued operation		
Data verification service	**–**	4,553
Total consolidated liabilities	**2,228,436**	1,655,637

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

- All assets are allocated to operating segment assets other than certain other receivables, property, plant and equipment of head office and bank balances and cash.
- All liabilities are allocated to operating segment liabilities other than certain other payables, borrowings, senior notes, tax liabilities, deferred tax liabilities, amount due to a related party lease liabilities, derivative financial liabilities and convertible notes.

7. SEGMENT INFORMATION *(continued)*

OTHER SEGMENT INFORMATION

For the year ended 31 December 2019
Continuing operations

	Loan financing HK$'000	Insurance brokerage HK$'000	Financial services HK$'000	Property development HK$'000	Mining and trading of crypto currencies HK$'000 (Note)	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment (profit) or loss or segment assets:							
Additions of property, plant and equipment and investment properties	–	–	–	56,646	–	327	56,973
Depreciation of property, plant and equipment	13	–	401	176	–	3,954	4,544
Loss from charges in fair value of investment properties under development	–	–	–	386,130	–	–	386,130
Amortisation of intangible assets	75	–	18,282	–	–	–	18,357
Impairment loss on intangible asset	325	–	–	–	–	–	325
Impairment on goodwill	–	519	–	–	–	179	698
Loss on disposal of Property, plant and equipment	–	–	47	–	–	103	150
Fair value change on financial assets at fair value through profit or loss	–	–	(4,551)	–	–	–	(4,551)
Expected credit losses on financial assets	296,464	–	–	–	–	6,001	302,465
Amounts regularly provided to the CODM but not included in the measure of segment (profit) or loss or segment assets:							
Interest income	–	–	(358)	(61)	–	(31)	(450)
Dividend income	–	–	(3)	–	–	–	(3)
Fair value change on derivative financial liabilities	–	–	–	–	–	(8,130)	(8,130)
Fair value change on financial assets at fair value through profit or loss	–	–	(5)	–	–	–	(5)
Interest expenses	–	–	–	9,579	–	88,533	98,112
Income tax (credit) expenses	–	–	2,298	(42,977)	–	(3,016)	(43,695)

7. SEGMENT INFORMATION *(continued)*

OTHER SEGMENT INFORMATION *(continued)*

For the year ended 31 December 2018
Continuing operations

	Loan financing HK$'000	Financial services HK$'000	Property development HK$'000	Mining and trading of crypto currencies HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment (profit) or loss or segment assets:						
Additions of property, plant and equipment and investment properties	34	134	431,895	49,391	12,733	494,187
Depreciation of property, plant and equipment	3	449	185	37,671	2,004	40,312
Loss from charges in fair value of investment| properties under development	–	–	137,818	–	–	137,818
Amortisation of intangible assets	100	18,282	–	–	–	18,382
Net losses on mining and trading of crypto currencies *(note)*	–	–	–	3,241	–	3,241
Property, plant and equipment written off	–	–	–	11,720	41	11,761
Impairment on goodwill	–	725,330	–	–	535	725,865
Expected credit losses on financial assets	18,376	–	–	–	6,299	24,675
Amounts regularly provided to the CODM but not included in the measure of segment (profit) or loss or segment assets:						
Interest income	–	(92)	(52)	–	(2)	(146)
Convertible note interest income	–	(531)	–	–	–	(531)
Dividend income	–	(23)	–	–	–	(23)
Fair value change on derivative financial liabilities	–	–	–	–	(27,000)	(27,000)
Fair value change on financial assets at fair value through profit or loss	–	19,500	–	–	–	19,500
Interest expenses	–	–	277	–	47,094	47,371
Income tax (credit) expenses	–	(1,441)	(34,454)	–	–	(35,895)

Note:

During the year ended 31 December 2018, the Group commenced to engaged in mining and trading of crypto currencies activities operated by Might Pinnacle Limited ("Mighty"), a wholly owned subsidiary of the Company, which ceased its operation during the year.

The result of the mining and trading of crypto currencies activities of Mighty for the year ended 31 December 2019 and 31 December 2018, which were included in the consolidated statement of profit or loss, were as follows:

	2019 HK$'000	2018 HK$'000
Proceeds	**–**	14,209
Direct cost, excluding depreciation	**–**	(17,450)
Net loss on trading and mining of crypto currencies	**–**	(3,241)

7. SEGMENT INFORMATION *(continued)*

GEOGRAPHICAL INFORMATION

The Group operates in two principal geographical areas – the PRC (excluding Hong Kong) and Hong Kong (country of domicile).

Information about the Group's revenue from external customers and information about its specified non-current assets which exclude financial instruments are presented based on the geographical location.

The geographic location of customers is based on the location of the operations of the Group. The geographic location of the specified non-current assets is based on the physical location of the assets and the location of the operation to which they are allocated.

	Revenue from external customers		**Specified non-current assets**	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
PRC	**–**	–	**999,662**	1,367,096
Hong Kong	**40,496**	76,355	**297,620**	321,078
	40,496	76,355	**1,297,282**	1,688,174

INFORMATION ABOUT MAJOR CUSTOMERS

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

	Reportable and operating segment	**2019** **HK$'000**	2018 HK$'000
Customer A	Interest income from loans receivables *(Note 1)*	**12,851**	–
Customer B	Interest income from investment *(Note 1)*	**6,250**	–
Customer C	Interest income from loans receivables *(Note 1)*	**4,083**	–
Customer D	Financial services	**–**	21,465
Customer E	Financial services	**–**	16,805

Note 1: The corresponding amount is less than 10% of the total sales for the year ended 31 December 2018.

8. REVENUE AND OTHER INCOME

The Group's revenue of continuing operations from interest income from loan, interest income from investment, interest income from cash and margin clients, corporate finance advisory services, asset management, insurance brokerage, commission from client referral service income, commission and brokerage income and underwriting income for the year is as follows:

	2019 HK$'000	2018 HK$'000
Revenue		
Continuing operations		
Interest income from loan receivables	**24,456**	16,695
Interest income from investment	**6,250**	6,250
Commission and brokerage income	**2,855**	5,865
Interest income from cash and margin clients	**42**	156
Placing and underwriting commission	**1,994**	6,519
Corporate financial advisory service income	**500**	450
Asset management fee income	**341**	38,270
Commission from insurance brokerage	**1,128**	143
Commission from client referral	**2,930**	2,007
	40,496	76,355
Other income		
Interest income	**450**	146
Sundry income	**611**	197
Dividend income	**3**	23
Convertible note interest income	**–**	531
	1,064	897

9. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interests on:		
– Bank and other borrowings	**16,981**	5,990
– Convertible notes	**66,476**	41,381
– Senior notes	**11,019**	–
– Lease liabilities	**3,636**	–
	98,112	47,371

10. EXPECTED CREDIT LOSSES ON FINANCIAL ASSETS

	Notes	2019 HK$'000	2018 HK$'000
Impairment losses recognized on:			
– Loan receivables	24	**256,365**	17,233
– Interest receivables	27	**40,099**	1,143
– Financial assets at amortised cost	27,25	**6,001**	6,299
		302,465	24,675

11. INCOME TAX CREDIT

	2019 HK$'000	2018 HK$'000
Current tax		
– Hong Kong Profits Tax	**2,242**	1,625
Deferred tax		
– Credited for the year *(Note 34)*	**(45,937)**	(37,520)
Income tax credit	**(43,695)**	(35,895)

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, starting from the current year, the Hong Kong profit tax 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% (2018: 25%).

11. INCOME TAX CREDIT *(continued)*

The tax expenses (credit) for the years can be reconciled to the loss before tax per the consolidated statement of profit or loss as follows:

	2019 **HK$'000**	2018 HK$'000
Loss before tax (Continuing operations)	**(1,013,081)**	(1,310,527)
Tax calculated at a tax rate of 16.5%	**(167,158)**	(216,237)
Effect of different applicable tax rate for operations in Mainland China	**(44,979)**	(33,943)
Tax effect of deductible temporary difference not recognised	**480**	(311)
Tax effect of expenses not deductible for tax purpose	**121,517**	152,688
Tax effect of income not taxable for tax purpose	**(1,388)**	(8,773)
Tax losses not recognised	**47,833**	70,701
Others	**–**	(20)
Income tax credit for the year	**(43,695)**	(35,895)

At the end of the reporting period, the Group has unused tax losses of approximately HK$746,863,000 (2018: approximately HK$534,786,000), of which tax loss arising in the PRC is approximately HK$537,236,000 (2018: approximately HK$437,386,000), available for offsetting against future profits. Tax loss of HK$1,827,000 was disposed of upon disposal of subsidiary during the year ended 31 December 2019. No deferred tax asset has been recognised in respect of such unused tax losses due to the unpredictability of future profits streams.

As at 31 December 2019, the Group's remaining unrecognised PRC tax losses will expire in the following years:

	2019 **HK$'000**	2018 HK$'000
2020	**3,561**	3,677
2021	**12,553**	12,961
2022	**201,629**	208,219
2023	**204,047**	212,529
2024	**115,446**	–
	537,236	437,386

Other losses may be carried forward indefinitely.

12. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

Loss for the year from continuing operations has been arrived at after charging:

	2019 **HK$'000**	2018 HK$'000
Staff costs:		
– Directors' emoluments *(note 13) (note a)*	**7,968**	8,100
– Other staff costs:		
– Salaries and other benefits	**44,382**	42,727
– Retirement benefit scheme contributions	**1,523**	2,236
Total staff costs	**53,873**	53,063
Amortisation of intangible assets	**18,357**	18,382
Depreciation for property, plant and equipment	**4,544**	40,312
Depreciation for right-of-use assets	**14,207**	–
Total depreciation and amortisation	**37,108**	58,694
Commission expenses paid for agents for pre-leasing	**9,405**	81,728
Compensation paid to tenants	**40,554**	6,941
Auditor's remuneration		
– audit services	**1,500**	1,300
– other services	**1,157**	870
Minimum lease payments under operating lease	**2,890**	15,923
Entertainment expenses	**1,881**	14,145
Legal and professional fees	**14,871**	9,599
Consultancy fee	**11,384**	8,342
Information and system cost	**13,643**	16,698
Advertising expenses	**5,105**	7,287
Value added tax and surtaxes expenses *(note 19)*	**22,645**	29,408
Property tax *(note 19)*	**8,562**	49,200
Penalty *(note 19)*	**14,171**	53,839
Land use tax	**–**	852
Blockchain expenses	**–**	2,524
Travelling	**3,334**	2,856

Note a: Among HK$7,968,000 being directors' emoluments, HK$849,000 was paid by a subsidiary which is recognised in discontinued operation.

13. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

DIRECTORS' EMOLUMENTS

The emolument paid or payable to each of the 13 (2018: 10) directors of the Company were as follows:

For the year ended 31 December 2019

	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary and performance related incentive payments HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive directors					
Teng Wei (Chairman) *(note (a))*	–	585	–	6	591
Cheung Kam Fai *(note (b))*	–	484	–	8	492
Gong Qingli *(note (c))*	–	2,357	–	18	2,375
Lin Hongqiao	–	2,697	–	–	2,697
Wang Zihao	–	–	–	–	–
Cheung Ming Ming	–	–	–	–	–
Tsui Cheung On	–	–	–	–	–
	–	6,123	–	32	6,155

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

	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary and performance related incentive payments HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Non-executive directors					
Tao Yanyan *(note (d))*	426	–	–	–	426
Lee Chun Pong	–	–	–	–	–
Luo Xia	–	–	–	–	–
	426	–	–	–	426

The non-executive director's emoluments shown above was for their services as directors of the Company or its subsidiaries.

	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary and performance related incentive payments HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Independent non-executive directors					
Yang Tao *(note (e))*	427	–	–	–	427
Tsang Wah Kwong	480	–	–	–	480
Dr. Leung Wing Cheung, William *(note (f))*	480	–	–	–	480
	1,387	–	–	–	1,387
	1,813	6,123	–	32	7,968

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

13. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION *(continued)*

DIRECTORS' EMOLUMENTS *(continued)*

For the year ended 31 December 2018

	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary and performance related incentive payments HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive directors					
Teng Wei (Chairman) *(note (a))*	–	1,522	–	15	1,537
Cheung Kam Fai *(note (b))*	–	900	–	18	918
Gong Qingli *(note (c))*	–	1,500	–	20	1,520
Lin Hongqiao	–	1,295	–	–	1,295
	–	5,217	–	53	5,270

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

	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary and performance related incentive payments HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Non-executive directors					
Tao Yanyan *(note (d))*	792	–	–	–	792
Guan Huanfei *(note (g))*	376	–	–	–	376
Wong Sai Hung *(note (h))*	355	–	–	–	355
	1,523	–	–	–	1,523

The non-executive director's emoluments shown above was for their services as directors of the Company or its subsidiaries.

	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary and performance related incentive payments HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Independent non-executive directors					
Yang Tao *(note (e))*	404	–	–	–	404
Tsang Wah Kwong	423	–	–	–	423
Dr. Leung Wing Cheung, William *(note (f))*	480	–	–	–	480
	1,307	–	–	–	1,307
	2,830	5,217	–	53	8,100

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

13. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION *(continued)*

DIRECTORS' EMOLUMENTS *(continued)*

Notes:

(a) Mr. Teng Wai was an executive director of the Company from 28 March 2018 to 15 April 2019.

(b) Mr. Cheung Kam Fai was an executive director of the Company from 23 January 2016 to 6 June 2019; and has been re-appointed as an executive director since 27 November 2019.

(c) Mr. Gong Qingli was an executive director of the Company from 1 December 2017 to20 February 2020.

(d) Ms. Tao Yanyan was a non-executive director of the Company from 1 December 2017 to 15 July 2019.

(e) Dr. Yang Tao was an independent non-executive director of the Company from 26 February 2018to 21 November 2019.

(f) Dr. Leung Wing Cheung, William was an independent non-executive director of the Company from 1 December 2017 to 28 February 2020.

(g) Dr. Guan Huanfei was a non-executive director of the Company from 1 December 2017 to 22 June 2018.

(h) Mr. Wong Sai Hung was a non-executive director of the Company from 7 February 2018 to 18 July 2018.

All the fees, salaries and other benefits and retirement benefit scheme contributions were paid or payable by the Company.

None of the directors of the Company waived or agreed to waive any emoluments paid by the Group during the year ended 31 December 2019 (2018: nil). No emoluments have been paid by the Group to the directors of the Company as an inducement to join or upon joining the Group during the two years ended 31 December 2019 (2018: nil) and no compensation for loss of office were paid for both years ended 31 December 2019 (2018: nil).

14. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, 2 (2018: 3) were directors of the Company whose emoluments are included in the disclosure in note 13 above. The emoluments of the remaining 3 (2018: 2) individuals are as follows:

	2019 HK$'000	2018 HK$'000
Salaries, allowance and other benefits	**4,090**	3,546
Retirement benefit scheme contributions	**51**	27
	4,141	3,573

Their emoluments were within the following band:

	Number of individuals	
	2019	2018
Nil to HK$1,000,000	**–**	–
HK$1,000,001 to HK$1,500,000	**3**	1
HK$1,500,001 to HK$2,000,000	**–**	–
HK$2,000,001 to HK$2,500,000	**–**	1
	3	2

During the year ended 31 December 2019, no emoluments have been paid by the Group to the five highest paid individuals (including directors of the Company and employees) as an inducement to join or upon joining the Group, or as compensation of loss of office (2018: nil).

15. DIVIDENDS

No dividend was paid, declared or proposed during 2019, nor has any dividend been proposed since the end of the reporting period (2018: nil).

16. LOSS PER SHARE

(a) BASIC LOSS PER SHARE

For continuing operations

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

	2019 HK$'000	2018 HK$'000
Loss for the year attributable to the owners of the Company	**(993,035)**	(1,278,979)
Less: Profit (loss) for the year attributable to the owners of the Company from discontinued operation	**164**	(1,143)
Loss for the purpose of basic and diluted loss per share from continuing operations	**(993,199)**	(1,277,836)

16. LOSS PER SHARE *(continued)*

(a) BASIC LOSS PER SHARE *(continued)*

	2019 **'000**	2018 '000
Weighted average number of ordinary shares		
Issued ordinary shares at 1 January	**5,165,863**	4,723,763
Effect of shares issued by placing	**–**	209,543
Weighted average number of ordinary shares for the year	**5,165,863**	4,933,306

(b) DILUTED LOSS PER SHARE

The diluted loss per share for the years ended 31 December 2019 and 31 December 2018 is equivalent to the basic loss per share for both years as the potential shares arising from the conversion of the convertible notes would decrease the loss per share of the Group for both years, and this is regarded as anti-dilutive.

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	**Furniture and equipment** HK$'000	**Motor vehicles** HK$'000	**Total** HK$'000
		(Note)		
COST				
At 1 January 2018	1,947	1,892	1,579	5,418
Exchange adjustments	(14)	(20)	(15)	(49)
Written off	(771)	(49,553)	–	(50,324)
Additions	10,591	51,880	272	62,743
At 31 December 2018 and 1 January 2019	11,753	4,199	1,836	17,788
Exchange adjustments	(10)	(15)	(13)	(38)
Disposal	(829)	(229)	–	(1,058)
Additions	148	179	–	327
At 31 December 2019	11,062	4,134	1,823	17,019

17. PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Leasehold improvements HK$'000	Furniture and equipment HK$'000 (Note)	Motor vehicles HK$'000	Total HK$'000
DEPRECIATION AND IMPAIRMENT				
At 1 January 2018	1,185	1,013	1,350	3,548
Exchange adjustments	–	(8)	(5)	(13)
Charge for the year	1,948	38,208	156	40,312
Written off	(771)	(37,792)	–	(38,563)
At 31 December 2018 and 1 January 2019	2,362	1,421	1,501	5,284
Exchange adjustments	–	(8)	(4)	(12)
Charge for the year	3,717	676	151	4,544
Disposal	(782)	(40)	–	(822)
At 31 December 2019	5,297	2,049	1,648	8,994
CARRYING VALUES				
At 31 December 2019	5,765	2,085	175	8,025
At 31 December 2018	9,391	2,778	335	12,504

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

–	Leasehold improvements	Over the lease terms of 3 years
–	Furniture and equipment	3-10 years
–	Motor vehicles	5-10 years
–	Crypto currencies mining computer equipment	Diminishing value at 25% per month, with the remaining carrying value of the equipment being fully depreciated in the month where the carrying value is 10% or less than the asset's original cost price.

Note: The crypto currencies mining computer equipment were included in furniture and equipment. Depreciation expense for the year ended 31 December 2018 amounted to HK$11,720,000 (2019: nil) are included in administrative expenses in the consolidated statement of profit or loss.

As the Group ceased the mining and trading of crypto activities in September 2018, the crypto currencies mining computer equipment was no longer in use by the Group and therefore was written off during the year ended 31 December 2018.

18. RIGHT-OF-USE ASSETS

	Leased properties HK$'000
As at 1 January 2019	
Carrying amount	32,164
As at 31 December 2019	
Carrying amount	–
For the year ended 31 December 2019	
Depreciation charge	14,207
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	2,890
Total cash outflow for leases	16,765

For both years, the Group leases various offices for its operations. Lease contracts are entered into for fixed term of 1 to 3 years. In determining the lease term and assessing the length of the noncancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

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

	HK$'000
Restated opening net book amount under HKFRS 16 as at 1 January 2019	32,164
Depreciation charge	(14,207)
Impairment loss	(17,957)
Closing net book amount as at 31 December 2019	–

The Group has entered into lease arrangement with landlord for its office premise, and the lease term is 36 months.

Since this right-of-use asset represents Hong Kong office, the management classified it as one of the corporate assets. In view that the Group is making loss, the director of the Company considered the right-of-use no longer generate benefit to the Group and the value decreased to nil.

Subsequently, the Company ceased to pay rental to the landlord since January 2020 and moved from the office premise in Apr 2020. On 28 May 2020, the Company received a wart of summons issued by the landlord. Please see note 46 to the consolidated financial statements.

19. INVESTMENT PROPERTIES

	Investment properties under development in the PRC HK$'000
FAIR VALUE	
As at 1 January 2018	1,128,000
Additions	431,444
Exchange adjustments	(55,626)
Decrease in fair value recognised in profit or loss	(137,818)
As at 31 December 2018 and 1 January 2019	1,366,000
Additions	56,646
Exchange adjustments	(37,516)
Decrease in fair value recognised in profit or loss	(386,130)
As at 31 December 2019	999,000

The Group's investment properties as at 31 December 2019 and 2018 were situated in the PRC. As at 31 December 2019, the investment properties held by the Group were located at Foshan City (the "Xiqiao Properties"). The Xiqiao Properties was classified as investment properties under development in the PRC as at 31 December 2019 and 2018.

The investment properties under developments comprised properties being developed on a piece of land located in Xiqiao Town, Foshan City, Guangdong Province (the "Properties") which was acquired through the acquisition of a subsidiary on 28 August 2015. The fair value for the Properties as at 31 December 2019 and 2018 had been arrived at on the basis of a valuation carried out by AP Appraisal, a professional independent valuer not connected to the Group. As the Properties were under development, the residual method was adopted by making reference to recent comparable sales transactions as available in the relevant property market (i.e. direct comparison approach) and taking into account the construction costs to reflect the quality of the completed development and developers' margin. Since the development has been suspended during the year, fair value determined by professional independent valuer as at 31 December 2019 is a wide range.

All of the Group's property interests held under operating leases to earn rentals or capital appreciation are measured using the fair value model and are classified and accounted for as investment properties. The Group started signing agreements of pre-leasing the Properties in 2017 (details as described below) and approximately 35% of total area of the Properties was contracted out as at 31 December 2019 (2018: 35%).

19. INVESTMENT PROPERTIES *(continued)*

The pre-lease agreements are of lease term over 30 years and as an initial stage promotion policy, lessees have been granted the right to put their pre-leased units back to the Group at the initial contract price at the 10th anniversary (the "10-year right"). As at 31 December 2019, approximately 32% (2018: 32%) of the total area of the properties was contracted out with the 10-year right. The total carrying amount of investment properties which have pre-leasing agreements with the 10-year right amounted to approximately RMB599,196,000 (equivalent to approximately HK$667,926,000).

According to regulations from PRC tax authority, the Group is liable to value added tax, property tax and surtaxes upon receipt of the prepayment from tenants. The management considered such tax payments may not be recoverable under the 10-year right and therefore, the respective tax paid/payable were expensed (see note 12). As a result of delay reporting of value added tax, property tax and surtaxes for prepayment received from tenants of the Properties, the Group provided late penalty based on 50% of taxes payable as at 31 December 2019 (2018: 50%) (see note 29).

During the year, certain area of the Properties was pledged for other borrowings from independent third parties. Details disclosed in note 30 (a).

Fair value measurement of the Group's investment properties

Independent valuations were performed by the valuer, AP Appraisal, a professional independent valuer not connected to the Group, to determine the fair values of investment properties held by Group as at 31 December 2019 (2018: AP Appraisal). Since the construction of the investment properties under development had been suspended since June 2019. The independent valuer could only determine a range of fair value of the investment properties from RMB656,000,000 (equivalent to approximately HK$731,000,000) to RMB896,000,000 (equivalent to approximately HK$999,000,000). The directors of the Company adopted the high end's fair value to determine as fair value as at 31 December 2019. The gains or losses from changes in fair values of the investment properties are included in the profit or loss.

The following table gives information about how the fair values of the Group's investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Carrying value of investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique(s)	Significant unobservable input(s)	Range of unobservable input(s)	Relationship of unobservable inputs to fair value
At 31 December 2019 Xiqiao Properties HK$999,000,000	Level 3	Residue method	Adjusted market price (RMB/Sq.m)	RMB6,555-RMB12,070	The higher the market price, the higher the fair value
			Budgeted construction cost to be incurred (RMB/Sq.m)	RMB6,063	The higher the budgeted construction cost to be incurred, the lower the fair value
			Anticipated developer's profit margin	15%	The higher the anticipated developer's profit margin, the lower the fair value

19. INVESTMENT PROPERTIES *(continued)*

Fair value measurement of the Group's investment properties (continued)

The Group's policy is to recognise transfers between levels of fair value hierarchy as of the date of the event or change in circumstances that caused the transfer.

During the year ended 31 December 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

Carrying value of investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique(s)	Significant unobservable input(s)	Range of unobservable input(s)	Relationship of unobservable inputs to fair value
As at 31 December 2018 Xiqiao Properties HK$1,366,000,000	Level 3	Residue method	Adjusted market price (RMB/Sq.m)	RMB6,824 - RMB17,000	The higher the market price, the higher the fair value
			Budgeted construction cost to be incurred (RMB/Sq.m)	RMB6,063	The higher the budgeted construction cost to be incurred, the lower the fair value
			Anticipated developer's profit margin	15%	The higher the anticipated developer's profit margin, the lower the fair value

20. GOODWILL

	2019 HK$'000	2018 HK$'000
COST		
As at 1 January	**726,566**	725,849
Arising from business combination – 聯潤 *(as defined in note 35(b))*	**–**	182
Arising from business combination – 天津 *(as defined in note 35(a))*	**–**	516
Exchange adjustment on 天津	**–**	19
Exchange adjustment on 聯潤	**(3)**	–
As at 31 December	**726,563**	726,566
IMPAIRMENT		
As at 1 January	**(725,865)**	–
Impairment	**(698)**	(725,865)
As at 31 December	**(726,563)**	(725,865)
CARRYING VALUES		
As at 31 December	**–**	701

Particulars regarding impairment testing on goodwill are disclosed in note 21.

21. IMPAIRMENT TESTING ON GOODWILL

For the purpose of impairment testing, goodwill with indefinite useful lives set out in note 20 has been allocated to the cash generating units of Financial Services (the "CGU-FS"), Insurance Brokerage (the "CGU-IB") and data verification services and data integration ("CGU-DV"). The goodwill arose from the Group's acquisition of Grand Ahead Limited ("Grand Ahead") and its subsidiary in 2015 and acquisition of Super Harvest Insurance Broker Limited ("Super Harvest") in 2017 and acquisition of 聯潤 in 2018 (see note 36). The principal activities of CGU-FS were securities dealing and financial services, constituting the financial services segment and the principal activity of CGU-IB was insurance brokerage services. After the acquisition of Grand Ahead, the business focus of the Group became securities dealing and financial services, and after the acquisition of Super Harvest and 聯潤, the business focus of the Group in 2018 also included insurance brokerage services and data verification services. Accordingly, management of the Company had determined that it was the CGU-FS, CGU-IB and CGU-DV that were expected to benefit from the synergies of the acquisitions of Grand Ahead, Super Harvest and 聯潤 respectively. During the year, the Group disposed 聯潤 (note 38) and ceased operation in data verification services and data integration (note 37).

	2019 **HK$'000**	2018 HK$'000
Carrying values of goodwill as at 31 December:		
CGU-FS	**–**	–
CGU-IB	**–**	519
CGU-DV	**–**	182
	–	701

Financial services segment

The aggregate carrying amount of the CGU, before deducting for any impairment loss to be recognised as at 31 December 2018, comprised goodwill of HK$726,566,000 (2019: Nil), trademark of HK$302,042,000 (2019: HK$284,009,000) and License of HK$4,188,000 (2019: HK$3,938,000). The basis of estimating the recoverable amount of the CGU and its major underlying assumptions are summarized below:

The recoverable amount of the CGU has been determined by the fair value less cost of disposal in respect of the CGU. The fair value less cost of disposal was assessed by the management based on a business valuation performed by an independent professional qualified valuer using the income approach which uses cash flow projections covering a 5-year period and discount rate of 16.34%, which is within level 3 fair value hierarchy. The management has changed the valuation method from market approach adopted in the impairment assessment of the CGU in the previous year to income approach due to lack of recent market prices of comparable transactions in the current year or subsequent to the end of the current year. The market approach considers prices recently paid for similar assets or business. The cash flow projections used in the income approach has taken into account the past financial performance of the financial services operation of the GCU. The cash flows beyond the 5-year period are extrapolated assuming 3% growth rate. This growth rate is based on the past performance and future development plan. The projected cash flows and discount rate reflect assumptions that market participants would use when pricing the CGU. Other key assumptions for the cash flow projections relate to the estimation of cash inflows/outflows which include estimated income generated from the CGU, such estimation is based on the past performance of the CGU and the expectation on the market development.

Assumptions were used in the income approach calculation of CGU-FS for year ended 31 December 2018. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Discount rate – The discount rate used in 2019 was 14.00% (2018: 16.34%) which is a pre-tax rate which reflects specific risks relating to the relevant CGU.

21. IMPAIRMENT TESTING ON GOODWILL *(continued)*

Financial services segment *(continued)*

Growth rates – The growth rates used for the existing businesses in the projections within the five-year projection period are based on the past performance and future development plan with reference to the industrial and market data. The projections also include the expected revenues to be generated by the Group, and the related expenses to be incurred, in respect of new lines of business to be entered into by the Group. The new lines of business related to management fees projected to be earned by CGU-FS for structured products and leveraged products. The management of CGU-FS planned to launch these products in early of April 2019. The management has engaged a PRC sales team (an independent third party) to promote those products. Those products will be sold to potential investors by setting up new management funds which will be managed by the CGU. Management assessed and discussed with the PRC sales team, by taking reference to the past experience and the market response in the current testing status, and consider these new lines of business will bring favorable returns to the CGU and the Group.

Changes in revenue and direct costs – The changes are based on past practices and expectations of future changes in the market, including expectations of the management of the Group concerning the future performance of the new lines of business.

Terminal growth rate – The growth rates used are based on the normal GDP growth as adopted by the market participants.

Discount for Lack of Marketability ("DLOM") – The DLOM used was 5% and was based on the restricted stock sourced DLOM database.

The values assigned to the key assumptions on the market development of the financial services industry and discount rates are consistent with external information sources.

For the purpose of impairment assessment, the management determined that the recoverable amount of the CGU in 2018, which is less than the aggregate carrying amount of the CGU. Accordingly an impairment loss of HK$725,330,000 in respect of goodwill is recognised in profit or loss during the year ended 31 December 2018. In the opinion of the directors of the Company, the impairment loss on goodwill of HK$725,330,000 was recognised due to unfavourable change in the market.

Insurance Brokerage and data verification services

The recoverable amount of CGU-IB and CGU-DV were determined based on the value-in-use calculation. This calculation uses cash flow projection which represents what management believes is the best estimate of what CGU-IB and CGU-DV are able to achieve in their business life. Management of the Group determined that full impairment loss was provided for the year ended 31 December 2019 as the result of impairment assessment performed.

22. INTANGIBLE ASSETS

	Trademark HK$'000	License HK$'000	Total HK$'000
COST			
At 1 January 2018	360,646	5,000	365,646
Additions	–	500	500
At 31 December 2018, 1 January 2019 and 31 December 2019	360,646	5,500	366,146
IMPAIRMENT			
Impairment during the year and balance of 31 December 2019	–	325	325
AMORTISATION			
At 1 January 2018	40,572	562	41,134
Charge for the year	18,032	350	18,382
At 31 December 2018 and 1 January 2019	58,604	912	59,516
Charge for the year	18,032	325	18,357
At 31 December 2019	76,636	1,237	77,873
CARRYING VALUES			
At 31 December 2019	284,010	3,938	287,948
At 31 December 2018	302,042	4,588	306,630

On 25 September 2015, the Group acquired 100% of Grand Ahead. One of the intangible assets that arose from the acquisition of the subsidiary represented the trademark. The management assessed the trademark to be 20 years useful lives.

Another intangible asset that arose from the acquisition of Grand Ahead represented the licence under Securities and Futures Ordinance, CAP.571, namely Type 1 Dealing in securities, Type 4 Advising on Securities, Type 6 Advising on Corporate Finance and Type 9 Asset Management with the estimated useful life of 20 years allied with the useful life of trademark. The valuation of the intangible assets in amount of approximately HK$5,000,000 at the time of acquisition was carried out by the independent firm of professional valuer, Asset Appraisal Limited.

Trademark and licence from the acquisition of Grand Ahead have definite useful lives and are amortised over 20 years using the straight-line method.

On 24 January 2018, the Group acquired 100% of Super Harvest Finance Limited ("SH Finance"), formerly known as Xin Da Finance Limited. Intangible asset that arose from the acquisition of SH Finance represented the money lending license under the Money Lenders Ordinance, Chapter 163, Law of Hong Kong. The management assessed the license to be 5 years useful lives. The valuation of the intangible asset in amount of approximately HK$500,000 at the time of acquisition was carried out by the independent firm of professional valuer, AP Appraisal.

The money lending license has definite useful lives and are amortised over 5 years using the straight-line method.

The trademark was assessed by the directors of the Company for impairment as part of the impairment assessment of the CGU-FS as the trademark belonged to the CGU-FS for impairment testing purposes.

23. OTHER DEPOSITS

	2019 HK$'000	2018 HK$'000
Statutory and other deposits	**2,309**	2,309

Statutory and other deposits represent deposits with various exchanges and clearing houses. They are non-interest bearing.

24. LOANS RECEIVABLES

	2019 HK$'000	2018 HK$'000
Fixed-rate loans receivables - unsecured	**273,598**	273,598
Less: Allowances	**273,598**	17,233
Analysed as		
Current	**–**	256,365

The Group's fixed-rate loans receivables have remaining contractual maturity date as follows:

	2019 HK$'000	2018 HK$'000
Fixed-rate loans receivables		
Within one year	**–**	256,365

24. LOANS RECEIVABLES *(continued)*

Movement in the loss allowance account in respect of loans receivables during the year is as follows:

	2019 HK$'000	2018 HK$'000
Balance at 1 January under HKAS 39	**–**	–
Impact on initial application of HKFRS 9	**–**	–
Adjusted balance at 1 January	**17,233**	–
Impairment losses provided during the year	**256,365**	17,233
Balance at 31 December	**273,598**	17,233

As at 31 December 2018, the gross carrying amount of the loans receivables amounted HK$273,598,000 were unsecured and expected to be recovered in coming year. As at 31 December 2019 all loans receivables were past due and fully impaired.

The management of the Group assessed the expected credit loss on these loans receivables by taking into account the financial position and operation of the borrowers, the Group's assessment of borrowers' risk level and credit rating with reference to recovering data from international rating institutes and forward-looking factors such as the GDP and inflation impact to the provision of expected credit loss.

The loans receivables have been past due for period ranging from two months to six months. The Group did not receive any repayment of loans receivables up to the date when the consolidated financial statements were authorized for issue. There are, in total, four borrowers and first overdue from each of the four borrowers happened in July 2019.

The management of the Board sent letters to demand repayment, however, there is no reply from the borrowers. As represented by the directors of the Company, the management is considering taking legal actions against the borrowers and/or the guarantors. The directors of the Company considered such balance is irrecoverable and concluded receivables relating to the loans be fully impaired in the consolidated financial statements for the year ended 31 December 2019.

Included in the carrying amount of loans receivables as at 31 December 2019 is accumulated impairment losses of approximately HK$273,598,000 (31 December 2018: HK$17,233,000). Details of impairment assessment for the year ended 31 December 2019 are set out in note 6.

The fixed-rate loans receivables carry interest at 15% (2018: 15%) per annum. No ageing analysis is disclosed, as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of business of loan financing.

Interest receivables is included in note 27 to the consolidated financial statements.

25. FINANCIAL ASSETS AT AMORTISED COST

	2019 HK$'000	2018 HK$'000
Fixed rate senior notes	–	100,000
Less: Allowance	–	6,299
	–	93,701
Represented by:		
Current portion	–	93,701

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 HK$'000	2018 HK$'000
Equity securities held for trading, at fair value		
– Listed in Hong Kong	**78**	98
– Unlisted investment fund	**260**	184
	338	282
Represented by:		
Current portion	**338**	282

27. TRADE AND OTHER RECEIVABLES

	Notes	2019 HK$'000	2018 HK$'000
Trade receivables from			
– Clearing house and cash clients	(a)	**474**	9,818
– Others	(b)	**2,443**	4,699
Less: Allowances		**–**	–
		2,917	14,517
Interest receivables	(c)	**41,151**	17,697
Less: Allowances		**41,151**	1,143
		–	16,554
Other receivables, prepayment and deposit	(d)	**20,586**	13,650
Less: Allowances		**6,001**	–
		14,585	13,650
		17,502	44,721
Represented by:			
Non-current portion		**–**	–
Current portion		**17,502**	44,721
		17,502	44,721

Notes:

(a) Trade receivables – clearing house and cash clients

The settlement terms of trade receivables are two days after trade date.

27. TRADE AND OTHER RECEIVABLES *(continued)*

Notes: (continued)

(b) Trade receivables – others

There is no credit period granted to the trade receivables from underwriting and financial advisory income, insurance brokerage and referral commission and assets management income.

The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period.

	2019 **HK$'000**	2018 HK$'000
Within 3 months	**653**	14,513
4 to 6 months	**100**	4
Over 6 months	**2,164**	–
Total	**2,917**	14,517

The Group does not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired

	2019 **HK$'000**	2018 HK$'000
Overdue by:		
Within 3 months	**100**	296
4 to 6 months	**100**	–
Over 6 months	**2,164**	–
Total	**2,364**	296

Trade receivables that were neither past due nor impaired related to customers for whom there was no recent history of default.

(c) Interest receivables

The Group commenced loan financing operation and generating interest income since 2018. Interest receivables represented the Group's rights to receive loan interest according to the payment terms on the agreements. Expected credit loss has been fully provided for interest receivables and reason and details described in note 24 to the consolidated financial statements,

(d) Other receivables, prepayment and deposit

As at 31 December 2019, the amount of approximately HK$8,365,000 (2018: approximately HK$4,179,000) represents other receivables which are stated at amortised cost. The amount of approximately HK$5,699,000 (2018: approximately HK$5,792,000) represents refundable deposits and remaining amount of approximately HK$521,000 (2018: approximately HK$3,679,000) represents prepayment and non-refundable deposits.

28. PLEDGED BANK DEPOSIT/BANK BALANCES AND CASH

	Notes	2019 HK$'000	2018 HK$'000
Bank balances and cash – general accounts	(a)	**242,158**	159,960
Bank balances and cash – trust accounts	(b)	**25,140**	86,848
Pledged bank deposit	(c)	**4,474**	3,453
		271,772	250,261

Notes:

(a) At 31 December 2019, the balances that were placed with banks in the PRC amounted to approximately HK$18,470,000 (2018: approximately HK$17,679,000). Remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government. Bank balances carry interest at floating rates based on daily bank deposit rates for both years.

Included in the Group's bank balance and cash amounted to approximately HK$192,770,000 represents proceeds from rights issues in November 2019, which were subsequently refunded in January 2020 and approximately HK$23,370,000 was held by financial services segment for its operation.

(b) The Group maintains segregated accounts with authorised institutions to hold client money in the normal course of business.

(c) Pledged bank deposits represent deposits pledged to banks to secure borrowings advanced to customers as described in note 29 to the consolidated financial statement amounting to RMB4,014,000, equivalent to approximately HK$4,474,000 (2018: RMB3,000,000, equivalent to approximately HK$3,453,000).

29. TRADE AND OTHER PAYABLES

	2019 HK$'000	2018 HK$'000
Account payables		
– Clearing house and cash clients	**25,612**	96,115
– Others	**1,239**	3,693
Construction cost payables, other payables, accrued charges and others	**748,862**	498,099
Deposits received	**1,423**	4,856
Deposit from rental	**339**	–
Prepayment from customers	**649,203**	598,108
	1,426,678	1,200,871
Represented by:		
Non-current portion	**636,661**	598,108
Current portion	**790,017**	602,763
	1,426,678	1,200,871

The following is an aged analysis of accounts payable presented based on the invoice date.

	2019 HK$'000	2018 HK$'000
0-60 days	**26,851**	99,808

As at 31 December 2019, the amount of approximately HK$636,661,000 (2018: RMB519,636,000 equivalent to approximately HK$598,108,000) classified as non-current liability mainly represents the prepayment received from customers as the Group started signing agreements of pre-leasing the investment property since 2017. As an initial stage promotion policy, lessees have been granted the right to put their pre-leased units back to the Group at initial contract price at 10th anniversary. Therefore, the prepayment from customers was classified as non-current.

As at 31 December 2019, the amount of construction cost payables, other payables, accrued charges and others was approximately HK$748,862,000 (2018: approximately HK$498,099,000). The amount of approximately HK$194,574,000 (2018: HK$160,214,000) represents valued added tax and other tax payables. The amount of approximately HK$174,411,000 (2018: HK$214,715,000) represents the construction payables for Xiqiao Projects. As acting as the fund manager of the funds, there are approximately HK$46,451,000 (2018: HK$46,451,000) current accounts with the funds. And the amount in 2018 of approximately HK$9,028,000 (2019: Nil) represents the amounts received in advance as subscription monies of the fund which were to be invested in fixed-rate senior notes to be issued by the Company, the underlying investments of the fund, which were subsequently issued on 2 January 2019. Also, the amount of approximately HK$14,998,000 (2018: HK$14,998,000), represents the PRC tax payable which arose from a disposal of subsidiary recognised in a previous year. The amount of approximately HK$18,039,000 (2018: HK$18,039,000) represents the management fee payable to the service provider of crypto currencies mining machine. The Company carried out rights issues in November 2019 and received proceeds amounted HK$192,770,000, which was subsequently withdrawn and such balance who refunded to shareholders. Furthermore, there were interest payable and compensation payable to tenants of HK$42,295,000 (2018: HK$6,762,000) and HK$14,663,000 (2018: HK$1,850,000) respectively. The remaining other payables amounted to approximately HK$50,661,000 (2018: HK$26,042,000).

30. BORROWINGS/SENIOR NOTES

	Notes	2019 HK$'000	2018 HK$'000
Other borrowings	(a)		
– secured		**36,194**	6,906
– unsecured		**33,333**	–
Unsecured debentures	(b),(d)	**73,880**	70,869
Senior notes	(c),(d)	**283,101**	–
		426,508	77,775
The carrying amount is repayable:			
Within one year, or on demand		**426,508**	6,906
More than two years, but not more than five years		**–**	70,869
		426,508	77,775
Less: Amount due within one year shown under current liabilities		**(426,508)**	(6,906)
		–	70,869

Notes:

(a) Secured other borrowings

As at 31 December 2019 and 2018, the amount represented the Group's secured and unsecured other borrowing granted by independent third parties. Secured other borrowings amounted HK$36,194,000 were secured by certain investment properties of the Group with the carrying amount of approximately HK$57,577,000 (2018: HK$9,428,000) interest charged at 2% per month and 14% per year (2018: 1% per month) and repayable ranging from January to August 2020 (2018: March 2019 to June 2019).

Unsecured other borrowing were interest – bearing at fixed rate of 1% per month and 12% per year and repayable ranging from February to March 2020. Interest payable included in note 29 to the consolidated financial statement.

(b) Unsecured debentures

As at 31 December 2019 and 2018, the amounts represented the Group's unsecured debentures issued to certain independent third parties which were interest-bearing at fixed rates ranging from 5% to 6% (2018: from 5% to 6%) per annum with 1 to 2 years (2018: with 2 to 3 years) maturity.

(c) Senior notes

As at 31 December 2019, the amounts represented the Group's senior notes issued to SH Fund which were interest-bearing at fixed rates ranging from 5% to 8% per annum with 90 days to 365 days maturity. In 2018, the senior notes were eliminated since SH Fund was a subsidiary of the Group. In November 2019, SH Fund was disposed (note 38) and as a result, the Group recorded the balance as liability in the consolidated financial statement.

The senior notes are recognized in the consolidated statement of financial position as current liability with carrying amount of HK$283,101,000 as at 31 December 2019. Among the balance of HK$283,101,000, senior notes amounted HK$58,411,500 and aggregate interest payables of HK$4,260,000 (included in other payables) were overdue and the Group was in default in repayment. The maturity dates of these four batches of senior notes were 1 November 2019, 15 November 2019, 3 December 2019 and 13 December 2019.

(d) The event of default was triggered by the presentation of the winding up petition from Cheung Ming Ming and Wang Zihao (the "First Winding Up Petition") in the Company's announcement dated 18 November 2019.

31. AMOUNT DUE TO A RELATED PARTY

The amount due to a related party as at 31 December 2019 represent advances granted by Mr. Liang, who is the ex-shareholder of the Company, of HK$15,000,000 (2018: HK$15,000,000), which is unsecured, interest-free and repayable in March 2020. Amount due to Mr. Liang Zhenye of approximately HK$3,883,000 (2018: HK$3,883,000) was classified as other payables in 2019 as he was no longer a related party of the Company.

32. CONVERTIBLE NOTES AND DERIVATIVE FINANCIAL INSTRUMENT

On 25 September 2015, the Company issued zero-coupon convertible notes (the "Ping An CB") with a nominal value of approximately HK$100,000,000 as part of the consideration for the acquisition of Grand Ahead and its subsidiaries (the "Grand Ahead Group") from Jayden Wealth Holdings Limited ("Jayden"). The Ping An CB is denominated in Hong Kong dollars. The Ping An CB entitles the holders to convert them into ordinary shares of the Company on any Business Day during a period commencing from the date of this Note and ending on the Maturity Date (both days inclusive), the whole by trenches of at least one-twentieth of the principal amount of the Note into Shares at any time and from time to time at the Conversion Price of HK$0.2 per convertible share subject to adjustments in certain events. The maturity date of Ping An CB is 24 September 2020.

During the years ended 31 December 2019 and 2018, no Ping An CB was converted into share by noteholders.

On 27 February 2017, the Company issued Hong Kong dollar denominated convertible notes with the aggregate principal amount of HK$100,000,000 (the "2017 CB1"). The 2017 CB1 entitles the holders to convert them into ordinary shares of the Company at any time after the date of issuance of the 2017 CB1 and their maturity date on 26 February 2019, being two years from the date of its issuance, in multiples of HK$100,000 at a conversion price of HK$0.096 per convertible share subject to adjustments in certain events. The shares to be issued and allotted upon conversions shall rank pari passu in all respects among themselves and with all other ordinary shares in issue by the Company on the date of such allotment and issue. If the notes have not been converted, they will be redeemed on 26 February 2019 at a redemption amount equal to 100% of the principal amount of the outstanding convertible notes. Interest of 5% per annum shall accrue on daily basis on the outstanding principal amount of the bonds and payable on 20 June and 20 December in each year. During the years ended 31 December 2019 and 2018, no 2017 CB1 was converted into share by noteholders.

On 26 February 2019, the Company and the holder of 2017 CB1 entered into a deed of amendment, pursuant to which principal amount of 2017 CB1 was decreased from HK$100,000,000 to HK$90,000,000 after settlement of HK$10,000,000, the maturity date of 2017 CB1 was extended from 26 February 2019 to 26 February 2021 and the interest rate was increased from 5% per annum to 6% per annum. Interest payment dates were not changed. The conversion price of each conversion share was changed from HK$0.384 (as adjusted) to HK$0.2365 per conversion share. The Company paid arrangement fee of HK$10,000,000 for this extension. During the year ended 31 December 2019, no part of 2017 CB1 was converted into shares of the Company by the holder.

On 27 February 2017, the Company also issued another Hong Kong dollar denominated convertible notes with the aggregate principal amount of HK$100,000,000 (the "2017 CB2"). The 2017 CB2 entitles the holders to convert them into ordinary shares of the Company at any time after the date of issuance of the 2017 CB2 and their maturity date on 26 February 2020, being three years from the date of its issuance, in multiples of HK$100,000 at a conversion price of HK$0.096 per convertible share subject to adjustments in certain events. The shares to be issued and allotted upon conversions shall rank pari passu in all respects among themselves and with all other ordinary shares in issue by the Company on the date of such allotment and issue. If the notes have not been converted, they will be redeemed on 26 February 2020 at a redemption amount equal to 100% of the principal amount of the outstanding convertible notes. Interest of 5% per annum shall accrue on daily basis on the outstanding principal amount of the bonds and payable on 20 June and 20 December in each year. During the years ended 31 December 2019 and 2018, no 2017 CB2 was converted into share by noteholders.

32. CONVERTIBLE NOTES AND DERIVATIVE FINANCIAL INSTRUMENT *(continued)*

At the date of modification of the 2017 CB1 and as at 31 December 2019 and 2018, the conversion option component of the 2017 CB1, 2017 CB2, and Ping An CB were valued by the directors of the Company with reference to valuation report issued by AP Appraisal, an independent professional valuer not connected to the Group.

The principal amounts of 2017 CB1, 2017 CB2 and the Ping An CB are divided into straight debt component and embedded conversion option on initial recognition. The debt component are recognised in the consolidated statement of financial position as non-current liability for 2017 CB2 and Ping An CB as at 31 December 2018 as the holders of 2017 CB1, 2017 CB2 and the Ping An CB cannot require the Company to settle the convertible notes before the maturity of the convertible notes.

The debt components are recognized in the consolidated statement of financial position as current liability for 2017 CB1, 2017 CB2 and Ping An CB with carrying amount of HK$290,000,000 as at 31 December 2019, since the event of default was triggered by the presentation of the First Winding Up Petition in the Company's announcement dated 18 November 2019. As at 31 December 2019, negotiations between the Group and bonds holders had not been concluded. Since the bonds holders have not agreed to waive its right to demand immediate payment as at the end of the reporting period, all of the CBs above were classified as a current liability as at 31 December 2019 with the corresponding additional imputed interest of HK$24,042,000 incurred as part of total interest of HK$98,112,000, recognized as finance costs in the current year.

The embedded conversion options are recognised in the consolidated statement of financial position as current liabilities.

At initial recognition, the derivative components of convertible notes were measured at fair value. Subsequently, the debt components are measured at amortised cost. The effective interest rate of the debt component is from 19.19% to 23.40%. Embedded conversion option are measured at fair value with changes in fair value recognised in profit or loss.

The debt component of 2017 CB1, 2017 CB2 and Ping An CB classified as current liabilities as at 31 December 2019 amounted to approximately HK$290,000,000.

The debt component of 2017 CB1, 2017 CB2 and Ping An CB with carrying amount of approximately HK$168,435,000 and HK$97,940,000 as at 31 December 2018 was classified as non-current liabilities and current liabilities respectively.

32. CONVERTIBLE NOTES AND DERIVATIVE FINANCIAL INSTRUMENT *(continued)*

The movements of the debt component and derivatives components of the convertible notes for the year are set out as below:

	Debt component HK$'000	Derivative financial liabilities – Embedded conversion option HK$'000	Total HK$'000
As at and 1 January 2018	234,994	28,400	263,394
Interest charge *(note 9)*	41,381	–	41,381
Interest paid	(10,000)	–	(10,000)
Gain arising on changes of fair value	–	(27,000)	(27,000)
As at 31 December 2018 and 1 January 2019	266,375	1,400	267,775
Interest charge *(note 9)*	66,450	–	66,450
Interest paid	(5,111)	–	(5,111)
Interest payable	(5,214)	–	(5,214)
Gain arising on changes of fair value	–	(8,130)	(8,130)
Settlement of convertible notes	(10,000)	–	(10,000)
Extinguishment upon extension of 2017 CB1	(90,000)	–	(90,000)
Recognition upon extension of 2017 CB1	67,500	8,100	75,600
As at 31 December 2019	290,000	1,370	291,370

As at 31 December 2019, the Company had carrying amounts of approximately HK$290,000,000 (2018: approximately HK$266,375,000) of outstanding Convertible Notes with aggregate principal amounts of HK$290,000,000 (2018: HK$300,000,000). As at 31 December 2019, upon conversion in full of the outstanding Convertible Notes, the Company will issue 765,966,349 ordinary shares of HK$0.01 (2018: HK$0.2) each in the Company at the conversion price of HK$0.2365 to 0.80 per share (2018: HK$0.384 to HK$0.8 per share). Interest payable has been included in note 29 to the consolidated financial statements.

32. CONVERTIBLE NOTES AND DERIVATIVE FINANCIAL INSTRUMENT *(continued)*

The fair values of the derivative financial liabilities are calculated using the binomial model. The inputs into the model were as follows:

	Ping An CB	2017 CB1	2017 CB2
31 December 2019			
Fair value of option	HK$70,000	HK$1,300,000	–
Share price	HK$0.032	HK$0.032	HK$0.032
Conversion price	HK$0.8	HK$0.236	HK$0.384
Expected volatility *(note (a))*	166.03%	136.15%	137.55%
Expected life *(note (b))*	0.73 years	1.16 year	0.16 years
Risk free rate *(note (c))*	1.85%	1.77%	1.91%
31 December 2018			
Fair value of option	HK$100,000	–	HK$1,300,000
Share price	HK$0.237	HK$0.237	HK$0.237
Conversion price	HK$0.80	HK$0.384	HK$0.384
Expected volatility *(note (a))*	46.19%	58.29%	48.29%
Expected life *(note (b))*	1.73 years	0.16 years	1.16 years
Risk free rate *(note (c))*	1.75%	1.75%	1.75%

Notes:

(a) Expected volatility was determined by calculating the historical volatility of the Company's share price.

(b) Expected life was the expected remaining life of the convertible notes.

(c) The risk free rate is determined by reference to the yield of the Hong Kong Exchange Fund Bills and Notes.

33. LEASE LIABILITIES

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

	HK$'000
Restated opening net book amount under HKFRS 16 as at 1 January 2019:	34,182
Repayment	(17,511)
Interest expenses	3,636
Closing net book amount as at 31 December 2019	20,307

	2019 **HK$'000**
Lease liabilities payable:	
Within one year	**15,790**
Within a period of more than one year but not more than two years	**4,517**
	20,307
Less: Amount due for settlement within 12 months shown under current liabilities	**(15,790)**
Amount due for settlement after 12 months shown under non-current liabilities	**4,517**

The Group's lease liabilities are for terms of 3 years.

34. 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	**–**	30
Deferred tax liabilities	**(47,537)**	(94,216)
	(47,537)	(94,186)

The following are the major deferred tax (assets)/liabilities recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation HK$'000	**Revaluation of properties** HK$'000	**Amortisation of intangible assets** HK$'000	**Total** HK$'000
At 1 January 2018	19	80,123	53,544	133,686
Charged (credited) to profit or loss	(49)	(34,454)	(3,017)	(37,520)
Exchange adjustments	–	(1,980)	–	(1,980)
At 31 December 2018 and 1 January 2019	(30)	43,689	50,527	94,186
Charged (credited) to profit or loss	57	(42,977)	(3,017)	(45,937)
Exchange adjustments	–	(712)	–	(712)
At 31 December 2019	27	–	47,510	47,537

The deferred tax (assets)/liabilities for the years ended 31 December 2019 and 2018 are mainly arising from fair value changes on investment properties and amortisation of intangible assets of the Group.

35. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY

During the year ended 31 December 2018, the Group entered into a sale and purchase agreement with Ms. Cheung Ching Ching Daisy ("Ms. Cheung") in relation to the acquisition of the entire share capital of Super Harvest Finance Limited (formerly known as "Xin Da Finance Limited") ("Super Harvest Finance"), a company incorporated in the Hong Kong, for a consideration of approximately HK$500,000. Super Harvest Finance has not yet commenced its business. Ms. Cheung, who is an independent third party, owns 100% shares of Super Harvest Finance before the acquisition. The completion date of the acquisition was 24 January 2018.

Assets acquired and liabilities recognised at the date of acquisition:

	Fair value
	HK$'000
Intangible asset	500
Satisfied by:	
Cash and bank	500
Net cash outflow arising from acquisition:	
Bank balances and cash	(500)

The directors of the Company are of the opinion that the acquisition of Super Harvest Finance is in substance an acquisition of asset, instead of an acquisition of business, as Super Harvest Finance has an intangible asset of money lending license without operation as at the acquisition date.

36. BUSINESS COMBINATION

(a) During the year ended 31 December 2018, the Group entered into a sale and purchase agreement with independent third party in relation to the acquisition of the entire share capital of 天津瑞楓菁華企業管理諮詢有限公司 ("天津瑞楓"), a company incorporated in PRC at a consideration of RMB150,000 (equivalent to approximately HK$173,000). The amount of goodwill arising as a result of the acquisition was approximately HK$516,000 and was impaired during the year. The completion date of the acquisition was 2 July 2018.

Assets acquired and liabilities recognised at the date of acquisition:

	Fair value HK$'000
Cash at bank	29
Other payables	(372)
Net liabilities assumed	(343)
Satisfied by:	
Cash and bank	173
Goodwill arising on acquisition	516
Bank balances and cash in a subsidiary acquired	29
Net cash outflow arising from acquisition:	
Bank balances and cash	(144)

As a result of the acquisition, the Group is expected to increase its sources of income for the group in future. Goodwill of approximately HK$516,000 arising from the acquisition and impaired during the year as the purpose of the acquisition is mainly for investment holding in 天津瑞楓. None of goodwill recognised is expected to be deductible for income tax purposes.

Transaction cost of the acquisition is immaterial.

Included in the loss for the year, before impairment losses on goodwill, is HK$118,000 loss attributable to the additional business incurred by 天津瑞楓. No revenue generated from 天津瑞楓.

Had the acquisition been completed on 1 January 2018, total group revenue and loss for that year would remain unchanged and loss for that year from continuing operations would have been HK$1,276,506,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2018, nor is it intended to be a projection of future results.

36. BUSINESS COMBINATION *(continued)*

(b) During the year ended 31 December 2018, the Group entered into a sale and purchase agreement with independent third party in relation to the acquisition of 60% of the entire share capital of 聯潤(上海)信息科技有限責任公司 ("聯潤"), a company incorporated in PRC at a consideration of RMB5,000,000 (equivalent to approximately HK$5,755,000). 聯潤 is principally engaged in data verification services and data integration in PRC. The amount of goodwill arising as a result of the acquisition was approximately HK$182,000. The completion date of the acquisition was 18 October 2018.

Assets acquired and liabilities recognised at the date of acquisition:

	Fair value HK$'000
Trade and other receivables	2,089
Cash at bank	6,464
Other payables	(1,125)
Net assets assumed	7,428
Satisfied by:	
Other payables	5,755
Goodwill arising on acquisition:	
Consideration transferred	5,755
Plus: Non-controlling interests (40% in 聯潤)	1,855
Less: Net assets acquired	(7,428)
Goodwill arising on acquisition	182
Bank balances and cash in a subsidiary acquired	6,464
Net cash inflow arising from acquisition:	
Bank balances and cash	6,464

As a result of the acquisition, the Group is expected to increase its sources of income for the group in future. Goodwill of approximately HK$182,000 arising from the acquisition is attributable to the workforce and economies of scale expected from operations of the Group and 聯潤. None of goodwill recognised is expected to be deductible for income tax purposes.

Transaction cost of the acquisition is immaterial.

Included in the loss for the year in 2018 is HK$1,904,000 loss attributable to the additional business incurred by 聯潤. Revenue for the year includes approximately HK$5,039,000 generated from 聯潤.

Had the acquisition been completed on 1 January 2018, total group revenue from continuing operations for that year would be HK$100,627,000, and loss for that year from continuing operations would have been HK$1,278,234,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2018, nor is it intended to be a projection of future results.

37. DISCONTINUED OPERATION

As a result of the disposal of 聯潤 on 5 August 2019, 60% interest in a subsidiary with principal operation as provision of data verification service is presented as discontinued operation.

The results of the discontinued operation included in the consolidated statement of comprehensive income and consolidated statement of cash flow are set out below.

The losses from the discontinued operation for the current and prior year are analysed as follows:

	2019 **HK$'000**	2018 HK$'000
Revenue	**14,977**	5,039
Cost of Sales	**(11,819)**	(4,238)
Gross profit	**3,158**	801
Other income and loss, net	**3**	5
Other operating expenses	**(4,985)**	(2,710)
Gain on disposal of subsidiary	**1,259**	–
Loss from discontinued operation	**(565)**	(1,904)
Cash flows from operating activities	**(3,309)**	(1,071)
Cash flows from investing activities	**–**	–
Cash flows from financing activities	**–**	–
Net decrease in cash and cash equivalents	**(3,309)**	(1,071)

38. DISPOSAL OF SUBSIDIARIES

During the year ended 31 December 2019, the Group had the following disposals of subsidiaries:

The Group entered into a sale and purchase agreement with an independent third party on 5 August 2019 to dispose of the Group's equity interest in 聯潤 for a consideration of RMB4,000,000 (equivalent to approximately HK$4,459,000). The transaction was completed on 5 August 2019.

The Group disposed the Group's management share in Super Harvest Global Fund SPC ("SH Fund") for a consideration of US$1. The transaction was completed on 6 November 2019.

Disposal of subsidiaries	HK$'000
Gain on disposal of 聯潤	1,259
Gain on disposal of SH Fund	–
Total gain on disposal of subsidiaries	1,259

Consideration received/receivable

	聯潤 HK$'000	**SH Fund** HK$'000	**Total** HK$'000
Consideration received/receivable in cash and cash equivalents	4,459	–*	4,459

38. DISPOSAL OF SUBSIDIARIES *(continued)*

Analysis of assets and liabilities over which control was lost

	聯潤 HK$'000	SH Fund HK$'000	Total HK$'000
Property, plant and equipments	–	–	–
Financial assets at amorised cost	–	376,802	376,802
Financial assets at fair value through profit and loss	–	11,430	11,430
Trade and other receivables	1,698	18,472	20,170
Cash and cash equivalents	3,308	16,888	20,196
Trade and other payables	(1,385)	(7,953)	(9,338)
Net asset/(liabilities) disposed of	3,621	415,639	419,260
Gain/(loss) on disposal of subsidiaries:			
Consideration received and receivables	4,459	–	4,459
Cumulative exchange difference on translation of these subsidiaries reclassified from equity to profit and loss	54	–	54
Net assets disposed of	3,621	415,639	419,260
Non-controlling interest	(367)	(415,639)	(416,006)
Gain/(loss) on disposal of subsidiaries:	1,259	–	1,259
Net cash outflows arising on disposal:			
Consideration received in cash and cash equivalents	–	–	–
Less:			
Cash and cash equivalents disposed of	3,308	16,888	20,196
Net cash outflows arising on disposals of subsidiaries:	(3,308)	(16,888)	(20,196)

* Consideration received in cash and cash equivalents amounts US$1.

39. SHARE CAPITAL

	2019 No. of share	2019 Per Share HK$	2019 Amount HK$'000	2018 No. of share	2018 Per Share HK$	2018 Amount HK$'000
Authorised						
At 1 January	**15,000,000,000**	**0.2**	**3,000,000**	60,000,000,000	0.05	3,000,000
Ordinary shares of HK$0.05 each	**–**	–	**–**	–	–	–
Share consolidation *(note a)*	**–**	–	**–**	(45,000,000,000)	–	–
Capital reduction	**–**	**–**	**–**	–	–	–
Capital increase	**285,000,000,000**	**–**	**–**	–	–	–
At 31 December	**300,000,000,000**	**0.01**	**3,000,000**	15,000,000,000	0.2	3,000,000
Issued and fully paid						
At 1 January	**5,165,863,003**	**0.2**	**1,033,172**	18,895,052,012	0.05	944,752
Issue of new shares by placing *(note b)*	**–**	**–**	**–**	1,768,400,000	0.05	88,420
Share consolidation *(note a)*	**–**	**–**	**–**	(15,497,589,009)	–	–
Capital reduction *(note c)*	**–**	**–**	**(981,513)**	–	–	–
At 31 December	**5,165,863,003**	**0.01**	**51,659**	5,165,863,003	0.2	1,033,172

During the years ended 31 December 2018 and 31 December 2019, the movements of the authorised and issued share capital of the Company are as following:

(a) On 2 August 2018, the ordinary shares of the Company was consolidated on the basis of every four issued and unissued existing shares of a par value of HK$0.05 each in the share capital of the company be consolidated into one consolidated share of a par value of HK$0.20 each in the share capital of the Company.

(b) On 22 June 2018, the Company entered into a placing agreement with a placing agent in respect of the placement of 1,768,400,000 ordinary shares of HK$ 0.05 each to investors at a price of HK$ 0.08 per share. The placement was completed on 12 July and the premium on the issue of shares amounting to approximately HK$53,052,000 was credited to the Company's share premium account.

(c) On 19 September 2019, the Company completed a capital reduction. The par value of each issued share was reduced from HK$0.2 to HK$0.01 ("Capital Reduction"). The credit arising from the Capital Reduction amounted to HK$981,513,000 was transferred to the Contributed Surplus reserve of the Company.

The new shares rank pari passu in all respects with the existing shares.

40. 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.

	Borrowings HK$'000	Senior notes HK$'000	Lease liabilities HK$'000	Amount due to a director HK$'000	Amounts due to a related party HK$'000	Derivative financial liabilities HK$'000	Convertible notes HK$'000	Total HK$'000
At 1 January 2018	99,547	–	–	45,000	18,883	28,400	234,994	426,824
New borrowings raised	7,162	–	–	–	–	–	–	7,162
Repayment for borrowings	–	–	–	(45,000)	–	–	–	(45,000)
Interest paid	(4,392)	–	–	–	–	–	(10,000)	(14,392)
Changes from financing cash flows	2,770	–	–	(45,000)	–	–	(10,000)	(52,230)
Interest expenses	5,714	–	–	–	–	–	41,381	47,095
Exchange difference	(256)	–	–	–	–	–	–	(256)
Fair value change on derivative financial liabilities	–	–	–	–	–	(27,000)	–	(27,000)
		–	–					
Waiver of loan receivables	(30,000)	–	–	–	–	–	–	(30,000)
Reclassified to other payables	–	–	–	–	(3,883)	–	–	(3,883)
At 31 December 2018	77,775	–	–	–	15,000	1,400	266,375	360,550
Adjustment upon application of HKFRS 16	–	–	34,182	–	–	–	–	34,182
At 1 January 2019 (Restated)	77,775	–	34,182	–	15,000	1,400	266,375	394,732
New borrowings raised	74,036	–	–	–	–	–	–	74,036
Repayment for convertible notes	–	–	–	–	–	–	(10,000)	(10,000)
Repayment for borrowings	(10,209)	–	–	–	–	–	–	(10,209)
Repayment of lease liabilities	–	–	(13,875)	–	–	–	–	(13,875)
Interest paid	(3,433)	–	(3,636)	–	–	–	(5,111)	(12,180)
Changes from financing cash flows	60,394	–	(17,511)	–	–	–	(15,111)	27,772
Interest expenses	16,981	11,019	3,636	–	–	–	66,476	98,112
Exchange difference	(1,206)	–	–	–	–	–	–	(1,206)
Fair value change on derivative financial liabilities	–	–	–	–	–	(8,130)	–	(8,130)
Recognition upon extension of convertible notes	–	–	–	–	–	8,100	67,500	75,600
Extinguishment upon extension of convertible notes	–	–	–	–	–	–	(90,000)	(90,000)
Interest payables	(10,537)	(11,019)	–	–	–	–	(5,240)	(26,796)
Disposal of subsidiaries	–	283,101	–	–	–	–	–	283,101
At 31 December 2019	143,407	283,101	20,307	–	15,000	1,370	290,000	753,185

41. RELATED PARTY TRANSACTIONS

(a) Except as disclosed elsewhere in the consolidated financial statements, during the years ended 31 December 2019 and 2018, the Group entered into the following transactions with its related parties:

Pursuant to a loan agreement entered into on 20 December 2017 between Vigo HK, a related company of the Company, and the Company amounting to HK$30,000,000. The loan granted by Vigo HK is unsecured, interest charged at 15% per annum and repayable in June 2018.

41. RELATED PARTY TRANSACTIONS *(continued)*

(b) Compensation of directors of the Company and key management personnel of the Company:

Remuneration for key management personnel including amounts paid to the Company's directors as disclosed in note 13 and the highest paid employees as disclosed in note 14 is as follows:

	2019 **HK$'000**	2018 HK$'000
Salaries and other short-term employee benefits	**12,026**	11,593
Retirement benefit scheme contributions	**83**	80
	12,109	11,673

The remuneration of directors of the Company and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

(c) Finance arrangement

	2019 **HK$'000**	2018 HK$'000
Amount due to a related party (note 31)	**15,000**	15,000
	15,000	15,000

42. COMMITMENTS

(a) OPERATING LEASE COMMITMENTS

The Group as lessee

At 31 December 2018, the Group had total future minimum lease payments under the non-cancellable operating leases falling due as follows:

	2018 HK$'000
Within one year	18,158
In the second to fifth year	22,132
	40,290

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average of 1 to 3 years and rentals are fixed for average of 1 to 3 years.

42. COMMITMENTS *(continued)*

(a) OPERATING LEASE COMMITMENTS *(continued)*

The Group as lessor

At 31 December 2018, the Group had total future minimum lease payments under the non-cancellable operating leases falling due as follows:

	2018 HK$'000
Within one year	93,712
In the second to fifth year	61,385
	155,097

(b) CAPITAL COMMITMENTS

	2019 **HK$'000**	2018 HK$'000
Contracted but not provided for		
– Investment properties	**218,319**	231,875

43. CONTINGENT LIABILITIES

The Group had the following contingent liabilities at the end of the reporting period:

i) On 30 January 2020, Chain Billion Limited ("Chain Billion") had received a writ of summons from a third party claims against it for damages in the sum of approximately USD6,397,300 (equivalent to approximately HK$49,823,000) for breach of an investment framework agreement. The directors of the Company believe, after considering legal advice, that the aforementioned case is at a very early stage and would not be necessary for provision making. Please refer to the Company's announcement dated 30 January 2020 for details of the case.

ii) On 11 May 2020 and 15 May 2020, PASL and Chain Billion had received writ of summons from third parties, who claim against them for damages in the sum of approximately HK$89,200,000 for breached duty of care and breached certain agreements respectively. The directors of the Company believe, after considering legal advice, that the aforementioned case is at a very early stage and would not be necessary for provision making. Please refer to the Company's announcement dated 11 May 2020 and 15 May 2020 for details of the case.

Save and except for the matters specified above and legal case subsequent to the financial year as stated in Note 46 (iv), the Group does not have any litigations or claims of material importance and, so far as the directors of the Company are aware, no litigation or claims of material importance are pending or threatened by or against any companies of the Group.

44. RETIREMENT BENEFIT SCHEME

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000, contributions to the MPF Scheme vest immediately. Contributions paid or payable to the MPF scheme are charged to the statement of profit or loss.

The employees of the Group's subsidiaries in the PRC are members of a state-sponsored retirement plan organised by the municipal government under the regulations of the PRC and these subsidiaries make mandatory contributions to the state-sponsored retirement plan to fund the employees' retirement benefits. The retirement contributions paid by the PRC subsidiaries are based on a percentage of the eligible employees' salaries and are charged to the statement of profit or loss as incurred. The Group discharges its retirement obligations upon payment of the retirement contributions to the state-sponsored retirement plan organised by the municipal government in the PRC.

The Group does not have any other pension schemes for its employees in respect of the subsidiaries outside Hong Kong and the PRC. In the opinion of the directors of the Company, the Group did not have any significant contingent liabilities as at 31 December 2019 in respect of the retirement of its employees.

The total cost charged to the consolidated statement of profit or loss of approximately HK$1,523,000 (2018: approximately HK$2,236,000) represents contributions payable to these schemes by the Group in respect of the current accounting period.

45. PRINCIPAL SUBSIDIARIES

(a) Particulars of the Group's principal subsidiaries as at 31 December 2019 and 2018 are as follows:

Name	Place of incorporation/ principle place of business	Particular of issued and fully paid capital/ registered capital	Proportion of ownership interest and voting power held by the Company indirectly		Principal activities
			2019	2018	
Ping An Securities Limited	Hong Kong	HK$100,000,000 (ordinary share)	**100%**	100%	Securities dealing and financial services
佛山盛明置業有限公司	PRC	RMB20,000,000 (paid-up registered capital)	**100%**	100%	Property development, property trading and leasing of properties
Ascent Castle Limited	Hong Kong	HK$1 (paid-up registered capital)	**100%**	100%	Investment holding

45. PRINCIPAL SUBSIDIARIES *(continued)*

(a) Particulars of the Group's principal subsidiaries as at 31 December 2019 and 2018 are as follows: *(continued)*

Name	Place of incorporation/ principle place of business	Particular of issued and fully paid capital/ registered capital	Proportion of ownership interest and voting power held by the Company indirectly 2019	2018	Principal activities
Chain Billion Limited	Hong Kong	HK$1 (paid-up registered capital)	**100%**	100%	Investment holding
Super Harvest Technology Group Limited (Formerly known as Delicate Gem Limited)	BVI	US$1 (paid-up registered capital)	**100%**	100%	Investment holding
Earnest Wish Limited	BVI	US$1 (paid-up registered capital)	**100%**	100%	Investment holding
First Pioneer Holdings Limited	Seychelles	US$1 (paid-up registered capital)	**100%**	100%	Investment holding
Grand Ahead Finance Limited	BVI	US$100 (paid-up registered capital)	**100%**	100%	Investment holding
Super Harvest Asset Management Limited	Cayman	US$1 (paid-up registered capital)	**100%**	100%	Asset Management
Super Harvest Finance Limited	Hong Kong	HK$1 (paid-up registered capital)	**100%**	100%	Loan financing

45. PRINCIPAL SUBSIDIARIES *(continued)*

(a) Particulars of the Group's principal subsidiaries as at 31 December 2019 and 2018 are as follows: *(continued)*

Name	Place of incorporation/ principle place of business	Particular of issued and fully paid capital/ registered capital	Proportion of ownership interest and voting power held by the Company indirectly 2019	2018	Principal activities
Super Harvest Insurance Broker Limited	Hong Kong	HK$1,500,000 (paid-up registered capital)	**100%**	100%	Insurance brokerage
Super Harvest International Wealth Management Limited	Hong Kong	HK$1 (paid-up registered capital)	**100%**	100%	Wealth Management
Super Harvest Securities and Futures Limited	Hong Kong	HK$$10,000,000 (paid-up registered capital)	**100%**	100%	Securities and futures dealing and financial services
Super Harvest Asia Pacific Limited (Formerly known as Winford Asia Pacific Limited)	Hong Kong	HK$1 (paid-up registered capital)	**100%**	100%	Group service provider

45. PRINCIPAL SUBSIDIARIES *(continued)*

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests held by non controlling interests		Proportion of voting rights held by non-controlling interests		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
						HK$'000	HK$'000	**HK$'000**	HK$'000
聯潤(上海)信息科技有限責任公司	PRC	**–**	40%	**–**	40%	**(801)**	(761)	**–**	1,121
Super Harvest Global Fund SPC (i)	Cayman Island	**–**	100%	**–**	–	**23,224**	3,204	**–**	324,891

(i) The Group has nil ownership of Super Harvest Global Fund SPC as at 31 December 2018. The directors of the Company concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of Super Harvest Global Fund SPC on the basis of the Group has overall authority over, and responsibility for, the operations and management of the fund. The sub-funds of the fund invested mainly in fixed rate senior notes issued by the Company. On 23 March 2020, the directors of the Group discovered unauthorized transfer of management share of SH Fund on 6 November 2019. The holder of the management share and register of members has been changed to Wong Yi Na. The directors of the Company considered the Group lost voting rights and other shareholders' rights and power over SH Fund since then and results disposal of subsidiary (note 38). Further details per the Company's announcement on 23 March 2020.

Summarized financial information of consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows in respect of Super Harvest Fund SPC, non-wholly-owned subsidiary of the Group that has material non-controlling interests is set out below represents amounts before intragroup eliminations.

45. PRINCIPAL SUBSIDIARIES *(continued)*

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests *(continued)*

	2018 HK$'000
Super Harvest Global Fund SPC	
NCI percentage	100%
Assets	344,611
Liabilities	(19,720)
Net assets	324,891
Carrying amount of NCI	324,891
Revenue	13,395
Expenses	(10,191)
Profit for the year	3,204
Total comprehensive income	3,204
Profit allocated to NCI	3,204
Dividend paid to NCI	4,000
Cash flows from operating activities	19,165
Cash flows from investing activities	(325,687)
Cash flows from financing activities	323,687

	2018 HK$'000
聯潤(上海)信息科技有限責任公司	
NCI percentage	40%
Assets	9,743
Liabilities	(4,151)
Net assets	5,592
NCI to be contributed	(1,861)
Carrying amount of NCI	1,121
Revenue	5,044
Expenses	(6,948)
Loss for the year	(1,904)
Total comprehensive loss	(1,904)
Loss allocated to NCI	(761)
Dividend paid to NCI	–
Cash flows from operating activities	(1,071)
Cash flows from investing activities	–
Cash flows from financing activities	–

46. EVENTS AFTER THE END OF THE REPORTING PERIOD

i) Impact of Novel Coronavirus Outbreak to the Group

Since January 2020, the outbreak of Novel Coronavirus ("COVID-19") has impact on the global business environment. A series of precautionary and control measures have been and continued to be implemented. The Group has paid close attention to the development of the COVID-19 outbreak and kept evaluating its impact on the financial position, cash flows and operating results of the Group. Up to the date when the consolidated financial statements were authorized to issue, COVID-19 has not resulted in material impact to the Group. Pending on the development and spread of COVID-19 subsequent to the date of these financial results, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of these financial results. The Group will keep continuous attention on the situation of the COVID-19 and react actively to its impact on the financial position and operating results of the Group.

ii) On 30 January 2020, Chain Billion had received a writ of summons from a third party claims against it for damages in the sum of approximately USD6,397,300 (equivalent to approximately HK$49,823,000) for breach of an investment framework agreement. The directors of the Company believe, after considering legal advice, that the aforementioned case is at a very early stage and would not be necessary for provision making. Please refer to the Company's announcement dated 30 January 2020 for details of the case.

iii) On 11 May 2020 and 15 May 2020, PASL and Chain Billion had received writ of summons from third parties, who claim against them for damages in the sum of approximately HK$89,200,000 for breached duty of care and breached certain agreements respectively. The directors of the Company believe, after considering legal advice, that the aforementioned case is at a very early stage and would not be necessary for provision making. Please refer to the Company's announcement dated 11 May 2020 and 15 May 2020 for details of the case.

iv) On 29 May 2020, the Company received a wart of summons issued from the High Court of Hong Kong by the landlord (the "Plaintiff") of its former office premises alleges that the Company has breached a lease relating to an office premises located at 18th Floor, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong entered into on 19 April 2018 between the Plaintiff as the landlord and the Company as the tenant. The Plaintiff claims against the Company for an amount of approximately HK$30,000,000 in total. Please refer to the Company's announcement dated 29 May 2020 for details of the case. Lease liabilities amount of HK$20,307,000 were recorded in the consolidated financial statements as at 31 December 2019.

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Interest in subsidiaries		**1,040,673**	1,040,673
Amounts due from subsidiaries	(a)	**1,327,460**	1,246,366
		2,368,133	2,287,039
Less: Impairment		**(1,991,754)**	(1,290,292)
Interest in subsidiaries		**376,379**	996,747
Fixed assets		**5,975**	9,542
		382,354	1,006,289
Current assets			
Loan receivable		**–**	–
Prepayment, deposit and other receivables		**6,498**	11,848
Bank balances and cash		**196,289**	47,462
		202,787	59,310
Current liabilities			
Accruals and other payables		**257,090**	32,077
Amounts due to subsidiaries	(a)	**137,523**	104,956
Lease liability – current portion *(note 33)*		**15,790**	–
Convertible notes – current portion *(note 32)*		**290,000**	97,940
Derivative financial liabilities *(note 32)*		**1,370**	1,400
Borrowings – current portion		**73,880**	–
Senior notes		**283,101**	225,687
Amount due to a related party *(note 31)*		**15,000**	–
		1,073,754	462,060
Net current liabilities		**(870,967)**	(402,750)
Total assets less current liabilities		**(488,613)**	603,539
Capital and reserves			
Share capital		**51,659**	1,033,172
Reserves	(b)	**(544,789)**	(683,937)
Total (deficit) equity		**(493,130)**	349,235
Non-current liabilities			
Borrowings – non current portion		**–**	70,869
Convertible notes – non current portion *(note 32)*		**–**	168,435
Amount due to related party *(note 31)*		**–**	15,000
Lease liability – non current portion *(note 33)*		**4,517**	–
		4,517	254,304
		(488,613)	603,539

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Notes:

(a) AMOUNTS DUE TO/FROM SUBSIDIARIES

The amounts due to/from subsidiaries are unsecured, interest-free and repayable on demand.

(b) RESERVES

	Share premium HK$'000	Contributed surplus reserve HK$'000 *(note)*	Capital redemption reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2018	1,828,103	115,419	52	(1,394,361)	549,213
Loss and total comprehensive expense for the year	–	–	–	(1,286,202)	(1,286,202)
Placing of shares	53,052	–	–	–	53,052
At 31 December 2018 and 1 January 2019	1,881,155	115,419	52	(2,680,563)	(683,937)
Loss and total comprehensive expense for the year	–	–	–	(842,365)	(842,365)
Capital reduction *(note 39(c))*	–	981,513	–	–	981,513
At 31 December 2019	1,881,155	1,096,932	52	(3,522,928)	(544,789)

Note: The contributed surplus arose in 1989 as a result of the Group's reorganisation and represented the difference between the nominal value of the Company's shares allotted under the reorganisation scheme and the then consolidated net asset value of the acquired subsidiaries and arose in 2019 as a result of capital reduction. (See note 39(c)). According to the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders under certain circumstances. The Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

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

(ii) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

The summarised consolidated results, assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and reclassified as appropriate, are as set out below:

	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Revenue	**40,496**	81,394	26,774	51,730	50,465
Loss for the year	**(969,951)**	(1,276,536)	(148,102)	(7,231)	(232,007)
Attributable to:					
Owners of the Company	**(993,035)**	(1,278,979)	(148,102)	(7,231)	(232,007)
Non-controlling interests	**23,084**	2,443	–	–	–
	(969,951)	(1,276,536)	(148,102)	(7,231)	(232,007)
ASSETS AND LIABILITIES					
Total assets	**1,586,894**	2,334,710	2,662,323	2,286,591	4,728,286
Total liabilities	**(2,228,436)**	(1,655,637)	(1,156,345)	(701,188)	(3,109,005)
(Deficit) equity	**(641,542)**	679,073	1,505,978	1,585,403	1,619,281
Attributable to:					
Owners of the Company	**(641,542)**	353,061	1,505,978	1,585,403	1,619,281
Non-controlling interests	**–**	326,012	–	–	–
Total (deficit) equity	**(641,542)**	679,073	1,505,978	1,585,403	1,619,281

Schedule of Investment Properties

Description	Use	Area	Percentage of attributable interest
Lot No. 0414191933, South side of the lot, Qiao Gao Road, Xiqiao Town, Nanhai District, Foshan, Guangdong, The People's Republic of China	Commercial	Gross area – approximately 86,938 sq. metre	100