中國置業投資控股有限公司*

CHINA PROPERTIES INVESTMENT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 736

# 2020 Annual Report

* For identification purposes only

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### EXECUTIVE DIRECTORS

Han Wei (*Chairman*)
Au Tat On
Wang Linbo (appointed on 1 October 2019)

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Lai Wai Yin, Wilson
Cao Jie Min
Liang Kuo-Chieh

## COMPANY SECRETARY

Wong Chi Yan

## AUTHORISED REPRESENTATIVES

Au Tat On
Wong Chi Yan

## AUDITOR

Cheng & Cheng Limited

## LEGAL ADVISER

H.Y. Leung & Co. LLP Solicitors

## PRINCIPAL BANKER

ICBC (Asia)
CMB Wing Lung Bank

## REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 4303, 43/F
China Resources Building,
26 Harbour Road, Wanchai
Hong Kong

## BERMUDA SHARE REGISTRAR AND TRANSFER AGENT

Conyers Corporate Services (Bermuda) Limited
Clarendon House,
2 Church Street, Hamilton HM11,
Bermuda

## HONG KONG SHARE REGISTRAR

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

## WEBSITE

http://www.736.com.hk

## STOCK CODE

736

# LETTER FROM THE BOARD

On behalf of the board (the "board") of directors (the "directors") of China Properties Investment Holdings Limited (the "company"), I am pleased to present the annual results of the company and its subsidiaries (together the "group") for the year ended 31 March 2020 to the shareholders of the company (the "shareholders").

## OPERATING RESULTS

For the year under review, the Group's turnover for the continuing operation was approximately HKD51.80 million (2019: approximately HKD48.34 million), representing an increase of approximately 7.16% compared with last year. The increase in turnover was mainly due to increase in loan interest income from the money lending business.

The audited net loss for the year was approximately HKD92.59 million (2019: approximately HKD62.35 million) and the basic loss per share was HK69.61 cents (2019: HK51.35 cents). The increase in the net loss was mainly attributable to increase in expected credit loss on loan receivables of the year ended 31 March 2020 as compared to those for the last year and the loss on the business of financial services incurred for the current year.

The administrative expenses of the Group for the year amounted to approximately HKD48.85 million (2019: approximately HKD72.75 million). The finance cost of the Group amounted to approximately HKD9.28 million (2019: approximately HKD4.04 million) which was incurred for the interest-bearing borrowings under the security of investment properties in Shanghai and the unconvertible bonds issued by the company.

## BUSINESS REVIEW

During the year under review, the principal business activities of the Group included the properties investment, money lending and financial services.

For the properties investment, as at 31 March 2020, the aggregate gross floor area of the investment properties being held by the Group was approximately 7,004 square meters, approximately 100% of which was leased to third parties under operating leases with lease terms ranging up to twelve years.

For the financial services, a segment revenue of approximately HKD626,000 and loss of approximately HKD16,456,000 were recorded for the year ended 31 March 2020. In view of its unsatisfied financial performance and the intense competition in the financial services sector, the directors decided to close down the business of financial services of the Group so as to focus its resources in its other existing business. The Group has submitted the applications to the Securities and Futures Commission ("SFC") for cessation of its Type 1 (dealing in securities) and Type 9 (asset management) businesses in January 2020 and February 2020 respectively and such applications were being processed by the SFC.

# LETTER FROM THE BOARD

The money lending business made an increase during the year. For the year ended 31 March 2020, the Group had a gross loan portfolio amounted to approximately HK$447.02 million with the average interest rate of 10.74%. The interest income generated from the money lending business was approximately HK$42.55 million for the year ended 31 March 2020, representing an increase of approximately 10.20% in comparison with last year.

## OUTLOOK

Going forward, the Group will remain focused on developing its existing businesses in properties investment and money lending which will enhance the revenue steam of the Group. In the meantime, the directors will also look for other suitable investment opportunities from time to time so as to enhance the value of the company and its shareholders as a whole.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2020, the Group's net current assets were approximately HKD409.60 million (2019: approximately HKD185.57 million), including cash and bank balances of approximately HKD19.58 million (2019: approximately HKD47.38 million).

The Group had borrowings of approximately HKD87.58 million as at 31 March 2020 (2019: approximately HKD67.24 million), of which 7.5%, 7.5%, 16.69%, 68.31% were due within 1 year, after 1 year but within 2 years, after 2 years but within 5 years, after 5 years respectively from balance sheet date. The gearing ratio, defined as the percentage of total debts to the total equity of the company, was approximately 19.16% (2019: 12.52%).

## SIGNIFICANT INVESTMENTS

Investment with fair value accounting for more than 5% of the Group's total assets was considered as significant investment. The company did not have significant investments as at 31 March 2020.

During the year ended 31 March 2020, the company has redeemed the 310,250 participation shares of the Avant Capital Dragon Fund SP in the value of approximately HKD33.45 million. The Group recorded a loss of approximately HKD9.27 million for the redemption.

# LETTER FROM THE BOARD

## FOREIGN EXCHANGE EXPOSURE

As most of the Group's assets and liabilities are denominated in Hong Kong dollar, Renminbi and US dollar and the liabilities of the Group are well covered by its assets, the Group does not have any significant exposure to foreign exchange fluctuation. During the period under review, the Group did not use any financial instruments for hedging purposes.

## CAPITAL STRUCTURE AND SHARE CAPITALS

For the year ended 31 March 2020, the company implemented the share consolidation by consolidating every forty (40) issued and unissued Shares of HK$0.01 each in the share capital of the company into one (1) consolidated Share of HK$0.40 each. Upon the share consolidation becoming effective on 8 January 2020, the authorised share capital of the company became HK$300,000,000 divided into 750,000,000 consolidated shares of HK$0.40 each, of which 133,583,303 consolidated shares were in issue.

Save as disclosed above, there was no change in capital structure of the company for the year ended 31 March 2020.

## CHARGES ON GROUP'S ASSETS

As at 31 March 2020, the Group's investment properties with a value of approximately HKD206.83 million were pledged to secure a borrowing from Shanghai Xiang Chen Hang Place The Industry Co. Limited, a wholly-owned subsidiary of the company.

## CONTINGENT LIABILITIES

As at 31 March 2020, the Group did not have any material contingent liability (2019: Nil).

## ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There was no acquisition or disposal of subsidiaries or associated companies of the Group for the year ended 31 March 2020.

# LETTER FROM THE BOARD

## EMPLOYEES

As at 31 March 2020, the Group had 38 employees (2019: 41). The remuneration of employees was determined with reference to statutory minimum wages, market terms and the performance, qualification and experience of individual employees. The Group provides mandatory provident fund and insurance scheme to the employees. Share option scheme and incentive schemes are adopted to encourage personal commitment of employees.

## APPRECIATION

Taking this opportunity, we would like to thank all shareholders and business partners for their continuous supports. I also thank my fellow directors and staff members for their dedication and contribution to the Group during the year.

On behalf of the board

**Han Wei**
*Chairman*

Hong Kong, 29 June 2020

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

**Mr. Han Wei**, aged 49, was appointed as a non-executive director of the company in December 2016 and was re-designated as executive director in August 2017 and was appointed as the chairman and chief executive officer of the company in December 2017. He joined the Group in December 2008 as the director and authorized representative of Shanghai Xiang Chen Hang Place The Industry Co. Limited, a wholly-owned subsidiary of the company. He is also the director of an indirect wholly-owned subsidiary of the company in Canada. Mr. Han is an intermediate economist conferred by the Ministry of Personnel People's Republic of China. He graduated from Shanghai Education Institute (上海教育學院) and studied Finance at Shanghai Finance University (上海金融高等專科學校). He also completed the EMBA programme at Research Institute of Tsinghua University in Shenzhen (深圳清華大學研究院). Mr. Han has extensive experience in banking and business management. Prior to joining the Group, Mr. Han served as the general manager of an investment company in Shanghai for about five years and serves as a manager of Bank of Shanghai. He is responsible for the overall management, strategic planning and business development of the Group.

**Mr. Au Tat On**, aged 64, was appointed as an executive director of the company in May 2006. Mr. Au received a bachelor's degree in business administration from Chu Hai College in 1989 and has nearly 28-year experience in banking operations and financing. He is responsible for the general management and money lending business of the Group.

**Mr. Wang Linbo,** aged 40, was appointed as an executive director of the company in October 2019. Mr. Wang obtained his Bachelor Degree of Economics and Management from Nanjing Institute of Politics (南京政治學院) in 2005. Prior to joining the company, Mr. Wang served as the senior account manager of a financial services company for about four years and has been the sales director of technology companies. Mr. Wang has over 16 years of experience in sales and marketing, administration and business operation. He is responsible for the general management and business development of the Group.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Lai Wai Yin, Wilson**, aged 55, was appointed as an independent non-executive director, member of audit committee and member of remuneration and nomination committee of the company in April 2009. Mr. Lai is a fellow member of the Association of International Accountants, United Kingdom and a practising member of the Hong Kong Institute of Certified Public Accountants. He graduated from Hong Kong Shue Yan University majoring in accounting. During the 30 years in the audit profession, Mr. Lai gained extensive experience in the audits of Hong Kong listed companies and multi-national companies engaged in manufacturing, construction, property investment and software development businesses as well as audits of US Securities and Future Commission regulated clients. In addition, he had involved in many initial public offering projects and due diligence works in the PRC, Hong Kong, Singapore and the United States. He is currently the sole proprietor of Wilson W.Y. Lai & Co., Certified Public Accountants.

**Ms. Cao Jie Min**, aged 35, was appointed as an independent non-executive director, member of audit committee and member of remuneration and nomination committee of the company in May 2009. Ms. Cao holds a bachelor of laws degree in international economy from the Shanghai Institute of Foreign Trade. Ms. Cao currently holds a practicing certificate issued by the Ministry of Justice of the PRC. She is currently working in the legal & compliance department of Ford Automotive Finance (China) Limited.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. Liang Kuo-Chieh**, aged 41, was appointed as an independent non-executive director and member of audit committee of the company in July 2017. Mr. Liang holds a master of science degree in transport and sustainability from Imperial College London and University College London and a bachelor of engineering degree in mechatronics from King's College London, University of London. Mr. Liang is currently working as an enterprise and training manager of Bootstrap Company and is also a board member and social enterprise consultant of Greenwich Social Enterprise Partnership. Mr. Liang has extensive experience in fund raising and financial consulting.

## SENIOR MANAGEMENT

**Mr. Zhou Hong Tao**, aged 42, was appointed as the director of Triple Glory Holdings Limited in August 2011, a wholly owned subsidiary of the company and is carrying the business of money lending services. Mr. Zhou obtained a bachelor's degree in Engineering from the Dalian University of Technology and a master degree in Business Administration from the Beijing Jiaotong University. He also obtained the IFM certificate from U.S.A. in 2005 and has over ten years of experience in management and merger and acquisition of resource related projects. Prior to joining the company, Mr. Zhou served (i) at the office of Yanshan District Committee, Beijing City as deputy general manager; and (ii) at PKU Resource Group as director of the project operation centre.

**Mr. Pao Lik**, aged 49, was appointed as the director, CEO and responsible officer of C.P. Securities International Limited ("CPS") in April 2016 and May 2016 respectively. CPS is licensed under the Securities and Futures Ordinance to carry on type 1 regulated activity of dealing in securities in Hong Kong and is a wholly-owned subsidiary of the company. Mr. Pao was also appointed as the responsible officer and director of C.P. Financial Management Limited ("CPFM") in December 2016. CPFM is a company licensed under the Securities and Futures Ordinance to carry on Type 9 (asset management) regulated activity in Hong Kong and is a wholly-owned subsidiary of the company. Prior to joining the Group, Mr. Pao served as the Vice President and Responsible Officer in Southwest Securities (HK) Brokerage Limited (formerly known as "Tanrich Securities Company Limited") since 1998. Mr. Pao has extensive experience in operation and management of securities brokerage and asset management business. He holds a Bachelor degree in Government and Public Administration in The Chinese University of Hong Kong.

# REPORT OF THE DIRECTORS

The directors of the company herein present their report and the audited financial statements of the company and the Group for the year ended 31 March 2020.

## PRINCIPAL ACTIVITIES

The principal activity of the company is investment holding. The principal activities of its subsidiaries are set out in note 19 to the financial statements.

## BUSINESS REVIEW

The business review of the Group's performance during the year required under Schedule 5 to the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including financial key performance and the likely future development in the business of the Group is set out in the "Letter from the Board" on pages 3 to 6 of this annual report. Description of the principal risks and uncertainties facing the company can be found throughout this annual report particularly in note 4 to the financial statements. This discussion forms part of this "Report of the Directors".

## RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2020 are set out in the consolidated statement of profit or loss on pages 46 and 47 of this annual report.

The directors do not recommend payment of any dividends in respect of the year ended 31 March 2020.

## SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 163 of this annual report. This summary does not form part of the audited financial statements.

## COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

For the year ended 31 March 2020, as far as the board is aware, there was no material breach of the laws or regulations that have a significant impact on the company's business and operation by the company.

# REPORT OF THE DIRECTORS

## ENVIRONMENTAL PROTECTION POLICY

The Group is committed to build up an environmental-friendly working environment. The Group encourage environmental protection and promote awareness towards environmental protection to the employees. During the year, the Group has implemented various measure to reduce electricity consumption and wastage, including keeping office temperature at reasonable level, switching off idle lightings and electrical appliance, promoting using recycled paper and double-sided printing. The Group will continue to make endeavors in lowering resources consumption and seek to minimize the negative impact of the Group's operations on the environment.

## PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the plant and equipment, and investment properties of the Group during the year are set out in notes 16 and 18 to the financial statements.

## SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the company's share capital and share options during the year, together with the reasons therefor, are set out in notes 32 and 33 to the financial statements.

## EQUITY-LINKED AGREEMENTS

Save as the company's share option scheme disclosed in note 33 to the financial statements, no equity-linked agreements were entered into by the company during the year ended 31 March 2020.

## PRE-EMPTIVE RIGHTS

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

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the company, nor any of its subsidiaries purchased, redeemed or sold any of the company's listed securities during the year ended 31 March 2020.

# REPORT OF THE DIRECTORS

## RESERVES

Details of movements in the reserves of the company and the Group during the year are set out in note 34 to the financial statements and in the consolidated statement of changes in equity respectively.

## DISTRIBUTABLE RESERVES

The aggregate amount of reserves available for distribution to owners of the company as at 31 March 2020 is set out in note 34 to the financial statement.

## MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, turnover for the continuing operations attributable to the Group's five largest customers accounted for approximately 45.51% of the total turnover for the year and turnover attributable to the largest customer included therein amounted to approximately 11.53%. Purchases for the continuing operations from the Group's five largest suppliers accounted for 22.66% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 6.86%.

None of the directors of the company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers.

## DIRECTORS

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

### EXECUTIVE DIRECTORS:

Han Wei *(Chairman)*
Au Tat On
Wang Linbo (appointed on 1 October 2019)

### INDEPENDENT NON-EXECUTIVE DIRECTORS:

Lai Wai Yin, Wilson
Cao Jie Min
Liang Kuo-Chieh

# REPORT OF THE DIRECTORS

The directors have no financial, business, family or other material relationships with each other.

According to Bye-law, one-third of the directors for the time being, or if their number is not three or a multiple of three, then the number nearest to but not less than one-third shall retire from office by rotation at every annual general meeting. A retiring director shall be eligible for re-election. Mr. Au Tat On and Mr. Lai Wai Yin Wilson will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

There were no service contracts entered into between the company and the directors. The directors will be subject to the general requirement of retirement by rotation and re-election at the annual general meeting of the company under the Bye-laws.

The company has received the annual written confirmation from each of the independent non-executive directors of their independence to the company. The company considers that all of the independent non-executive directors are independent in accordance with the guidelines set out in Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

## DIRECTORS' BIOGRAPHIES

Biographical details of the directors are set out on pages 7 and 8 of the annual report.

## DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the company's remuneration and nomination committee with reference to the directors' duties, responsibilities and performance and the results of the Group.

## DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the company which is not determinable by the company within one year without payment of compensation (other than statutory compensation).

# REPORT OF THE DIRECTORS

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

For the year ended 31 March 2020, none of the directors or their associates (if any, as defined under the Listing Rules) was interested in any business which competes or is likely to compete with the businesses of the Group.

## DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENT OR CONTRACTS

Save as disclosed in note 36 to the financial statements, none of directors of the company or their connected entities had a material interest, whether directly or indirectly, in any transactions, arrangements or contracts of significance in relation to the Group's business to which the company or any of its subsidiaries was a party at any time during the year ended 31 March 2020.

## DIRECTORS' INTEREST AND SHORT POSITIONS IN SHARES

As at 31 March 2020, no directors has registered an interest or short position in the share capital (the "Shares") of the company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the company pursuant to Section 352 of the SFO, or as otherwise notified to the company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules:

The interests of directors in the share options of the company are separately disclosed in the note 33 to the financial statements.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the share option scheme in note 33 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

## PERMITTED INDEMNITY PROVISION

Pursuant to the Bye-Laws of the company, every director shall be indemnified and secured harmless out of the assets and profits of the company against all losses, damages and expenses which he/she may incur or sustain by reason of any act done about the execution of duties of his/her office or otherwise in relation thereto.

There is appropriate directors' and officers' liabilities insurance coverage for the directors and officers of the Group.

# REPORT OF THE DIRECTORS

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

As at 31 March 2020, so far as known to the Directors, there was no person who had an interest or short position in the shares of the company and underlying shares which would require disclosure to the company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, beneficially interested in 5% or more of the issued share capital of the company.

## CONNECTED TRANSACTIONS

During the year under review, the company did not enter into any non-exempted connected transaction within the meaning of the Listing Rules.

Significant related party transactions entered into by the Group during the year ended 31 March 2020, which do not constitute connected transactions under the Listing Rules, are disclosed in note 36 to the financial statements.

## NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

The Group had no material event after reporting period.

## PUBLIC FLOAT

Based on information that is publicly available to the company and within the knowledge of directors, the company maintained a sufficient public float throughout the year ended 31 March 2020.

## AUDITOR

Cheng & Cheng Limited acted as auditor of the company and audited the Group's consolidated financial statements for the financial year ended 31 March 2020. A resolution will be submitted to the forthcoming annual general meeting of the company to re-appoint Cheng & Cheng Limited as auditor of the company.

ON BEHALF OF THE BOARD

**Han Wei**
*Chairman*

Hong Kong, 29 June 2020

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE PRACTICE

In view of the corporate governance practices, the company has adopted a set of clear guidelines to explain its policies, practices and procedures which aim at meeting our shareholders' expectations. The company has committed to maintain a high standard of corporate governance based on the principles of the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). The company recognizes the maintenance of good corporate governance practices is essential to the growth of the company. In the opinion of the directors, the company had complied with the CG Code throughout the year ended 31 March 2020 except for the code provisions A.2.1 and E.1.2. Details of the deviation are set out in the relevant section below.

## DIRECTORS' SECURITIES TRANSACTION

The company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors.

The company had also made specific enquiry of all directors and the company was not aware of any non-compliance with the required standard as set out in the Model Code.

## BOARD OF DIRECTORS

The board comprises five directors, including two executive Directors and three independent non-executive directors. Details of the board composition are set out in the Report of Directors on page 9.

The board formulates overall strategies and policies of the Group. It also ensures the availability of adequate capital and managerial resources to implement the strategies adopted, the adequacy of systems of financial and internal controls and the conduct of business in conformity with applicable laws and regulations. Decisions requiring the board's approval include, among others, all matters of objective and strategic importance, corporate governance practices, changes in board members, major transactions and investment commitments, annual budget, all policy matters etc. The day-to-day management, administration and operation of the company are delegated to senior management which is accountable to the board for the implementation of the Group's overall strategies and coordination of overall business operations.

The company also recognized and embraced the benefits of having a diverse board to the quality of its performance. The board will take into account a number of measurable objectives to achieve its diversity, including but not limited to gender, age, cultural and educational background, or professional experience. Such objectives will be reviewed from time to time to ensure their appropriateness in determining the optimum composition of the board.

# CORPORATE GOVERNANCE REPORT

The board members are fully committed to their roles and have always acted, individually and collectively, in the best interests of the company and its shareholders at all times. To the best knowledge of the company, there is no financial, business, family or other relevant relationship amongst directors. Biographical details of the directors are set out on pages 9 and 10 under the section headed "Biographical details of the Directors and Senior Management" of this annual report.

The number of full board meetings and general meetings held during the year ended 31 March 2020 and the directors' respective attendance record are summarised as follows:

| | Number of general meeting Attended/Held | Number of Board meeting Attended/Held |
|---|---|---|
| **Executive Directors** | | |
| Han Wei | 0/1 | 20/20 |
| Au Tat On | 1/1 | 20/20 |
| Wong Linbo (appointed on 1 October 2019) | 0/0 | 7/7 |
| **Independent Non-executive Directors** | | |
| Lai Wai Yin, Wilson | 1/1 | 20/20 |
| Cao Jie Min | 0/1 | 20/20 |
| Liang Kuo-chieh | 0/1 | 20/20 |

The code provision E.1.2 stipulates that the chairman of the board should attend the annual general meeting. The chairman was unable to attend the company's annual general meeting held on 29 August 2019 due to his other work commitments.

The board will continue to improve its corporate governance practices appropriate to the conduct and development of its business and to review such practices from time to time to ensure that they are in line with the latest developments and statutory standards.

# CORPORATE GOVERNANCE REPORT

## CHAIRMAN AND CHIEF EXECUTIVE

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Mr. Han Wei, the chairman of the company, also acted as chief executive officer of the company during the year under review, deviating from the requirement of the code provision A.2.1. The board considered that this structure was conductive with strong and consistent leadership, enabling the company to make and implement decisions promptly and efficiently.

The chairman of the company takes the lead in formulating overall strategies and policies of the Group which include compliance with good corporate governance practices and to facilitate active contribution of directors in board activities. He also ensures that all directors are properly briefed on issues arising at board meetings and have received adequate, complete and reliable information in a timely manner with the assistance of the company secretary.

## EXECUTIVE DIRECTORS

The executive directors are responsible for management of the Group and executing the strategies adopted by the board. They lead the Group's management team in accordance with the directions set by the board and are responsible for ensuring that proper internal control system is in place and the Group's business conforms to applicable laws and regulations.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive directors serve the important function of ensuring and monitoring the basis for an effective corporate governance framework. Their participations provide adequate checks and balances to safeguard the interests of the Group and its shareholders. The board consists of three independent non-executive directors and one of them has appropriate professional qualifications or accounting or related financial management expertise. The company has received from each of the independent non-executive directors a confirmation of independence for the year pursuant to the Listing Rules. On this basis, the company considers all such directors to be independent.

## CONTINUING PROFESSIONAL DEVELOPMENT OF DIRECTORS

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their understanding of the business and operations of the company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

During the year, all directors were provided with regular updates on corporate governance and regulatory requirements under which the Group conducts its business. Directors are encouraged to attend relevant training courses at the company's expenses. All directors confirmed that they have participated in continuous professional development by attending seminars or studying relevant materials on the topics related to corporate governance and regulations.

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE FUNCTIONS AND BOARD COMMITTEES

In view of the corporate governance practices, the company has adopted a set of clear guidelines to explain its policies, practices and procedures which aim at meeting our shareholders' expectations. The company has committed to maintain a high standard of corporate governance based on the principles of the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). The company recognizes the maintenance of good corporate governance practices is essential to the growth of the company. In the opinion of the directors, the company had complied with the CG Code throughout the year ended 31 March 2020 except for the code provisions A.2.1 and E.1.2. Details of the deviation are set out in the relevant section below.

## AUDIT COMMITTEE

The company has established an audit committee ("Audit Committee") which currently comprises three independent non-executive directors. The duties of the Audit Committee include the following:

- To act as the key representative body for overseeing the company's relations with the external auditor, and to be primarily responsible for making recommendations to the board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and to consider any questions of its resignation or dismissal.

- To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, and to discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences.

- To develop and implement policy on engaging an external auditor to supply non-audit services.

- To monitor integrity of the company's financial statements and annual report and accounts, half-year report and to review significant financial reporting judgments contained therein.

- To review the company's financial controls, internal control and risk management systems.

- To discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system.

- To consider major investigation findings on internal control matters as delegated by the board or on its own initiative and management's response to these findings.

- To review the Group's financial and accounting policies and practices.

- To review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response.

- To ensure that the board will provide a timely response to the issues raised in the external auditor's management letter.

- To consider other topics, as defined by the board.

- To review arrangements employees of the company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters, and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

- To perform the duties as set out in Code Provision C.3.3 of the CG Code.

During the year ended 31 March 2020 the Audit Committee held 2 meetings, details of attendance are set out below:–

| Members | Number of meetings Attendance/Held |
|---|---|
| Lai Wai Yin, Wilson *(Chairman of the Audit Committee)* | 2/2 |
| Cao Jie Min | 2/2 |
| Liang Kuo-chieh | 2/2 |

The Audit Committee during the year in conjunction with the auditor has reviewed the internal controls, interim and annual results of the Group and its other duties (if relevant) in the CG Code.

The board has not taken any different view from that of the Audit Committee regarding selection, appointment, resignation or dismissal of external auditor.

## REMUNERATION COMMITTEE AND NOMINATION COMMITTEE

The remuneration committee (the "Remuneration Committee") and the nomination committee (the "Nomination Committee") of the company have been established by the board. Both committees currently comprise three independent non-executive directors. The duties of the Remuneration Committee include the following:

- To make recommendations to the board on the company's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy.

- To review and approve the management's remuneration proposals with reference to the board's corporate goals and objectives.

- To review and determine the remuneration packages of the directors with reference to their duties and responsibilities with the company.

- To consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group.

- To review and approve compensation payable to executive directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive.

- To review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate.

- To ensure that no director or any of his/her associates is involved in deciding his/her own remuneration.

The duties of the Nomination Committee include the following:

- To review the structure, size and composition (including the skills, knowledge and experience) of the board at least annually and make recommendations on any proposed changes to the board to complement the company's corporate strategy.

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

- To assess the independence of independent non-executive directors.

- To make recommendations to the board on the appointment or reappointment of directors and succession planning for directors, in particular the chairman of the board and the chief executive officer.

In addition, the Nomination Committee as a whole is responsible for reviewing the board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment and succession planning of directors and assessing the independence of independent non-executive directors. Where vacancies exist, the Nomination Committee will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the company's needs and other relevant statutory requirements and regulations.

For the avoidance of doubt, the directors and their associates do not participate in decisions making relating to their own remuneration.

During the year ended 31 March 2020, the Remuneration Committee and Nomination Committee held 2 meeting, details of attendance are set out below:–

| | Nomination Committee | Remuneration Committee |
|---|---|---|
| **Members** | **Number of meetings Attendance/Held** | **Number of meetings Attendance/Held** |
| Lai Wai Yin, Wilson | 2/2 | 2/2 |
| Cao Jie Min | 2/2 | 2/2 |
| Au Tat On | 2/2 | 2/2 |

## ACCOUNTABILITY AND AUDIT

### FINANCIAL REPORTING

The directors acknowledge their responsibility for preparing all information and representations contained in the financial statements of the Group for the year. The directors consider that the financial statements have been prepared in conformity with the generally accepted accounting standards in Hong Kong and reflect amounts that are based on the best estimates and reasonable, informed and prudent judgment of the board and management with an appropriate consideration to materiality. The directors, having made appropriate enquiries, are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the company's ability to continue as a going concern. Accordingly, the directors have prepared the financial statements of the company on a going concern basis.

The statement of the auditor of the company regarding their responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 41 to 45 of this annual report.

### RISK MANAGEMENT AND INTERNAL CONTROL

The board places great importance on risk management and internal control and has ultimate responsibilities for overseeing management in the design, implementation and monitoring of the risk management and internal control system of the Group on an ongoing basis. The board is also committed to review the adequacy and effectiveness of the Group's risk management and internal control systems.

The Group has been maintaining the risk management and internal control systems with aims to manage rather than eliminate the risk of failure to achieve business objectives, and provide reasonable and not absolute assurance against material misstatements or losses caused by judgment in decision making process, human error, fraud or other irregularities.

In order to comply with the applicable code provisions set out in the CG Code contained in Appendix 14 to the Listing Rules, the board has retained Crowe (HK) Risk Advisory Limited, an independent professional firm as the outsourced internal auditor with a view to facilitating adequacy of resources and quality of review to satisfy the Group's internal audit function as required by the Listing Rules and to assist the board to perform annual reviews on the effectiveness of the Group's risk management and internal control systems for the year ended 31 March 2020.

During the year ended 31 March 2020, the Group has reviewed an internal audit charter which defined the scope and the duties and responsibilities of the internal audit function and its reporting protocol. The Group has conducted an annual risk assessment which identified respective strategic risks, operational risks, financial risks and compliance risks for each of the major business segment of the Group. Risk factors were analyzed and consolidated at the Group level. Based on the risk assessment results following a risk based methodology audit approach, a three-years' audit plan was updated which prioritized the risks identified into annual audit projects. Annual reviews were performed according to the audit plan with a view to assisting the board and the Audit Committee to evaluate the effectiveness of the Group's risk management and internal control systems. The review also covered the compliance of code provisions as set out in the Appendix 14 to the Listing Rules, material controls, including financial, operational and compliance controls at entity and operational levels. The Group has taken further steps to enhance its risk management and internal control systems according to some weaknesses were found during risk assessment and examination of the internal control and strengthen the implementation of all the risk management and internal control systems.

The Group has been maintaining 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 work performed by the external auditor, the internal auditor, and reviews performed by the management, respective board committees and the board, the Audit Committee and the board are of the view that the Group has maintained sound, effective and adequate risk management and internal control system during the year ended 31 March 2020.

### AUDITOR'S REMUNERATION

An analysis of the auditor's remuneration is set out as follows:

| Services rendered | For the year ended 31 March 2020 Approximately HK$'000 | For the year ended 31 March 2019 Approximately HK$'000 (Restated) |
|---|---|---|
| Audit services paid/payable to the existing auditor | **1,380** | – |
| Audit services paid/payable to the former auditor | **–** | 1,824 |
| Non-audit services paid/payable to the existing auditor | **–** | – |
| Non-audit services paid/payable to the former auditor | **470** | 421 |
| Total: | **1,850** | 2,245 |

## SHAREHOLDERS' RIGHTS

Pursuant to Article 58 of the Bye-laws and the Companies Act 1981 of Bermuda (the "Companies Act"), the board may whenever it thinks fit call special general meetings, and shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the company carrying the right of voting at general meetings of the company shall at all times have the right, by written requisition to the board or the secretary of the company, to require a special general meeting to be called by the board and such meeting shall be held within two (2) months after the deposit of such requisition. The requisition must state the purposes of the meeting and the matter referred to in any proposed resolution or the business to be dealt with at that meeting, and must be signed by the requisitionists and deposited at the registered office of the company. If within twenty-one (21) days of such deposit the board fails to proceed to convene such meeting the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act.

Shareholders may send written enquiries to the company, for the attention of the board or the secretary of the company, by post to Room 4303, 43/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong. Shareholders may also direct their questions about their shareholdings to Tricor Secretaries Limited, the company's Hong Kong share registrar, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

# CORPORATE GOVERNANCE REPORT

## COMMUNICATION WITH SHAREHOLDERS

The company endeavours to develop and maintain continuing relationships and effective communications with its shareholders and investors. To facilitate and enhance the relationships and communication, the company has established, including but not limited to, the following various channels:

- annual general meeting provides a forum for shareholders of the company to raise comments and exchange views with the board. The chairman and the directors are available at annual general meetings to address shareholders' queries;

- separate resolutions are proposed at general meetings on each substantially separate issue and procedures for demanding a poll in general meetings are included in circulars to the shareholders to facilitate the enforcement of shareholders' rights;

- interim and annual results are announced as early as possible so that the Shareholders are kept informed of the Group's performance and operations; and

- corporate website of www.736.com.hk contains extensive information and updates on the company's business developments and operations, financial information and other information.

## CONSTITUTIONAL DOCUMENTS

A copy of the latest version of the company's constitutional documents including the memorandum of association of the company and the Bye-laws were posted on the websites of the company and the Stock Exchange respectively.

During the year ended 31 March 2020, there was no change in the company's constitutional documents.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## I. ABOUT THIS REPORT

The board of directors (the "Board") of China Properties Investment Holdings Limited (the "Company") is pleased to present this Environmental, Social and Governance (hereinafter called "ESG") Report (the "Report") of the company and its subsidiaries (collectively as the "Group" or "we"). This ESG Report summarizes the policies, sustainability strategies, management approach, initiatives and performance made by the Group in the environmental and social aspects of its business.

The ESG Report covers the environmental and sustainable development strategies and policies of the Group's business in the properties investment, money lending and financial services for the year ended 31 March 2020. The Report discloses the required information under the "comply or explain" provisions of the ESG Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("HKEX"). The relevant provisions and details are listed out at the end of the Report.

The Board is responsible for the Group's ESG strategy formulation and reporting, evaluating and determining the Group's ESG-related risks, and ensuring that appropriate and effective ESG risk management measures and internal control systems are in place. In order to determine the ESG reporting scopes, the key management personnel has discussed internally and identified the environmental, social and operating items, and assessed their importance to the stakeholders and the Group. The summary of material ESG items are listed out in this report.

## II. STAKEHOLDERS' ENGAGEMENT

The Group is committed to maintaining the sustainable development of its business and the environmental protection of the communities in which it operates. The Group maintains a close tie with its stakeholders, including government/regulatory organizations, shareholders/investors, employees, customers, suppliers, community, etc. and strives to balance their opinions and interests through constructive communications in order to determine the directions of its sustainable development. The Group assesses and determines its environmental, social and governance risks, and ensures that the relevant risk management measures and internal control systems are operating effectively. The following table shows the management response to the stakeholders' expectations and concerns:

| Stakeholders | Expectations and concerns | Communication channels | Management response |
|---|---|---|---|
| Government/regulatory organizations | ➢ Compliance in laws and regulations<br>➢ Fulfill tax obligation<br>➢ Joint anti-epidemic | ➢ Periodic report/interim announcement<br>➢ Correspondence | ➢ Uphold integrity and compliance in operations<br>➢ Pay tax on time, and in return contributing to the society<br>➢ Establish comprehensive and effective internal control system |
| Shareholders/investors | ➢ Return on investment<br>➢ Information transparency<br>➢ Corporate governance system<br>➢ Joint anti-epidemic | ➢ Information disclosed on the HKEX website<br>➢ Annual general meeting and other shareholders' meetings | ➢ Management possesses relevant experience and professional knowledge in business sustainability<br>➢ Ensure transparent and effective communications by dispatching websites of HKEX and the company.<br>➢ Continue to improve the internal control system and focus on risk management |
| Employees | ➢ Labor rights<br>➢ Career development<br>➢ Compensation and welfare<br>➢ Health and workplace safety<br>➢ Joint anti-epidemic | ➢ Employee performance evaluation<br>➢ On-the-job training<br>➢ Internal meetings and announcements<br>➢ Contact via email, employees' mail box, phone and communication applications | ➢ Set up contractual obligations to protect labor rights<br>➢ Encourage employees to participate in continuous education and professional trainings<br>➢ Establish a fair, reasonable and competitive remuneration scheme<br>➢ Pay attention to occupational health and safety<br>➢ Provide epidemic prevention supplies (such as masks and alcohol sanitizers) |
| Customers | ➢ High quality services<br>➢ Joint anti-epidemic | ➢ Contact via email and phone call | ➢ Improve the quality of services continuously in order to maintain customer satisfaction<br>➢ Ensure proper contractual obligations are in place |

| Stakeholders | Expectations and concerns | Communication channels | Management response |
|---|---|---|---|
| Suppliers | ➢ Stable demand<br>➢ Good relationship with the company<br>➢ Corporate reputation<br>➢ Joint anti-epidemic | ➢ Contact via email and phone call | ➢ Ensure proper contractual obligations are in place<br>➢ Establish policy and procedures in supply chain management<br>➢ Establish and maintain strong and long-term relationship with suppliers<br>➢ Select suppliers with due care |
| Community | ➢ Environmental protection<br>➢ Community contribution<br>➢ Economic development<br>➢ Joint anti-epidemic | ➢ Information publicity website of government department<br>➢ Community activities | ➢ Pay attention to climate change<br>➢ Maintain good and stable financial performance and business growth<br>➢ Respond to government's appeal of implementing various epidemic prevention and control measures |

## III. MATERIALITY MATRIX

During the reporting period, the Group has evaluated a number of environmental, social and operating items, and assessed their importance to stakeholders and the Group through various channels. This assessment helps to ensure that the Group's business objectives and development direction are in line with the stakeholders' expectations and requirements. The Group's and stakeholders' matters of concern are presented in the following materiality matrix:

**Materiality Matrix**

| Importance to Stakeholders | Low | Medium | High |
|---|---|---|---|
| High | ◆ Anti-discrimination measures<br>◆ Labor rights protection | ◆ Talent management<br>◆ Staff training and promotion opportunity<br>◆ Staff compensation and welfare | ➢ Customers' satisfaction<br>➢ Service quality<br>➢ Anti-corruption |
| Medium | ➢ Community contribution | ✧ Greenhouse gas emissions<br>✧ Use of resources<br>◆ Occupational health and workplace safety | ➢ Operational compliance<br>➢ Customers' privacy measures and protection<br>➢ Suppliers management |
| Low | ◆ Preventive measures for child and forced labor<br>✧ Exhaust air emission<br>✧ Sewage discharge<br>✧ Generation of non-hazardous wastes | ✧ Water resources utilization | |

**Importance to the Group**

✧ Environmental ◆ Employee ➢ Operation

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## IV. ENVIRONMENTAL PROTECTION

The Group strictly follows the environmental policy in "Energy saving and carbon reduction, and compliance with laws and regulations" in response to the global environmental protection trends and to fulfill its social responsibilities. The Group promotes energy conservation, reduce emission of pollutants and mitigate environmental risks through various measures and actions (Please refer to the "Management of Emissions" and "Management of Resources Utilization" sections below for details), including compliance of the applicable laws and regulations, ensuring efficient use of energy, water and other resources during operations, adopting various measures to raise staff awareness in environmental protection, and management monitoring of the implementation of environmental policies. We are working in a way to enable all levels of our employees to realize their impact on the environment, and to strike a balance between simultaneous development of stable business growth and implementation of environmental protection measures, so as to reduce the adverse effects on the environment brought by the enterprise's business activities and the employees' personal life.

### 1. MANAGEMENT OF EMISSIONS

The Group engages in properties investment, money lending and financial services, and did not involve in any production activities. Therefore, no packaging materials is used nor any hazardous wastes is produced. Discharge of chemical and wastewater containing hazardous substances into water pipelines are prohibited. Our impact on the environment mainly comes from the use of energy, generation of office and domestic wastes, and discharge of domestic wastewater. We also understand that energy consumption and greenhouse gas emission are closely related and thus we undertake various energy saving measures to reduce energy consumption and to enhance energy efficiency. Waste management mainly involves domestic garbage and collection of waste paper for recycling. Please refer to the "Management of Resources Utilization" section below for details.

*Compliance*

During the reporting period, the Group did not involve in any confirmed violations or suspected violations that are related to emissions that have a significant impact on the Group.

### 2. MANAGEMENT OF RESOURCES UTILIZATION

In order to comply with the applicable laws and regulations, the Group carefully manages the use of resources and is committed to ensuring that all resources are used in an efficient and prudent manner. We continually seek to identify and reduce environmental impacts attributable to our operational activities, demand our employees to focus on energy conservation and to follow our environmental policies and measures so that resources can be utilized to the fullest extent and to avoid any wastage.

*Conservation of Energy*

Conservation of Gasoline and Towngas

Gasoline is mainly used in vehicles. Drivers have to plan their routes in advance before departure, for example, when passengers are going to the same or nearby locations, the same vehicle should be used so as to shorten the driving distance and to reduce the consumption of gasoline. We carry out regular repairs and maintenance on vehicles for better energy use efficiency, and to reduce fuel consumption and waste gas emissions due to part failure. We also encourage employees to use public transport to reduce the use of vehicles. Furthermore, the Mainland company has tightened the control over fuel consumption each month by setting a maximum limit starting August 2019; and the Hong Kong company has stopped using three vehicles during the year as well. Altogether, the gasoline consumption during the reporting period has dropped by approximately 17,349.66 liters or 40.69% as compared with the previous year; and the Group consumed approximately a total of 25,285.35 liters of gasoline.

Towngas is mainly used in staff quarters. We encourage our employees to save towngas and switch it off when not in use. During the reporting period, the Group's towngas consumption was approximately 9,423.75 megajoules. Since the Group has ceased occupying one of the staff quarters, the towngas consumption is thus dropped by approximately 2,864.25 megajoules or 23.31% as compared with previous year.

Conservation of Electricity

The Group consumes electricity mainly in offices and staff quarters. We set up a series of measures to save electricity and to improve the energy use efficiency for electrical appliances, and to educate employees on the relationship between energy use and sustainability of the planet, and to raise their awareness of conservation so that they can build good habit in use of electricity. For example, we use energy-efficient equipment and strictly control the temperature and duration of use of air-conditioners. Electrical equipment, including lighting, air-conditioners, computers, personal electronic devices and common office equipment, etc. are turned on according to actual need during office hours, and staff are encouraged to switch off the equipment when it is not in use and also after work. Employees have to strictly follow the manual to operate electrical equipment properly in order to keep them in good condition and to use electricity effectively. We also pay attention to the maintenance of electrical equipment. Employees must report to the Office immediately for repair to avoid any electricity wastage in case of any abnormality found. The Mainland company moved to new office in April 2019, and the monthly electricity is charged by the new landlord based on actual electricity consumption. However, since the previous landlord did not provide the electricity consumption data last year, the related data was not disclosed in previous year's report. Despite one of the staff dormitories is ceased using during the year, the Group's electricity consumption increased slightly by approximately 1.45 megawatt hours or 4.08% as compared to last year. The total electricity consumed during the year is approximately 36.99 megawatt hours.

*Conservation of Water*

Water consumption of the Group are mainly barreled drinking water purchased from vendors, water used in sanitary being supplied and managed by the property management company and daily water used in staff quarters supplied by the government. During the reporting period, although the Group did not encounter any water supply problem, the Group still shoulders the responsibility of environmental protection and sustainable development, and strives to increase the utilization rate of water resources and reduce the pressure on the environment. The Group educates its employees to build good water usage habits through various water-saving measures, for example, water-saving tips is posted in pantry; drinking water cannot be used in other way; water flow from tap is controlled at low level; water tap should be turned off when not in use. The Group also constantly reminds employees of their water use habits may bring negative impact to the environment; so as to encourage employees to establish a correct water use concept. During the reporting period, the Group consumed approximately 153.00 cubic meters of water. Since the Group ceased occupying one of the staff quarters, the amount of water consumption dropped approximately by 101.00 cubic meters or 39.76% as compared to last year.

*Conservation of Paper*

The Group promotes green office policy and encourages employees to save paper and to avoid wastage. We also distribute information and documents in electronic format to minimize photocopying and printing. We also fully utilize paper by reusing one-sided used papers, collect double-sided waste papers and put them into collection boxes and arrange recycling by recycling companies. During the reporting period, the Group's business consumed approximately 0.19 tonnes of paper, representing an increase of approximately 0.04 tonnes.

## 3. THE ENVIRONMENT AND NATURAL RESOURCES

The Group has always been focusing on protecting the environment and hope that everyone can contribute and work together to build a livable society. In order to let everyone of the Group have better understanding of the negative impact of our business activities on the environment, we continue to adopt various policies, measures, and actions in reducing carbon footprint (Please refer to "Management of Emissions" and "Management of Resources Utilization" above for details).

The Group will continue to revisit and identify the sources of wastes produced in operations, to evaluate the impacts on the environment for use of resources, so as to establish and implement effective measures including promotion of energy conservation and emission reduction, extensive use of energy-saving products, and the best use of office resources to minimize our carbon footprint. We constantly enhance our employees' awareness in environmental protection and resource conservation, and to fulfill our social responsibilities and obligations in the process of conducting and developing our business, so as to achieve coordinated development of the Group, the society and also the environment together.

## V. EMPLOYMENT AND LABOR PRACTICES

Employees are the Group's most valuable assets. The Group devotes to create a non-discrimination and harmonious workplace and establishes a comprehensive management mechanism. Our human resources strategies are formulated on the base of the Group's long-term development plan. We establish an equal and competitive mechanism internally, regulate the promotion process of employees, and attract talents by offering them commensurate remuneration and various welfare. Besides, we encourage employees to maintain harmonious interpersonal relationships, promote team spirit of cooperation and unity, bravely face difficulties and overcome challenges. Our human resources policies vary by locations to comply with the local labor regulations.

### TALENT SELECTION

The Group pays attention to fair opportunity, respects personal privacy; and established related policies. During the recruitment process, the department head determines the job positions' responsibilities and requirements, and the Human Resources Department assesses and screens applicants according to the requirements. The appropriate candidates would be selected based on the principal of "selective placement", and their morality, knowledge, abilities and job requirements, and regardless of their gender, race, disability, political philosophy, sexual orientation, age, religion, etc. The policy applies to all phases of the employment relationship, including but not limited to, hiring, promotion, performance appraisal, training, personal development and termination.

### LABOR STANDARDS

The Group cherishes human rights and prohibits any unethical hiring practices, including child and forced labor by reviewing the identity documents in the hiring process. Employees' consent for working overtime is required to avoid forced overtime work, and the employees are compensated in accordance with the applicable labor laws and regulations. During the reporting period, the Group did not hire any applicant under the legal working age in order to comply with the local laws and regulations in respect of child and forced labor.

### COMPENSATION AND WELFARE

The Group attracts and retains outstanding talents with competitive remuneration packages; benchmarks up-to-date remuneration data in the industry and strives to establish a fair, reasonable and competitive remuneration scheme. Staff salaries level are decided base on one's knowledge, skills, job scope, performance, experiences and education background with reference to the work requirement. Employees compensation varies by companies at different locations. The employee remuneration package includes salary, different types of subsidies, discretionary bonus and/or year-end bonus and so on. The salary level is at least up to or over the minimum wages of the industry or as stipulated by laws. In order to enhance employees' work quality and efficiencies and to inspire their motivation, we conduct periodic performance appraisal and fairly assess the discretionary bonus, subsidies, commissions, salaries increment and/or promotion recommendations based on a number of criteria (working experience, seniority, knowledge and skills, performance, contribution, etc.).

Employees are entitled to rest day, statutory holidays, annual leave, sick leave, marriage leave, maternity leave, funeral leave, and so on. Employees are entitled to retirement benefit scheme subject to the local laws and regulations. Staff in the Mainland China participate in the endowment insurance, unemployment insurance, medical insurance, employment injury insurance, maternity insurance and housing provident fund. Hong Kong staff participate in the mandatory provident fund scheme. We handle dismissal or compensation in accordance with the local laws and regulations.

The Group pays attention to its employees' health, encourages work-life balance. Employees' work hours are based on the local labor laws. In order to enhance cooperation and cohesion between employees and help them staying relaxed, we organized gatherings, including Lunar New Year dinner, and so on.

The Group did not lay off any employees during the outbreak of the Coronavirus epidemic in early 2020. The compensation and welfare of our employees remain unchanged during that time. In order to reduce the chance of infection, we have adopted various preventive measures for protection of the health and safety of our employees (please refer to the section "Health and Safety" below for details).

### DEVELOPMENT AND TRAINING

An excellent corporate team is critical to the Group's sustainable and long-term business development. Therefore, we establish a long-term talents development training strategy and encourages staff to continue study and lifelong learning. We provide on-the-job training and mentorship for new hires to help them adapting to the new work environment quickly, and enhance team cohesion. Training topics for new hires includes organizational structure, corporate culture, rules and regulations, ethics, industry knowledge, job responsibilities, products and services, etc. We also provide our staff with the latest industry information and related legislation updates in connection with our operations from time to time. Continuous training not only enhances the professional knowledge and skills of employees, but also provides reasonable assurance to the investors that the employees have sufficient technical knowledge, professional skills and ethics to perform their duties efficiently and impartially. Professionals such as directors, chief financial officer, finance manager, compliance officer, responsible officer, etc., participate in external training in the form of seminars held by qualified organizations regularly. The trainings like overview of legal and regulatory framework for securities and futures industry is held during the reporting period.

### HEALTH AND SAFETY

The Group pays attention to its employees' health and provides a safe work environment, we have established internal policies and procedures; strictly implement office environment sanitation and fire safety management to prevent occupational hazards which might lead to staff injury. All employees have to seriously follow the established safety and fire prevention measures, including unauthorized installation of power sockets are not permitted; electrical appliances in the offices should be disconnected when not in use; users have to switch off the air-conditioners, printers, etc. in conference rooms and offices after work or meeting; smoking in the office and carrying flammable substances to offices are absolutely prohibited; fire extinguishers must not be moved and manual alarm must not be triggered without permission. Each employee should be familiar with the location and use method of fire extinguishers. We also have clear evacuation procedures in case of fire outbreak in offices to ensure our employees are able to take sensible and immediate action.

With the outbreak of coronavirus epidemic, we have adopted various preventive measures to reduce our employees' chances of being infected or spreading the disease. These precautions include provision of surgical masks, and alcohol-based hand sanitizers for our employees, adopting "work from home" policy, reminding our employees to follow good respiratory and hand hygiene, ensuring the workplace is clean and hygienic, measuring body temperature of employees every day, using "health code" to monitor employees' health status, etc..

### COMPLIANCE

During the reporting period, the Group did not involve in any non-compliance incidents relating to employment, health and safety, and labor standards that have significant impact on the Group.

## VI. OPERATING PRACTICES

### SUPPLY CHAIN MANAGEMENT

The Group conveys its concerns on environmental issues to its suppliers and business partners, and expects them to implement similar practices. We serve to maintain long-term, stable and strategic cooperative relationships with leading suppliers, and co-develop with its suppliers on the basis of equality to achieve a win-win situation. In order to establish an efficient and green supply chain system, we select suppliers and service providers with good credit history, reputable, high service quality, proven track records of environmental compliance and sound commitment to social responsibility. We conduct irregular performance review of our suppliers and service providers with an aim to effectively control our products and service quality.

## SERVICE RESPONSIBILITY

The Group has been dedicated in providing high quality and professional services with the highest degree of integrity to our clients at competitive rates. We always seek to exceed our clients' expectation. Besides, client satisfaction is vital to our growth in the future and to maintain sustainable development. We summarize below our approach in achieving this aim and the significant efforts that we have put into its operations:–

### (1) *Licences and Regulations*

The Group has a team of financial specialists holding necessary licences from the Securities and Futures Commission as required by the current applicable laws and regulations; dedicated to providing quality professional investment advisory and asset management services over a wide range of financial products. For the avoidance of doubt about their professional qualification, they are mandated to undertake sufficient hours of continuous professional training each year according to the requirement of different regulated services. The Group also holds the money lending licence and provide service to its clients following the applicable laws and regulations.

### (2) *Know Your Client*

In order to provide the best services to our clients and to build up trust, we conduct "Know Your Client" background review prior to account opening for new clients. We must understand their identity, investment objectives and experience, risk tolerance level, financial status, occupation, age, etc. and obtain relevant documents as proof and for keeping record. We review and update the client profiles periodically.

### (3) *Customer Data Protection and Privacy Policies*

We handle client personal data carefully with integrity and in accordance with the applicable laws. All client personal data are kept confidential and secure. We have to inform clients about the purpose of collecting their personal data and to whom their data will be transferred to (if the recipient is within the company). All client personal data collected can only be used for the sole purpose as agreed in advance. We have to obtain the client's consent prior to disclosing such information to other parties whenever necessary.

### (4) *Customer Complaints*

We established our policies and procedures in handling client complaints following the requirement of the Code of Conduct (the "Code"). When client complaint is received, our responsible personnel has to inform our management at once to record the details about the complaint; and to keep all relevant documents properly. Staff must explain to the clients that they can follow up and check the status of their complaints with our Compliance Department. All client complaints have to be investigated immediately and handled properly following the managing directors/top management's instructions; Compliance Department might assist in the investigation as instructed. All staff involved in the complaints should not participate in the investigation. In case that the complaints cannot be remediated promptly, we have to inform our clients and suggest alternatives as allowed under our monitoring system.

*(5) Integrity*

To ensure that our business can have sustainable growth, we demand all of our staff conduct businesses with integrity and in compliance with laws and regulations, and to uphold our core values. All staff members of the Group, including directors, management and members of all levels are required to adhere to our internal Code. In case of conflict between the Code and the laws and regulations of the regulators, the stricter of the two must be followed to an extent that the local laws and regulations are not violated.

*(6) Compliance*

During the reporting period, the Group's services did not involve in any significant issue relating to violations nor did the Group receive any complaints concerning breaches of customer privacy and loss of data.

## ANTI-CORRUPTION

In order to comply with the applicable laws and regulations, the Group establishes internal policies and procedures and guidelines on anti-corruption (anti-bribery, extortion, fraud, money laundering and so on). We pay attention to setting up a comprehensive disciplinary monitoring system to cover our operation, and report to human resources department confidentially for suspected personal interests in carrying out one's job duties, briberies, extortion, frauds, money laundering and other illegal acts. We are determinant in combating corruption and contribute in building a clean society.

Regarding the financial services business, in order to ensure our staff follows strictly with the requirement under the "Prevention of Bribery Ordinance" enforced by the Hong Kong Independent Commission Against Corruption and to protect the interests of our stakeholders, our staff has to comply with our policies and procedures in conducting each transaction, including verification of the clients' identities, assessment of clients' honesty, integrity, commercial ability and creditworthiness; and keeping documents and records properly. To avoid dealing with potential money launderers, terrorist financiers or to handle funds derived from any criminal activity, we refuse the operation of any accounts for anonymous clients or in obviously fictitious names. Staff are required to bring any suspicious transaction to the urgent attention of compliance manager for review. The compliance manager shall conduct a thorough investigation and determine whether suspicion remains. We provide appropriate trainings to staff in dealing department so that they understand the money laundering and counter-terrorism techniques; and remind them of their responsibilities. We send periodic circulars to all staff to alert them of any new money laundering techniques being used.

During the reporting period, the Group or our employees did not involve in any litigation cases of corruptions.

## VII. COMMUNITY INVESTMENT

The Group has paid tax in accordance with applicable law since its incorporation, and spares no effort in easing local employment pressure. We help our staff to prepare and plan for their retirement by providing social security benefits for all employees. We run our business following good practices, actively promote green energy-saving and environmental friendly concepts, and achieve a good development order; and to certain extent, we have contributed to social stability and building a harmonious community.

## VIII. VISION OUTLOOK

As a good corporate citizen, the Group strives to strike a balance between achieving corporate missions and business objectives, and to fulfill social responsibility. We will continue to evaluate our performance on environmental protection, employee care, service quality and community investment and to build edge for the sustainable development of the Group.

The Group will endeavor to comply with the stringent laws and regulations of environmental protection, and actively promote and participate in various environmental protection activities. We will also put employee satisfaction and workplace safety as our top priority. We aim at attracting more talents through providing a comfortable workplace and competitive remuneration scheme. As for customer services, we keep on investing resources and will raise the standard of services quality continuously. At the same time, we committed to fulfilling our social responsibility by actively participating in charitable activities and promoting the community's sustainable development.

The Group aspires to become a respectable enterprise. Going forward, the Group serves to enhance its business performance through implementation of sustainable development strategies and to generate more meaningful long-term value for the enterprise and its stakeholders.

## IX. ENVIRONMENTAL PERFORMANCE DATA SUMMARY

| | Unit | 2019/2020 | 2018/2019[4] |
|---|---|---|---|
| **Greenhouse Gas ("GHG") Emissions** | | | |
| Scope 1[1]: | | | |
| Total | Tonnes | 68.47 | 98.20 |
| Intensity[3] | Tonnes | 2.12 | 2.67 |
| Scope 2[2]: | | | |
| Total | Tonnes | 27.36 | 26.43 |
| Intensity[3] | Tonnes | 0.85 | 0.72 |
| **Air Emissions** | | | |
| Nitrogen Oxides | Kilograms | 19.49 | 33.11 |
| Sulfur Oxides | Kilograms | 0.37 | 0.63 |
| Particles | Kilograms | 1.44 | 2.44 |
| **Natural resources consumptions** | | | |
| Electricity: | | | |
| Total | Megawatt hours | 36.99 | 35.54 |
| Intensity[3] | Megawatt hours | 1.14 | 0.94 |
| Gasoline: | | | |
| Total | Liters | 25,285.35 | 42,635.01 |
| Intensity[3] | Liters | 782.02 | 1,157.62 |
| Towngas: | | | |
| Total | Megajoule | 9,423.75 | 12,288.00 |
| Intensity[3] | Megajoule | 291.46 | 333.64 |
| Water Resources: | | | |
| Total | Cubic meters | 153.00 | 254.00 |
| Intensity[3] | Cubic meters | 4.73 | 6.90 |

Note:

1 Scope 1 refers to the Group's business direct GHG emissions, including combustion of gasoline and towngas.

2 Scope 2 refers to the Group's business indirect GHG emissions, including consumption of purchased electricity.

3 Intensity is measured base on the number of employees.

4 Last year's comparative figures are restated to conform with the current year's presentation.

## X. "ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE" BY THE STOCK EXCHANGE OF HONG KONG LIMITED

| General Disclosure/Key Performance Indicators ("KPIs") | Reporting Guideline | Page |
|---|---|---|
| **A. Environmental** | | |
| **Aspect A1** | **Emissions** | |
| General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous[1] and non-hazardous waste. | 28 |
| KPI A1.1 | The types of emissions and respective emissions data. | 37 |
| KPI A1.2 | Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | 37 |
| KPI A1.3 | Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | N/A[1] |
| KPI A1.4 | Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | N/A[2] |
| KPI A1.5 | Description of measures to mitigate emissions and results achieved. | 28 |
| KPI A1.6 | Description of how hazardous[1] and non-hazardous wastes are handled, reduction initiatives and results achieved. | 28 |
| **Aspect A2** | **Use of Resources** | |
| General Disclosure | Policies on the efficient use of resources, including energy, water and other raw materials. | 28 – 30 |
| KPI A2.1 | Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (MWh) and intensity (e.g. per unit of production volume, per facility) | 29, 37 |
| KPI A2.2 | Water consumption in total and intensity (e.g. per unit of production volume, per facility). | 30, 37 |
| KPI A2.3 | Description of energy use efficiency initiatives and results achieved. | 29 |
| KPI A2.4 | Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved. | 30 |
| KPI A2.5 | Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced. | N/A[1] |
| **Aspect A3** | **The Environment and Natural Resources** | |
| General Disclosure | Policies on minimizing the issuer's significant impact on the environment and natural resources | 30 |
| KPI A3.1 | Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them. | 30 |

| General Disclosure | Reporting Guideline | Page |
|---|---|---|
| **B. Social[3]** | | |
| **Aspect B1** | **Employment and Labor Practices** | |
| General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. | 31 – 32 |
| **Aspect B2** | **Health and Safety** | |
| General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards. | 33 |
| **Aspect B3** | **Development and Training** | |
| General Disclosure | Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. | 32 |
| **Aspect B4** | **Labor Standards** | |
| General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor. | 31 |
| **Aspect B5** | **Supply Chain Management** | |
| General Disclosure | Policies on managing environmental and social risks of the supply chain. | 33 |
| **Aspect B6** | **Product Responsibility** | |
| General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. | 33 – 35 |

| General Disclosure | Reporting Guideline | Page |
|---|---|---|
| **B. Social[3]** | | |
| **Aspect B7** | **Anti-corruption** | |
| General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering. | 35 |
| **Aspect B8** | **Community Investment** | |
| General Disclosure | Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests. | 36 |

Notes:

1 The Group's main business is properties investment, money lending and financial services. We did not generate any hazardous wastes and use any packaging materials.

2 The Group's main business is properties investment, money lending and financial services. The non-hazardous wastes are mainly domestic garbage and waste paper. As the Group does not have many employees, the employees generate little domestic garbage and waste paper, so there is no statistics for the amount of non-hazardous wastes generated.

3 Pursuant to Appendix 27 of the "Main Board Listing Rules", the KPIs under Subject Area B "Social" are recommended disclosures only. Therefore, the Group choose not to disclose those KPIs in this report.

# INDEPENDENT AUDITOR'S REPORT

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

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CHINA PROPERTIES INVESTMENT HOLDINGS LIMITED**
*(Incorporated in Bermuda with limited liability)*

## OPINION

We have audited the consolidated financial statements of China Properties Investment Holdings Limited (the "company") and its subsidiaries (the "group") set out on pages 46 to 162, which comprise the consolidated statement of financial position as at 31 March 2020, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

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

## KEY AUDIT MATTERS

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

# INDEPENDENT AUDITOR'S REPORT

**Key Audit Matter**

| Key Audit Matter | How the matter was addressed in the audit |
|---|---|
| ***Allowance of expected credit losses on loan receivables***<br><br>Refer to notes 4(i), 5 and 25 in the consolidated financial statements.<br><br>We identified the allowance of expected credit losses on loan receivables as a key audit matter due to the significant management judgement involved in identification and measurement of loss allowance for expected credit losses.<br><br>The Group had loan receivables totalling HK$447,023,000 as at 31 March 2020. Allowance of expected credit loss of HK$42,394,000 is recognised for the year ended 31 March 2020.<br><br>Under the expected credit losses ("ECLs") approach, management assesses the ultimate recovery of loan receivables, by considering various factors, including the ageing of the receivables balances, borrower's current creditworthiness, the past collection history and the realisable value of collaterals from borrowers and their guarantors. | **How the matter was addressed in the audit**<br><br>Our procedures in relation to allowance of expected losses on loan receivables included:<br><br>• understanding through enquiry with the management the established policies and procedures on credit risk management of the Group, assessing and evaluating the design of controls with respect to identification of impaired loan receivables;<br><br>• in respect of loan receivables, examining, on a sample basis, loan agreements for the legal enforceable right to dispose the securities collateral for settlement of borrowers' obligations; and<br><br>• on a sample basis, evaluating management's judgement over the recoverability and creditworthiness of the borrowers and assessing whether the ECLs made by management were adequate and appropriate against the available information, such as the recoverable amount of collaterals, past collection history of borrowers, the Group's actual loss experience and subsequent repayment of monies or additional collateral received from clients or their guarantors. |
| ***Valuation of investment properties***<br><br>Refer to note 18 in the consolidated financial statements.<br><br>As at 31 March 2020, the Group owned investment properties with the fair value estimated by the management of the company of HK$206,834,000 (2019: HK$229,192,000). The valuation was significant to our audit because the value was significant to the Group and the valuation involved significant judgement and estimations.<br><br>The company had engaged an independent valuer to determine the fair value. | **How the matter was addressed in the audit**<br><br>Our procedures in relation to valuation of investment properties included:<br><br>• Reviewing the valuation report prepared by the independent valuer;<br><br>• Understanding the valuation methodologies, basis and assumptions adopted by the valuer;<br><br>• Challenging the assumptions adopted;<br><br>• Assessing the background of the valuer;<br><br>• Evaluating the valuer's competence, capabilities and objectivity; and<br><br>• Performing sensitivity analysis on parameter such as market yield. |

## OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 March 2019 were audited by another auditor who expressed an unmodified opinion on those statements on 27 June 2019.

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

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

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

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

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

## RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The 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. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

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

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

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

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

# INDEPENDENT AUDITOR'S REPORT

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

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

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

**CHENG & CHENG LIMITED**
*Certified Public Accountants*
Hong Kong, 29 June 2020

**Chan Shek Chi**
Practising Certificate Number: P05540

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2020

| | Note | 2020<br>HK$000 | 2019<br>HK$000<br>(Restated) |
|---|---|---|---|
| Revenue | 7 | **51,799** | 48,336 |
| Cost of sales and services rendered | | **–** | (92) |
| Gross profit | | **51,799** | 48,244 |
| Valuation loss on investment properties | 18 | **(12,628)** | (21,296) |
| Other income | 8(a) | **6,051** | 1,887 |
| Other gains and losses | 8(b) | **(34,952)** | (14,005) |
| Administrative expenses | | **(48,851)** | (72,748) |
| Other expenses | 9(d) | **(30,736)** | (9,275) |
| **Loss from operations** | | **(69,317)** | (67,193) |
| Finance costs | 9(a) | **(9,275)** | (4,042) |
| **Loss before taxation from continuing operations** | 9 | **(78,592)** | (71,235) |
| Income tax credit | 12 | **2,457** | 4,354 |
| **Loss for the year from continuing operations** | | **(76,135)** | (66,881) |
| (Loss)/profit from discontinued operations | 13 | **(16,456)** | 4,527` |
| **Loss for the year** | | **(92,591)** | (62,354) |

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2020

| | Note | 2020<br>HK$000 | 2019<br>HK$000<br>(Restated) |
|---|---|---|---|
| **Attributable to:** | | | |
| Owners of the company | | **(92,591)** | (62,354) |
| **LOSS PER SHARE** | 15 | | (restated) |
| **From continuing and discontinued operations** | | | |
| Basic (HK Cents) | | **(HK69.61 cents)** | (HK51.35 cents) |
| Diluted (HK Cents) | | **(HK69.61 cents)** | (HK51.35 cents) |
| **From continuing operations** | | | |
| Basic (HK cents) | | **(HK57.24 cents)** | (HK55.07 cents) |
| Diluted (HK Cents) | | **(HK57.24 cents)** | (HK55.07 cents) |

The notes on pages 54 to 162 form part of these financial statements.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

| | 2020<br>HK$'000 | 2019<br>HK$'000<br>(Restated) |
|---|---|---|
| **Loss for the year** | **(92,591)** | (62,354) |
| **Other comprehensive loss for the year** | | |
| Items that may be reclassified subsequently to profit or loss: | | |
| Exchange differences arising on translation of: | | |
| – financial statements of group entities | **(14,280)** | (28,944) |
| **Total comprehensive loss for the year** | **(106,871)** | (91,298) |
| **Attributable to:** | | |
| Owners of the company | **(106,871)** | (91,298) |

The notes on pages 54 to 162 form part of these financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

| | Note | 2020 HK$000 | 2019 HK$000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Plant and equipment | 16 | **5,208** | 6,208 |
| Right-of-use assets | 17 | **7,926** | – |
| Investment properties | 18 | **206,834** | 229,192 |
| Intangible assets | 20 | **–** | 2,034 |
| Goodwill | 21 | **–** | 2,550 |
| Financial assets at fair value through profit or loss | 22 | **1,296** | 45,509 |
| Loan receivables | 25 | **79,903** | 309,983 |
| | | **301,167** | 595,476 |
| **Current assets** | | | |
| Property under development | 23 | **19,481** | 20,136 |
| Trade and other receivables | 24 | **51,122** | 30,075 |
| Loan receivables | 25 | **324,726** | 83,433 |
| Financial assets at fair value through profit or loss | 22 | **31,113** | 31,331 |
| Fixed deposits | 26 | **–** | 8,523 |
| Cash and bank balances – trust accounts | 26 | **1,058** | 6,726 |
| Cash and bank balances – general accounts | 26 | **18,527** | 40,654 |
| | | **446,027** | 220,878 |
| **Current liabilities** | | | |
| Trade and other payables | 27 | **6,639** | 19,613 |
| Interest-bearing bank borrowings | 28 | **6,569** | 5,262 |
| Lease liabilities | 29 | **4,512** | – |
| Unconvertible bonds | 30 | **18,333** | 10,000 |
| Tax payable | | **372** | 432 |
| | | **36,425** | 35,307 |
| **Net current assets** | | **409,602** | 185,571 |
| **Total assets less current liabilities** | | **710,769** | 781,047 |
| **Non-current liabilities** | | | |
| Interest-bearing bank borrowings | 28 | **81,015** | 61,973 |
| Deferred tax liabilities | 31(a) | **7,876** | 12,036 |
| Lease liabilities | 29 | **6,944** | – |
| Unconvertible bonds | 30 | **10,000** | 10,000 |
| | | **105,835** | 84,009 |
| **NET ASSETS** | | **604,934** | 697,038 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

| | Note | 2020<br>HK$000 | 2019<br>HK$000 |
|---|---|---|---|
| **EQUITY** | | | |
| **Equity attributable to owners of the company** | | | |
| Share capital | 32 | **53,433** | 48,576 |
| Reserves | 34 | **551,501** | 648,462 |
| **TOTAL EQUITY** | | **604,934** | 697,038 |

Approved and authorised for issue by the board of directors on 29 June 2020.

On behalf of the board

**Han Wei**
*Director*

**Au Tat On**
*Director*

The notes on pages 54 to 162 form part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

| | Attributable to owners of the company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium | Special reserve | Contributed surplus | Equity settled share-based compensation reserve | Exchange fluctuation reserve | Accumulated losses | Total |
| | HK$000 | HK$000 | HK$000 | HK$000 | HK$000 | HK$000 | HK$000 | HK$000 |
| Balance at 1 April 2019 | 48,576 | 2,064,777 | (11,153) | 136,012 | 27,392 | 36,595 | (1,525,858) | 776,341 |
| **Changes in equity for 2018/2019:** | | | | | | | | |
| Loss for the year | – | – | – | – | – | – | (62,354) | (62,354) |
| Other comprehensive income/(loss) | | | | | | | | |
| Exchange differences arising on translation of: | | | | | | | | |
| – financial statements of group entities | – | – | – | – | – | (28,944) | – | (28,944) |
| Total comprehensive loss for the year | – | – | – | – | – | (28,944) | (62,354) | (91,298) |
| Equity-settled share-based transactions | – | – | – | – | 11,995 | – | – | 11,995 |
| Total transactions with owners | – | – | – | – | 11,995 | – | – | 11,995 |
| Balance at 31 March 2019 | 48,576 | 2,064,777 | (11,153) | 136,012 | 39,387 | 7,651 | (1,588,212) | 697,038 |
| Balance at 1 April 2019 | **48,576** | **2,064,777** | **(11,153)** | **136,012** | **39,387** | **7,651** | **(1,588,212)** | **697,038** |
| **Changes in equity for 2019/2020:** | | | | | | | | |
| Loss for the year | **–** | **–** | **–** | **–** | **–** | **–** | **(92,591)** | **(92,591)** |
| Other comprehensive loss | | | | | | | | |
| Exchange differences arising on translation of: | | | | | | | | |
| – financial statements of group entities | **–** | **–** | **–** | **–** | **–** | **(14,280)** | **–** | **(14,280)** |
| Total comprehensive loss for the year | **–** | **–** | **–** | **–** | **–** | **(14,280)** | **(92,591)** | **(106,871)** |
| Effect on share option exercised | **4,857** | **21,905** | **–** | **–** | **(11,995)** | **–** | **–** | **14,767** |
| Total transactions with owners | **4,857** | **21,905** | **–** | **–** | **(11,995)** | **–** | **–** | **14,767** |
| Balance at 31 March 2020 | **53,433** | **2,086,682** | **(11,153)** | **136,012** | **27,392** | **(6,629)** | **(1,680,803)** | **604,934** |

The notes on pages 54 to 162 form part of these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

| | Note | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|---|
| **Operating activities** | | | |
| Loss before taxation from continuing operations | | **(78,592)** | (71,235) |
| (Loss)/profit before taxation from discontinued operations | | **(16,792)** | 3,691 |
| Adjustments for: | | | |
| Finance costs | 9(a),13 | **9,449** | 4,042 |
| Interest income | 8 | **(318)** | (401) |
| Dividend income from investments in securities | 8 | **(76)** | (68) |
| Depreciation on plant and equipment | 9(c),13 | **2,872** | 3,251 |
| Depreciation on right-of-use assets | 9(c),13 | **5,390** | – |
| Valuation loss on investment properties | 18 | **12,628** | 21,296 |
| Equity-settled share-based payment expenses | 9(c) | **–** | 11,995 |
| Realised loss on unlisted investments fund | | **9,271** | – |
| Unrealised loss on unlisted investments fund | | **1,496** | 2,635 |
| Realised gain on trading securities | | **(7,812)** | (2,831) |
| Unrealised loss on trading securities | | **13,355** | 14,623 |
| Amortisation of intangible assets | 20 | **829** | 2,229 |
| Allowance of expected credit loss on loan receivables | 9(d) | **30,580** | 7,136 |
| Impairment loss of intangible assets | 20 | **1,205** | 2,838 |
| Impairment loss of goodwill | 21 | **2,550** | 2,198 |
| Impairment of right-of-use assets | 17 | **3,587** | – |
| Reversal of loss allowance of accounts receivable | 13 | **–** | (16,964) |
| Loss on disposal of plant and equipment | 9(d) | **156** | – |
| Exchange difference, net | | **–** | (9,522) |
| | | **(10,222)** | (25,087) |
| **Changes in working capital** | | | |
| (Increase)/decrease in trade and other receivables | | **(11,215)** | 96,497 |
| Increase in loan receivables | | **(43,101)** | (150,436) |
| Decrease in trading securities | | **12,646** | 9,825 |
| Decrease in cash and bank balances – trust accounts | | **5,668** | 9,307 |
| Decrease in trade and other payables | | **(13,407)** | (2,564) |
| Increase in property under development | | **(722)** | (465) |
| **Cash used in operations** | | **(60,353)** | (62,923) |
| **Hong Kong Profits Tax paid** | | **(760)** | (29) |
| **Net cash used in operating activities** | | **(61,113)** | (62,952) |

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

| | Note | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|---|
| **Investing activities** | | | |
| Payment to acquire plant and equipment | | **(2,280)** | (25) |
| Decrease in deposit for acquisition of plant and equipment | | **–** | 2,338 |
| Decrease in fixed deposits | | **8,525** | 1,470 |
| Interest received on bank deposits | | **318** | 199 |
| Additions of investment properties | | **(4,676)** | (2,588) |
| Interest received on financial products | | **–** | 202 |
| Dividends received from listed securities | | **76** | 68 |
| Proceeds from compulsory redemption on unlisted investment fund | 26(c) | **3,175** | – |
| Proceeds from maturity of financial products | | **–** | 12,860 |
| **Net cash generated from investing activities** | | **5,138** | 14,524 |
| **Financing activities** | | | |
| Proceeds from share option exercised | | **14,767** | – |
| Proceeds from new bank borrowings | | **72,969** | 34,488 |
| Proceeds from issuance of unconvertible bonds | | **20,000** | – |
| Repayment of bank borrowings | | **(47,711)** | (2,923) |
| Repayment of unconvertible bond | | **(11,667)** | – |
| Repayments of lease liabilities | | **(4,283)** | – |
| Interest paid for interest-bearing bank borrowings | | **(7,643)** | (3,042) |
| Interest paid for lease liabilities | | **(551)** | – |
| Interest paid for unconvertible bonds | | **(1,107)** | (1,000) |
| **Net cash generated from financing activities** | | **34,774** | 27,523 |
| **Net decrease in cash and cash equivalents** | | **(21,201)** | (20,905) |
| **Cash and cash equivalents at 1 April** | | **40,654** | 61,679 |
| **Effect of foreign exchange rate changes** | | **(926)** | (120) |
| **Cash and cash equivalents at 31 March** | | **18,527** | 40,654 |
| **Analysis of the balances of cash and cash equivalents** | | | |
| **Cash and bank balances – general accounts** | 26 | **18,527** | 40,654 |

The notes on pages 54 to 162 form part of these financial statements.

## 1. CORPORATE INFORMATION

China Properties Investment Holdings Limited (the "company") is an investment holding company. The principal activities of its subsidiaries are set out in note 19.

The company was incorporated and domiciled in Bermuda with limited liability under the Companies Act (1981) of Bermuda and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The address of its principal place of business is Room 4303, 43/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### a) STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs which are first effective or available for early adoption for current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

### b) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

*Basis of measurement*

The consolidated financial statements for the year ended 31 March 2020 comprise the company and its subsidiaries (together referred to as "Group").

The measurement basis used in the preparation of the financial statements is the historical cost basis except that financial assets at fair value through profit or loss and investment properties are stated at their fair value as explained in the accounting policies set out in notes 2(e) and 2(g) below.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### b) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (Continued)

*Basis of measurement (Continued)*

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These financial statements are presented in Hong Kong Dollars ("HKD"), which is the functional currency of the company and the Group's presentation currency. All amounts are rounded to the nearest thousand except where otherwise indicated.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amount of assets and liabilities not readily apparent from other sources. 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.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 5.

### c) SUBSIDIARIES

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

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

In the company's statement of financial position, an investment in subsidiary is stated at cost less impairment losses (see note 2(j)).

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### d) GOODWILL

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business 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 whenever 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 test for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets 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.

### e) OTHER INVESTMENTS IN EQUITY SECURITIES

The Group's and the company's policies for investments in equity securities, other than investments in subsidiaries, are as follows:

Investments in equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 4 (vi). These investments are subsequently accounted for as follows, depending on their classification.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### e) OTHER INVESTMENTS IN EQUITY SECURITIES (Continued)

*Equity investments*

An investment in equity securities is classified as fair value at profit or loss (FVPL) unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at fair value through other comprehensive income (FVOCI) (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to accumulated losses. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 2(s)(ii).

### f) OTHER PROPERTIES, PLANT AND EQUIPMENT

Plant and equipment, other than construction in progress, are stated in the statement of financial position at cost less accumulated depreciation and accumulated impairment losses (see note 2(j)).

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(j)):

– right-of-use assets arising from leases over freehold or leasehold properties where the Group is not the registered owner of the property interest; and

– items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see note 2(i)).

Depreciation is calculated to write off the cost of items of plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

| | |
|---|---|
| Leasehold improvements | 5 years or over the remaining term of the lease, if shorter |
| Furniture and equipment | 5 years |
| Motor vehicles | 4 to 5 years |
| Motor vessels | 5 years |

Where parts of an item of plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### f) OTHER PROPERTIES, PLANT AND EQUIPMENT (Continued)

Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

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

Gains or losses arising from the retirement or disposal of an item of plant and equipment are determined as the difference between the net proceeds on disposal and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

### g) INVESTMENT PROPERTIES

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(i)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(s)(i).

In the comparative period, when the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 2(i)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 2(i).

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### h) INTANGIBLE ASSETS (OTHER THAN GOODWILL)

*Intangible assets acquired in a business combination*

Intangible assets acquired in a business combination and recognised separately from goodwill 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 are reported at cost less accumulated amortisation and accumulated impairment losses.

The following intangible assets with finite useful lives are amortised and charged to profit or loss from the date they are available for use on a straight-line basis and their estimated useful lives are as follows:

| | |
|---|---|
| – Trading rights | 5 years |

Both the period and method of amortisation are reviewed annually.

*Derecognition of intangible assets*

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.

### i) LEASED ASSETS

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. 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. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### i) LEASED ASSETS (Continued)

*(i) As a lessee*

(A) Policy applicable from 1 April 2019

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily laptops and office furnitures. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2(f) and 2(j)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property and lease liabilities separately in the statement of financial position.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### i) LEASED ASSETS (Continued)

#### *(i) As a lessee (Continued)*

(B) Policy applicable prior to 1 April 2019

In the comparative period, assets held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

– property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 2(g)).

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged as expenses in the accounting period in which they are incurred.

#### *(ii) As a lessor*

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 2(s)(i).

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### j) CREDIT LOSSES AND IMPAIRMENT OF ASSETS

#### *(i) Credit losses from financial instruments*

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, loan receivables and trade and other receivables);

Financial assets measured at fair value, including financial assets measured at FVPL are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### j) CREDIT LOSSES AND IMPAIRMENT OF ASSETS (Continued)

#### *(i) Credit losses from financial instruments (Continued)*

Measurement of ECLs (Continued)

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### j) CREDIT LOSSES AND IMPAIRMENT OF ASSETS (Continued)

#### *(i) Credit losses from financial instruments (Continued)*

Significant increases in credit risk (Continued)

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

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### j) CREDIT LOSSES AND IMPAIRMENT OF ASSETS (Continued)

#### *(i) Credit losses from financial instruments (Continued)*

Basis of calculation of interest income

Interest income recognised in accordance with note 2(s)(iii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### j) CREDIT LOSSES AND IMPAIRMENT OF ASSETS (Continued)

#### *(ii) Impairment of non-financial assets*

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- plant and equipment;
- right-of-use assets;
- intangible assets;
- goodwill; and
- investments in subsidiaries in the company's statement of financial position.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### j) CREDIT LOSSES AND IMPAIRMENT OF ASSETS (Continued)

#### *(ii) Impairment of non-financial assets (Continued)*

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying amount of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### j) CREDIT LOSSES AND IMPAIRMENT OF ASSETS (Continued)

#### *(iii) Interim financial reporting and impairment*

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim Financial Reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year.

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

### k) LOAN RECEIVABLES

Loan receivables are carried at amortised cost using the effective interest method less allowance for credit loss (see note 2(j)(i)) except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such case, loan receivables are stated at cost less allowance for credit loss. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of reporting period. These are classified as non-current assets.

Interest income is recognised on an effective interest basis.

### l) TRADE AND OTHER RECEIVABLES

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2(j)(i)).

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### m) CONTRACT LIABILITIES

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 2(s)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2(l)).

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 2(s)(iii)).

### n) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows. Cash and cash equivalents are assessed for expected credit losses (ECLs) in accordance with the policy set out in note 2(j)(i).

### o) TRADE AND OTHER PAYABLES

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### p) INTEREST-BEARING BORROWINGS/UNCONVERTIBLE BONDS

Interest-bearing borrowings and unconvertible bonds are measured initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings and unconvertible bonds are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing cost (see note 2(u)).

### q) OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

### r) INCOME TAX

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amount of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### r) INCOME TAX (Continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the assets can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided that those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary differences or in periods into which a tax loss arising from the deferred tax assets can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 2(g), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### r) INCOME TAX (Continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

### s) REVENUE AND OTHER INCOME

Income is classified by the Group as revenue when it arises from loan interest, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other income recognition policies are as follows:

*i) Rental income from operating leases*

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentive granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### s) REVENUE AND OTHER INCOME (Continued)

#### ii) *Dividend income*

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

#### iii) *Interest income*

Interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

#### iv) *Commission and fees income on dealing in securities*

Commission income for broking business of securities dealing is recognised as income when the relevant contracts are executed.

#### v) *Placing and underwriting commission income*

Placing and underwriting commission income are recognised when the relevant transactions have been arranged on the relevant services have been rendered.

### t) TRANSLATION OF FOREIGN CURRENCIES

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transactions date is the date on which the company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### t) TRANSLATION OF FOREIGN CURRENCIES (Continued)

The results of foreign operations are translated into Hong Kong Dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Hong Kong Dollars at the closing foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange fluctuation reserve.

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 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 to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

### u) BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

### v) DISCONTINUED OPERATIONS

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the statement of profit or loss, which comprises the post-tax profit or loss of the discontinued operation.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### w) RELATED PARTIES

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

i) has control or joint control over the Group;

ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### x) EMPLOYEE BENEFITS

#### *i) Short-term employee benefits and contributions to defined contribution retirement plans*

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

#### *ii) Share-based payments*

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in employee share-based compensation reserve within equity. The fair value is measured at grant date using the Binomial Option Pricing Model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the under review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the employee share-based compensation reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the employee share-based compensation reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the company's shares. The equity amount is recognised in the employee share-based compensation reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to accumulated losses).

#### *iii) Termination benefits*

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### y) SEGMENT REPORTING

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the board of directors, which is the chief operating decision maker ("CODM") for the purposes of allocating resources to, and accessing the performance, the Group's various lines of business and geographical locations.

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

### z) PROVISIONS AND CONTINGENT LIABILITIES

*Other provisions and contingent liabilities*

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

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

### aa) PROPERTY UNDER DEVELOPMENT

Property under development is stated at the lower of cost and net realisable value on an individual basis. Costs comprise the acquisition costs and other direct costs attributable to such properties.

## 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

### (a) NEW AND AMENDMENTS TO HKFRSs THAT ARE MANDATORILY EFFECTIVE FOR THE CURRENT YEAR

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

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

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

### (b) IMPACT AND CHANGES IN ACCOUNTING POLICIES OF THE ADOPTION OF HKFRS 16

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

*Definition of a lease*

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

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

## 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

### (b) IMPACT AND CHANGES IN ACCOUNTING POLICIES OF THE ADOPTION OF HKFRS 16 (Continued)

*As a lessee*

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

As at 1 April 2019, the Group recognised 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 3.99%.

## 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

### (b) IMPACT AND CHANGES IN ACCOUNTING POLICIES OF THE ADOPTION OF HKFRS 16 (Continued)

*As a lessee (Continued)*

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

| | At 1 April 2019<br>HK$'000 |
|---|---|
| Operating lease commitment disclosed at 31 March 2019 (Note 35(ii)) | 14,379 |
| Less: Recognition exemption | |
| – short-term leases | (501) |
| Practical Expedient | |
| – leases with lease term ending within 12 months from the date of initial application | (535) |
| | 13,343 |
| Less: Total future interest expenses | (1,125) |
| Rental prepayment at 31 March 2019 | (1,216) |
| Other tax | (751) |
| Other | 603 |
| Lease liabilities as at 1 April 2019 | 10,854 |
| Analysed into: | |
| Current | 2,631 |
| Non-current | 8,223 |

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

| | **Right-of-use assets**<br>HK$'000 |
|---|---|
| Right-of-use assets relating to operating leases recognized upon application of HKFRS 16 | 12,070 |

## 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

### (b) IMPACT AND CHANGES IN ACCOUNTING POLICIES OF THE ADOPTION OF HKFRS 16 (Continued)

*As a lessor*

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

The application has had no impact on the Group's consolidated statement of financial position at 1 April 2019.

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

| | Carrying amounts previously reported at 31 March 2019 | Adjustments | Carrying amounts under HKFRS 16 at 1 April 2019 |
|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 |
| **Non-current asset** | | | |
| Right-of-use assets | – | 12,070 | 12,070 |
| **Current asset** | | | |
| Trade and other receivables | 30,075 | (1,216) | 28,859 |
| **Non-current liabilities** | | | |
| Lease liabilities | – | 8,223 | 8,223 |
| **Current liabilities** | | | |
| Lease liabilities | – | 2,631 | 2,631 |

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 March 2020, movement in working capital have been computed based on opening consolidated statement of financial position as at 1 April 2019 as disclosed above.

## 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

### (c) NEW AND AMENDMENTS TO HKFRSs IN ISSUE BUT NOT YET EFFECTIVE

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

| | |
|---|---|
| HKFRS 17 | Insurance Contracts[1] |
| Amendments to HKFRS 3 | Definition of a Business[2] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3] |
| Amendments to HKAS 1 and HKAS 8 | Definition of Material[4] |
| Amendments to HKFRS 9, HKAS 39 and HKFRS 7 | Interest Rate Benchmark Reform[4] |
| Amendments to HKFRS 16 | COVID-19 Related Rent Concession[5] |

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 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.

Management's preliminary assessment is that the application of the above new standards and amendments will not have a material impact on the Group.

## 4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

The Group's major financial instruments include trade and other receivables, loans receivables, other loan and interest receivables, financial assets at fair value through profit or loss, cash and cash equivalents, fixed deposits, interest-bearing bank borrowings, trade and other payables and unconvertible bonds.

Details of these financial instruments are disclosed in respective notes. The Group has exposure to the credit risk, liquidity risk, currency risk, interest rate 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.

### i) CREDIT RISK AND IMPAIRMENT ASSESSMENT

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk exposures are primarily attributable to trade receivables, loan receivables, other receivables and bank balance.

*a)* As at 31 March 2020 and 2019, the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any loss allowance.

*b)* The Group limits its exposure to credit risk by placing deposits with financial institutions that meet the established credit rating or other criteria. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

As at 31 March 2020, the Group has certain concentration of credit risk as 20% (2019: 28%) of total cash at bank and on hand and fixed deposits with maturity of 3 months or more were deposited at one financial institution in the Hong Kong with high credit ratings.

*c)* In previous year, other loan and interest receivable with gross carrying amount of HK$45,138,000 was credit impaired as the management of the company considered that there was evidence indicating the amount cannot be recovered.

## 4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### i) CREDIT RISK AND IMPAIRMENT ASSESSMENT (Continued)

*c)* In respect of trade receivables arising from rental income from investment properties, in order to minimise the credit risk, the management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations of its tenants' financial position and condition are performed on each and every major tenant periodically. These evaluations focus on the tenant's past history of making payments when due and current ability to pay, and take into account information specific to the tenant as well as pertaining to the economic environment in which the tenant operates. The Group has trade receivables of HK$5,848,000 (2019: HK$4,111,000) from the tenants. The Group has received rental deposits amounting to HK$2,643,000 (2019: HK$2,762,000) from the tenants as collateral. Rents are usually due upon presentation of billing.

In respect of loan receivables from clients, the objective of the Group's measures to manage credit risk is to control potential exposure to recoverability problem. The Group manages and analyses the credit risk for each of their new and existing clients before standard payment terms and conditions are offered by assessing the credit quality of the customer, taking into account its financial position, past experience and other factors. The Group holds collateral against loan receivables in the form of private equities and properties located in Hong Kong held by individual customers. Loan receivables balances are monitored on an ongoing basis, management reviews the recoverable amount of loan receivables at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, management considers that the Group's credit risk is significantly reduced. Interest income are usually billed on quarterly basis.

In respect of trade receivables arising from financial services, the Group has monitoring procedures for ensuring that follow-up actions are taken to recover overdue debts. The Group reviews the recoverable amount of each individual client and borrower at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the company consider that the Group's credit risk is significantly reduce. Apart from the exposure to margin clients, the directors of the company considers that the concentration of credit risk is limited due to customer base being large and unrelated.

Other receivable amounted to HK$12,300,000 arising from compulsory redemption of unlisted investment fund during the year ended 31 March 2020. The management of the company, in order to reduce the credit risk, has assessed the credit quality of the debtor taking into account its financial position and other factors. Based on the assessment, the management considers that the expected credit losses of this debtor is minimal.

## 4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### i) CREDIT RISK AND IMPAIRMENT ASSESSMENT (Continued)

*d)* The Group's exposure to credit risk is influenced mainly by the individual characteristics of each debtor, tenant and margin client. The default risk of the industry in which debtors, tenants or margin client operate also has an influence on credit risk but to a lesser extent. At the end of the reporting period, the Group had concentration of credit risk as for 53% (2019: 54%) of the loan receivables, and 100% (2019: 100%) of rental receivables were due from the Group's five largest debtors, and the two largest tenants respectively.

*e)* 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 | 12m ECL |
| Watch list | Debtor frequently repays after due dates but usually settle in full | Lifetime ECL – not credit-impaired | 12m 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 |

## 4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### i) CREDIT RISK AND IMPAIRMENT ASSESSMENT (Continued)

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

| | Notes | 12-month or lifetime ECL | 2020 Gross carrying amount HK$'000 | 2019 Gross carrying amount HK$'000 |
|---|---|---|---|---|
| Financial assets at amortised cost: | | | | |
| Trade receivables | 24 | Lifetime ECL (not credit-impaired and assessed individually) | **5,848** | 4,111 |
| | | Credit-impaired | **7,732** | 8,149 |
| Account receivables – securities dealing | 24 | Lifetime ECL (not credit-impaired and assessed individually) | **–** | 451 |
| Interest receivables – money lending | 24 | 12-month ECL (not credit-impaired and assessed individually) | **19,047** | 11,307 |
| Other loan and interest receivables | 24 | Credit-impaired | **45,138** | 45,138 |
| Other receivables | 24 | 12-month ECL (not credit-impaired and assessed individually) | **16,015** | 811 |
| Loan receivables | 25 | 12-month ECL (not credit-impaired and assessed individually) | **7,000** | 283,875 |
| | | Lifetime ECL (not credit-impaired and assessed individually) | **440,023** | 122,777 |
| Cash and bank balances | 26 | 12-month ECL (not credit-impaired and assessed individually) | **19,585** | 47,380 |

## 4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### i) CREDIT RISK AND IMPAIRMENT ASSESSMENT (Continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables, other loan and interest receivables and loan receivables were individually assessed.

| | **Trade receivables** | **Other loan and interest receivables** | **Loan receivables** | |
|---|---|---|---|---|
| | Lifetime ECL (credit-impaired) | Lifetime ECL (credit-impaired) | Lifetime ECL (not credit-impaired) | Total |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| At 1 April 2018 | 6,422 | 45,138 | 6,178 | 57,738 |
| Change due to financial instruments recognised as at 1 April 2018: | | | | |
| – Impairment loss recognised | 2,139 | – | 7,136 | 9,275 |
| Exchange adjustments | (412) | – | (78) | (490) |
| At 31 March 2019 | 8,149 | 45,138 | 13,236 | 66,523 |
| Change due to financial instruments recognised as at 1 April 2019: | | | | |
| – Impairment loss recognised | – | – | 30,580 | 30,580 |
| Exchange adjustments | (417) | - | (1,422) | (1,839) |
| At 31 March 2020 | 7,732 | 45,138 | 42,394 | 95,264 |

## 4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### i) CREDIT RISK AND IMPAIRMENT ASSESSMENT (Continued)

#### f) *Trade receivables that are not impaired*

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

| | **2020** | 2019 |
|---|---:|---:|
| | **HK$'000** | HK$'000 |
| Neither past due nor impaired | **930** | 1,194 |
| Past due but not impaired | | |
| – Less than 3 months past due | **1,859** | 1,926 |
| – 3 to 6 months past due | **1,845** | 905 |
| – Over 6 months past due | **1,214** | 86 |
| | **5,848** | 4,111 |

Receivables that were neither part due nor impaired related to a number of customers for whom there was no recent history of default.

Receivables that were past due but not impaired mainly relate to customers and tenants that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group hold rental deposits of HK$2,643,000 (2019: HK$2,762,000) as collateral over the balances related to rent.

## 4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### i) CREDIT RISK AND IMPAIRMENT ASSESSMENT (Continued)

#### *g) Interest receivables that are not impaired*

No loss allowance had been made for interest receivables and the ageing analysis is presented based on invoice dates as follows:

| | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|
| Not pass due | **334** | – |
| Within 1 month | **7,000** | 8,165 |
| 1 to 3 months | **9,652** | 3,142 |
| 3 to 6 months | **2,061** | – |
| 6 to 12 months | **–** | – |
| | **19,047** | 11,307 |

Interest receivables are due immediately from the date of billing.

## 4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### i) CREDIT RISK AND IMPAIRMENT ASSESSMENT (Continued)

#### *h) Loan receivables that are not impaired*

The ageing analysis of loan receivables that are neither individually nor collectively considered to be impaired are as follows:

| | **2020**<br>**HK$'000** | 2019<br>HK$'000 |
|---|---|---|
| Neither past due nor impaired | **404,629** | 393,416 |
| Past due but not impaired | | |
| – Less than 3 months past due | **–** | – |
| – 3 to 6 months past due | **–** | – |
| – Over 6 months past due | **–** | – |
| | **404,629** | 393,416 |

The loan receivables that were neither part due nor impaired related to a number of debtors for whom there was no recent history of default.

The loan receivables that were past due but not impaired mainly relate to debtors that have a good track record with the Group. The directors of the company are of the opinion that no provision for impairment is necessary in respect of these loan receivables as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group holds properties in Hong Kong and private equities as collateral over these balances.

## 4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### ii) LIQUIDITY RISK

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to the company's board approval. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient amount of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The Group relies on interest-bearing bank borrowings and unconvertible bonds as a significant source of liquidity.

The following tables set out the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

| | 2020 | | | | | | | 2019 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Weighted average effective interest rate | Within 1 year or on demand HK$'000 | More than 1 year but less than 2 years HK$'000 | More than 2 years but less than 5 years HK$'000 | More than 5 years HK$'000 | Total contractual undiscounted cash outflow HK$'000 | Carrying amount HK$'000 | Weighted average effective interest rate | Within 1 year or on demand HK$'000 | More than 1 year but less than 2 years HK$'000 | More than 2 years but less than 5 years HK$'000 | More than 5 years HK$'000 | Total contractual undiscounted cash outflow HK$'000 | Carrying amount HK$'000 |
| Trade and other payables | – | 3,996 | – | – | – | 3,996 | 3,996 | – | 16,795 | – | – | – | 16,795 | 16,795 |
| Interest-bearing bank borrowings | 8.56% | 12,323 | 13,408 | 32,333 | 85,033 | 143,097 | 87,584 | 6.79% | 9,419 | 9,215 | 38,106 | 30,014 | 86,754 | 67,235 |
| Unconvertible bonds | 5.88% | 19,300 | 500 | 10,283 | – | 30,083 | 28,333 | 5% | 10,929 | 10,340 | – | – | 21,269 | 20,000 |
| Lease liabilities | 3.99% | 4,882 | 3,258 | 4,159 | – | 12,299 | 11,456 | – | – | – | – | – | – | – |
| | | 40,501 | 17,166 | 46,775 | 85,033 | 189,475 | 131,369 | | 37,143 | 19,555 | 38,106 | 30,014 | 124,818 | 104,030 |

## 4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### iii) CURRENCY RISK

#### a) *Exposure to currency risk*

The Group is exposure to currency risk related primarily to loan receivables, cash and cash equivalents and trade and other payables that are denominated in currencies other than the functional currency of the relevant group entities.

Most of the Group's transactions, assets and liabilities are denominated in Hong Kong Dollars, which is the same as the functional currency of the entity to which they related.

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Hong Kong Dollars, translated using the spot rate at the year end date.

Exposure to foreign currencies (expressed in Hong Kong Dollars)

| | **2020** | 2019 |
|---|---|---|
| | **Renminbi** | Renminbi |
| | **HK$'000** | HK$'000 |
| Loan receivables | **341,953** | – |
| Cash and cash equivalents | **–** | 9 |
| Trade and other payables | **–** | (5,614) |
| Overall exposure to currency risk | **341,953** | (5,605) |

## 4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### iii) CURRENCY RISK (Continued)

#### b) *Sensitivity analysis*

The following table indicates the instantaneous change in the Group's loss after tax (and accumulated losses) that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

| | **2020** | | 2019 | |
|---|---|---|---|---|
| | **Increase/ (decrease) in foreign exchange rates** | **(Increase)/ decrease in loss after tax and accumulated losses HK$'000** | Increase/ (decrease) in foreign exchange rates | (Increase)/ decrease in loss after tax and accumulated losses HK$'000 |
| Renminbi | **5%** | **14,277** | 5% | (234) |
| | **(5%)** | **(14,277)** | (5%) | 234 |

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' (loss)/profit after tax and equity measured in the respective functional currencies, translated into Hong Kong Dollars at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis is performed on the same basis for 2019.

## 4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### iv) INTEREST RATE RISK

The Group's interest rates risk arises primarily from group's cash at bank, fixed deposits, loan receivables, unconvertible bonds and interest-bearing borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider to hedge significant interest rate exposures when the need is anticipated.

At 31 March 2020, it is estimated that a general increase/decrease of 1% in interest rates, with all other variables held constant, would increase/decrease the Group's loss after tax and accumulated losses by approximately HK$674,000 (2019: HK$504,000). This is attributable to variable rate interest-bearing bank borrowings.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of reporting period and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 1% increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of next annual reporting period. The analysis is performed on the same basis for 2019.

### v) EQUITY PRICE RISK

The Group is exposed to equity price changes arising from trading of listed securities and unlisted investment fund classified as financial assets at fair value through profit or loss. The sensitivity analysis has been determined based on the exposure to equity price risk.

The Group's trading securities are listed on the Stock Exchange of Hong Kong.

All of the Group's unquoted investments are held for long term purposes. Their performance is assessed at least periodically against performance of similar listed entities, based on the information available to the Group, together with an assessment of their relevance to the Group's long term plans.

## 4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### v) EQUITY PRICE RISK (Continued)

At 31 March 2020, it is estimated that an increase/(decrease) of 10% (2019: 10%) in the fair value of the Group's trading securities and unquoted investments with all other variables held constant would have decreased/(increased) the Group's loss after tax (and accumulated losses) and increase/(decrease) the Group's other components of consolidated equity as follows:

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | (Increase)/ decrease in loss after tax and accumulated losses HK$'000 | Increase/ (decrease) in other components of equity* HK$'000 | (Increase)/ decrease in loss after tax and accumulated losses HK$'000 | Increase/ (decrease) in other components of equity* HK$'000 |
| Financial assets at fair value through profit or loss | | | | |
| – Trading securities | 3,111 | – | 3,133 | – |
| – Unlisted investment fund | 129 | – | 4,551 | – |
| | 3,240 | – | 7,684 | – |

* Excluding accumulated losses

## 4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### vi) FAIR VALUE MEASUREMENT

#### a) *Financial assets and liabilities measured at fair value*

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorized into the three-level fair value hierarchy as defined in HKFRS 13 "Fair Value Measurement". The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

The Group has a team headed by the chief financial officer performing valuations for the financial instruments, including unlisted investments fund under financial assets at fair value through profit or loss which are categorised into Level 3 of the fair value hierarchy. The team reports directly to the directors and the audit committee. A valuation report with analysis of changes in fair value measurement is prepared by the team at each interim and annual reporting date, and is reviewed and approved by the directors. Discussion of the valuation process and results with the directors and the audit committee is held twice a year, to coincide with the reporting dates.

## 4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### vi) FAIR VALUE MEASUREMENT (Continued)

| | **Fair value measurements as at 31 March 2020 categorised into** | | | | Fair value measurements as at 31 March 2019 categorised into | | | |
|---|---|---|---|---|---|---|---|---|
| | **Level 1 HK$'000** | **Level 2 HK$'000** | **Level 3 HK$'000** | **Fair value at 31 March 2020 HK$'000** | Level 1 HK$'000 | Level 2 HK$'000 | Level 3 HK$'000 | Fair value at 31 March 2019 HK$'000 |
| **Recurring fair value measurements assets:** | | | | | | | | |
| Financial assets at fair value through profit or loss | | | | | | | | |
| — Unlisted investments fund (note 1 & 2) | **–** | **1,296** | **–** | **1,296** | – | 2,792 | 42,717 | 45,509 |
| — Trading securities | **31,113** | **–** | **–** | **31,113** | 31,331 | – | – | 31,331 |

During the years ended 31 March 2019 and 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Note:

1 The valuation techniques and key inputs used of financial assets at fair value through profit or loss for level 2 fair value measurement are as follows:

The fair value of financial assets at fair value through profit or loss are assessed to approximate the net asset values indicated on the net asset value statements issued by investment fund managers, which take into consideration the fair value of the assets held under the investments.

## 4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### vi) FAIR VALUE MEASUREMENT (Continued)

Note: (Continued)

2 The valuation techniques and key inputs used of financial assets at fair value through profit or loss for level 3 fair value measurement at 31 March 2019 are as follows:

| | Valuation techniques | Significant unobservable inputs | Percentage of discount |
|---|---|---|---|
| Unlisted investments fund classified as financial assets at fair value through profit or loss | Market comparable companies | Discount for lack of marketability | 20% |

The fair value of unlisted investments fund is assessed to approximate the net asset values indicated on the net asset value statements issued by investment fund managers, which take into consideration the fair value of the assets held under the investments. Where appropriate, a discount is applied to take into consideration of the unlisted securities held under the investment. The fair value measurement is negatively correlated to the discount for lack of marketability. No sensitivity analysis is disclosed for the impact of changes in the discount for the lack of marketability as the management considers that the exposure is insignificant to the Group.

## 4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### vi) FAIR VALUE MEASUREMENT (Continued)

Note: (Continued)

2 The valuation techniques and key inputs used of financial assets at fair value through profit or loss for level 3 fair value measurement at the end of the reporting period are as follows: (Continued)

The movements during the year in the balance of these Level 3 fair value measurements are as follows:

| | Financial assets at fair value through profit or loss Unlisted investments fund HK$'000 | Financial assets at fair value through profit or loss Financial product HK$'000 |
|---|---|---|
| Balance at 1 April 2018 | 44,103 | 13,745 |
| Maturities | – | (12,860) |
| Loss on fair value change | (1,386) | – |
| Exchange alignment | – | (885) |
| Balance at 31 March 2019 | 42,717 | – |
| Balance at 1 April 2019 | 42,717 | – |
| Compulsory redemption | (33,446) | – |
| Loss on fair value change | – | – |
| Loss on disposal | (9,271) | – |
| Exchange alignment | – | – |
| Balance at 31 March 2020 | – | – |

## 4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### vi) FAIR VALUE MEASUREMENT (Continued)

*b) Fair value of financial assets and liabilities carried at other than fair value*

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values. The fair value is estimated at the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

### vii) FINANCIAL ASSETS AND FINANCIAL LIABILITIES OFFSETTING

The disclosures set out in the tables below include financial assets and financial liabilities that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments that are either:

- offset in the Group's consolidated statement of financial position; or
- not offset in the Group's consolidated statement of financial position as the offsetting criteria are not met.

Under the agreement of continuous net settlement made between the Group and Hong Kong Securities Clearing Company Limited ("HKSCC"), the Group has a legally enforceable right to set off the money obligations receivable and payable with HKSCC on the same settlement date and are settled simultaneously. In addition the Group has a legally enforceable right to set off all clients accounts receivable and payable at any time without prior notice to clients and the Group intends to settle these balances on a net basis.

Except for above, amounts due from/to HKSCC that are not to be settled on the same date, accounts receivable and payable from clients not intends to settle on a net basis, financial collateral including cash and securities received by the Group, deposit placed with HKSCC do not meet the criteria for offsetting in the consolidated statement of financial position since the right of set-off of the recognised amounts is only enforceable following an event of default.

**As at 31 March 2020**

| Type of financial assets | Gross amounts of recognised financial assets HK$'000 | Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position HK$'000 | Net amounts of financial assets presented in the consolidated statement of financial position HK$'000 | Related amounts not offset in the consolidated statement of financial position Collateral received* HK$'000 | Net amount HK$'000 |
|---|---|---|---|---|---|
| Accounts receivable arising from the business of dealing in securities | – | – | – | – | – |
| Deposit placed with clearing house | 205 | – | 205 | – | 205 |

## 4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### vii) FINANCIAL ASSETS AND FINANCIAL LIABILITIES OFFSETTING (Continued)

| **Type of financial liabilities** | **Gross amounts of recognised financial liabilities HK$'000** | **Gross amounts of recognised financial assets set off in the consolidated statement of financial position HK$'000** | **Net amounts of financial liabilities presented in the consolidated statement of financial position HK$'000** | **Related amounts not offset in the consolidated statement of financial position Collateral pledged HK$'000** | **Net amount HK$'000** |
|---|---|---|---|---|---|
| Accounts payable arising from the business of dealing in securities | **18** | **–** | **18** | **–** | **18** |

**As at 31 March 2019**

| Type of financial assets | Gross amounts of recognised financial assets HK$'000 | Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position HK$'000 | Net amounts of financial assets presented in the consolidated statement of financial position HK$'000 | Related amounts not offset in the consolidated statement of financial position Collateral received* HK$'000 | Net amount HK$'000 |
|---|---|---|---|---|---|
| Accounts receivable arising from the business of dealing in securities | 1,160 | (709) | 451 | – | 451 |
| Deposit placed with clearing house | 205 | – | 205 | – | 205 |

## 4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### vii) FINANCIAL ASSETS AND FINANCIAL LIABILITIES OFFSETTING (Continued)

| Type of financial liabilities | Gross amounts of recognised financial liabilities HK$'000 | Gross amounts of recognised financial assets set off in the consolidated statement of financial position HK$'000 | Net amounts of financial liabilities presented in the consolidated statement of financial position HK$'000 | Related amounts not offset in the consolidated statement of financial position Collateral pledged HK$'000 | Net amount HK$'000 |
|---|---|---|---|---|---|
| Accounts payable arising from the business of dealing in securities | 6,461 | (709) | 5,752 | – | 5,752 |

## 5. ACCOUNTING JUDGEMENTS AND ESTIMATES

### a) KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies which are described in note 2, management has made certain 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, as discussed below.

#### *i) Estimated loss allowance of receivables*

Trade and other receivables with significant balances and credit-impaired are assessed for ECL individually. In addition, the Group individually assess each borrower to calculate ECL for the loan receivables. The provision rates are based on internal credit ratings. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. The amount of the loss allowance is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2020, the carrying amount of trade and other receivables and loan receivables are HK$46,169,000, net of loss allowance of HK$52,870,000 (2019: carrying amount of HK$22,140,000, net of loss allowance of HK$53,287,000) and HK$404,629,000, net of allowance for expected credit loss of HK$42,394,000 (2019: HK$393,416,000, net of allowance of expected credit loss of HK$13,236,000), respectively.

## 5. ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

### a) KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

#### ii) *Fair value of investment properties*

Investment properties are carried in the consolidated statement of financial position at 31 March 2020 at their fair value. The fair value was based on a valuation on these properties conducted by an independent firm of professional valuers using property valuation techniques which involve certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment properties and corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss.

The carrying amount of investment properties as at 31 March 2020 was HK$206,834,000 (2019: HK$229,192,000).

#### iii) *Impairment of goodwill*

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating unit to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 March 2020 was HK$Nil (2019: HK$2,550,000).

#### iv) *Fair value of financial assets at fair value through profit or loss*

The fair value of financial assets at fair value through profit or loss were measured using valuation technique based on inputs that can be observed in the market and unobservable inputs such as company specific financial information. The carrying amount of financial assets at fair value through profit or loss as at 31 March 2020 was HK$32,409,000 (2019: HK$76,840,000).

## 5. ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

### b) CRITICAL ACCOUNTING JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

In determining the carrying amounts of some assets and liabilities, the Group makes assumptions for the effects of uncertain future events on those assets and liabilities at the end of reporting period. These estimates involve assumptions about such items as cash flows and discount rates used. The Group's estimates and assumptions are based on historical experience and expectations of future events and are reviewed periodically. In addition to assumptions and estimations of future events, judgements are also made during the process of applying the Group's accounting policies.

#### *i) Income taxes*

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations.

#### *(ii) Deferred taxation on investment properties*

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model, the directors of the company have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. 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 embodied in the investment property over time, rather than through sale.

## 6. SEGMENT REPORTING

Operating segments, and the amounts of each segment item reported in these financial statements, are identified on the basis of internal reports which provides information about components of the Group. These information are reported to and reviewed by the board of directors, which is the chief operating decision maker ("CODM"), for the purposes of resource allocation and performance assessment.

The CODM considers the business from product perspectives. The Group has presented the following three reportable segments. These segments are managed separately. The properties investment segment, money lending service segment and financial services segment offer very different products and services.

Financial Services segment was discontinued in the current year. The segment information reported on the next pages do not include any amounts for this discontinued operation. More details are disclosed in note 13.

**PROPERTIES INVESTMENT:** The properties investment reportable operating segment derives its revenue primarily from leasing of investment properties.

**MONEY LENDING BUSINESS:** The money lending business reportable segment derives its revenue primarily from lending out loans and receive interest.

No reportable operating segment has been aggregated.

### a) SEGMENT RESULTS, ASSETS AND LIABILITIES

For the purposes of assessing segment performance and allocating resources between segments, the Group's CODM monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit/(loss) represents the profit earned by/(loss) from each segment without allocation of central administration costs such as directors' salaries, unallocated finance costs, corporate income, depreciation, interest income and fair value change of trading securities and unlisted investments fund. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The revenue from external parties reported to the CODM is measured in a manner consistent with that in the consolidated statement of profit or loss.

## 6. SEGMENT REPORTING (Continued)

### a) SEGMENT RESULTS, ASSETS AND LIABILITIES (Continued)

All assets are allocated to reportable segments other than financial assets at fair value through profit or loss, property under development and corporate assets. All liabilities are allocated to reportable segments other than deferred tax liabilities, tax payables, unconvertible bonds and corporate liabilities.

Information regarding the Group's reportable segments as provided to the Group's CODM for the purposes of resources allocation and assessment of segment performance for the years ended 31 March 2020 and 2019 is set out below.

| | **2020** | | | 2019 | | |
|---|---|---|---|---|---|---|
| | **Properties investment HK$'000** | **Money lending business HK$'000** | **Total HK$'000** | Properties investment HK$'000 | Money lending business HK$'000 | Total HK$'000 (Restated) |
| Revenue from external customers | **9,248** | **42,551** | **51,799** | 9,724 | 38,612 | 48,336 |
| Reportable segment revenue | **9,248** | **42,551** | **51,799** | 9,724 | 38,612 | 48,336 |
| Reportable segment (loss)/profit before taxation | **(21,661)** | **(11,283)** | **(32,944)** | (39,632) | 28,779 | (10,853) |
| Interest income on | | | | | | |
| – Bank deposits | **184** | **–** | **184** | 59 | – | 59 |
| – Financial products | **–** | **–** | **–** | 202 | – | 202 |
| Depreciation and amortisation | | | | | | |
| – Plant and equipment | **(818)** | **–** | **(818)** | (1,084) | – | (1,084) |
| – Right-of use assets | **(1,178)** | **–** | **(1,178)** | – | – | – |
| Valuation loss on investment properties | **(12,628)** | **–** | **(12,628)** | (21,296) | – | (21,296) |
| Loss allowance for trade receivables | **–** | **–** | **–** | (2,139) | – | (2,139) |
| Allowance of expected credit loss on loan receivables | **–** | **(30,580)** | **(30,580)** | – | (7,136) | (7,136) |
| Finance costs | **(7,912)** | **–** | **(7,912)** | (3,042) | – | (3,042) |
| Reportable segment assets | **238,558** | **423,820** | **662,378** | 257,029 | 404,953 | 661,982 |
| Additions to non-current assets during the year | **6,935** | **–** | **6,935** | 2,597 | – | 2,597 |
| Reportable segment liabilities | **96,329** | **–** | **96,329** | 72,429 | – | 72,429 |

## 6. SEGMENT REPORTING (Continued)

### b) RECONCILIATIONS OF REPORTABLE SEGMENT REVENUES, PROFIT OR LOSS, ASSETS AND LIABILITIES AND OTHER ITEMS:

| | 2020<br>HK$'000 | 2019<br>HK$'000<br>(Restated) |
|---|---|---|
| **(i) Revenue** | | |
| Total reportable segment revenue | **51,799** | 48,336 |
| Consolidated revenue | **51,799** | 48,336 |
| **(ii) (Loss)/profit** | | |
| Total reportable segments' loss | **(32,944)** | (10,853) |
| Unallocated corporate income | **9,778** | 643 |
| Depreciation | **(4,292)** | (1,948) |
| Interest income | **134** | 139 |
| Unallocated finance costs | **(1,363)** | (1,000) |
| Unallocated corporate expenses | **(49,905)** | (58,216) |
| Consolidated loss before taxation (from continuing operations) | **(78,592)** | (71,235) |
| **(iii) Assets** | | |
| Reportable segments' assets | **662,378** | 661,982 |
| From discontinued operations | **5,365** | 23,726 |
| Property under development | **19,481** | 20,136 |
| Financial assets at fair value through profit or loss | **32,409** | 76,840 |
| Unallocated corporate assets | **27,561** | 33,670 |
| Consolidated total assets | **747,194** | 816,354 |
| **(iv) Liabilities** | | |
| Reportable segments' liabilities | **96,329** | 72,429 |
| From discontinued operations | **4,810** | 6,298 |
| Unconvertible bonds | **28,333** | 20,000 |
| Tax payables | **372** | 432 |
| Deferred tax liabilities | **7,876** | 12,036 |
| Unallocated corporate liabilities | **4,540** | 8,121 |
| Consolidated total liabilities | **142,260** | 119,316 |

## 6. SEGMENT REPORTING (Continued)

### b) RECONCILIATIONS OF REPORTABLE SEGMENT REVENUES, PROFIT OR LOSS, ASSETS AND LIABILITIES AND OTHER ITEMS: (Continued)

#### (v) Other items

| | 2020 | | | |
|---|---|---|---|---|
| | Properties investment HK$'000 | Money lending business HK$'000 | Unallocated HK$'000 | Total HK$'000 |
| Interest income | | | | |
| – bank deposits | **184** | **–** | **134** | **318** |
| Depreciation | **(1,996)** | **–** | **(4,292)** | **(6,288)** |
| Finance cost | **(7,912)** | **–** | **(1,363)** | **(9,275)** |

| | 2019 | | | |
|---|---|---|---|---|
| | Properties investment HK$'000 | Money lending business HK$'000 | Unallocated HK$'000 (Restated) | Total HK$'000 (Restated) |
| Interest income | | | | |
| – bank deposits | 59 | – | 139 | 198 |
| – financial products | 202 | – | – | 202 |
| Depreciation | (1,084) | – | (1,948) | (3,032) |
| Finance cost | (3,042) | – | (1,000) | (4,042) |

## 6. SEGMENT REPORTING (Continued)

### c) GEOGRAPHICAL INFORMATION

The following is an analysis of geographical location of (i) the Group's revenue from operation external customers and (ii) the Group's non-current assets. The geographical location of customers refers to the location at which the services were provided or the goods delivered. The Group's non-current assets (other than financial instruments) include plant and equipment, right-of-use assets, investment properties, intangible assets and goodwill. The geographical location of plant and equipment, right-of-use assets and investment properties are based on the physical location of the asset. In the case of intangible assets and goodwill, they are based on the location of operation to which they are allocated.

| | Revenue from external customers | | Non-current assets | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| | | (Restated) | | |
| Hong Kong (place of domicile) | **42,551** | 15,519 | **2,343** | 11,623 |
| PRC | **9,248** | 32,817 | **216,440** | 231,494 |
| Others | **–** | – | **1,185** | 1,903 |
| | **51,799** | 48,336 | **219,968** | 245,020 |

### d) INFORMATION ABOUT MAJOR CUSTOMERS

Revenues from customers contributed 10% or more of the total revenue of the Group are as follows:

| | **2020** | 2019 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Customer A – revenue from money lending business (Note) | **NA** | 8,009 |
| Customer B – revenue from rental income | **5,972** | NA |
| | **5,972** | 8,009 |

Note: For the year ended 31 March 2020, customer A did not contribute 10% or more of the total revenue of the Group.

## 7. REVENUE

### DISAGGREGATION OF REVENUE

Disaggregation of revenue from contracts with customers by major service lines is as follows:

| | 2020 HK$'000 | 2019 HK$'000 (Restated) |
|---|---|---|
| Rental income from investment properties | 9,248 | 9,724 |
| Loan interest income | 42,551 | 38,612 |
| | 51,799 | 48,336 |

Disaggregation of revenue from contracts with customers by geographic markets is disclosed in note 6c.

## 8. OTHER INCOME AND OTHER GAINS AND LOSSES

| | 2020 HK$'000 | 2019 HK$'000 (Restated) |
|---|---|---|
| **a) Other income** | | |
| Interest income on bank deposits | 318 | 184 |
| Interest income on financial products | – | 202 |
| Total interest income on financial assets | 318 | 386 |
| Dividend income | 76 | 68 |
| Recovery of bad debt written off (Note i) | – | 1,122 |
| Sundry income | 5,657 | 311 |
| | 6,051 | 1,887 |

During the year, the interest income that was derived from financial assets not at fair value through profit or loss amounting to HK$45,499,000 (2019 (restated): HK$38,796,000), included interest income on loans in revenue and interest income in other income.

Note i: The recovery of bad debt written off of HK$Nil (2019: HK$1,122,000) was related to the recovery of other receivables of a subsidiary in PRC which were written off in prior year.

## 8. OTHER INCOME AND OTHER GAINS AND LOSSES (Continued)

| | 2020 HK$'000 | 2019 HK$'000 (Restated) |
|---|---|---|
| **b) Other gains and losses** | | |
| Realised loss on unlisted investments fund | **(9,271)** | – |
| Unrealised loss on unlisted investments fund | **(1,496)** | (2,635) |
| Realised gain on trading securities | **7,812** | 2,831 |
| Unrealised loss on trading securities | **(13,355)** | (14,623) |
| Net foreign exchange (loss)/gain | **(18,642)** | 422 |
| | **(34,952)** | (14,005) |

## 9. LOSS BEFORE TAXATION FROM CONTINUING OPERATIONS

Loss before taxation from continuing operations is arrived at after charging/(crediting) the following:

| | 2020 HK$'000 | 2019 HK$'000 |
|---|---|---|
| **a) Finance costs** | | |
| Interest expense on bank borrowings | **7,643** | 3,042 |
| Interest expense on unconvertible bonds | **1,255** | 1,000 |
| Interest expense on lease liabilities | **377** | – |
| Total interest expense on financial liabilities not at fair value through profit or loss | **9,275** | 4,042 |

## 9. LOSS BEFORE TAXATION FROM CONTINUING OPERATIONS (Continued)

| | 2020<br>HK$'000 | 2019<br>HK$'000<br>(Restated) |
|---|---|---|
| **b) Staff costs (including directors' remuneration)** | | |
| Salaries, wages and other benefits | **15,909** | 21,614 |
| Contribution to defined contribution retirement plans | **608** | 692 |
| | **16,517** | 22,306 |
| **c) Other items** | | |
| Auditor's remuneration | | |
| – audit services | **1,380** | 1,824 |
| – other services | **512** | 421 |
| Depreciation on plant and equipment | **2,655** | 3,032 |
| Depreciation on right-of-use assets | **3,633** | – |
| Equity-settled share-based payment expenses | **–** | 11,995 |
| Gross rental income from investment properties less direct outgoings of HK$Nil (2019: HK$92,000) | **(9,248)** | (9,632) |
| Operating lease charges under HKAS 17: minimum lease payments | | |
| – rented premises | **–** | 7,376 |
| – hire of plant and equipment | **–** | 730 |
| Variable lease payments not included in the measurement of lease liabilities | **1,620** | – |
| **d) Other expenses** | | |
| Loss allowance for trade receivables | **–** | 2,139 |
| Allowance of expected credit loss on loan receivables | **30,580** | 7,136 |
| Loss on disposal of plant and equipment | **156** | – |
| | **30,736** | 9,275 |

## 10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, and the chief executive's emoluments are as follows:

| | 2020 | | | |
|---|---|---|---|---|
| | Fees HK$'000 | Salaries and other benefits in kind HK$'000 | Retirement scheme contribution HK$'000 | Total HK$'000 |
| **Executive directors** | | | | |
| Au Tat On | – | 656 | 18 | 674 |
| Han Wei *(chief executive)* | – | 4,977 | 13 | 4,990 |
| Wang Lin Bo (Appointed on 1 October 2019) | – | 145 | – | 145 |
| | – | 5,778 | 31 | 5,809 |
| **Independent non-executive directors** | | | | |
| Lai Wai Yin | 120 | – | – | 120 |
| Cao Jie Min | 120 | – | – | 120 |
| Liang Kuo-Chieh | 120 | – | – | 120 |
| | 360 | – | – | 360 |
| Total | 360 | 5,778 | 31 | 6,169 |

## 10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

| | 2019 | | | |
|---|---|---|---|---|
| | Fees HK$'000 | Salaries and other benefits in kind HK$'000 | Retirement scheme contribution HK$'000 | Total HK$'000 |
| **Executive directors** | | | | |
| Au Tat On | – | 635 | 18 | 653 |
| Han Wei *(chief executive)* | – | 4,794 | 87 | 4,881 |
| | – | 5,429 | 105 | 5,534 |
| **Independent non-executive directors** | | | | |
| Lai Wai Yin | 120 | – | – | 120 |
| Cao Jie Min | 120 | – | – | 120 |
| Liang Kuo-Chieh | 120 | – | – | 120 |
| | 360 | – | – | 360 |
| Total | 360 | 5,429 | 105 | 5,894 |

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

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

No emoluments have been paid to the directors as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 March 2020 and 2019. No director waived or agreed to waive any emoluments during the years ended 31 March 2020 and 2019.

## 11. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2019: one) are directors of the company whose emoluments are included in the disclosure in note 10 above. The emoluments of the remaining three (2019: four) individuals are as follows:

| | **2020** | 2019 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Salaries and other emoluments | **3,118** | 10,878 |
| Contributions to retirement benefit scheme | **88** | 107 |
| | **3,206** | 10,985 |

The emoluments of the three (2019: four) individuals with the highest emoluments are within the following bands:

| | **Number of individuals** | |
|---|---|---|
| | **2020** | 2019 |
| Nil – HK$1,000,000 | **1** | – |
| HK$1,000,001 – HK$1,500,000 | **2** | – |
| HK$1,500,001 – HK$2,000,000 | **–** | 1 |
| HK$2,000,001 – HK$2,500,000 | **–** | 1 |
| HK$2,500,001 – HK$3,000,000 | **–** | 1 |
| HK$3,000,001 – HK$3,500,000 | **–** | – |
| HK$3,500,001 – HK$4,000,000 | **–** | – |
| HK$4,000,001 – HK$4,500,000 | **–** | – |
| HK$4,500,001 – HK$5,000,000 | **–** | 1 |
| HK$5,000,001 – HK$5,500,000 | **–** | – |
| HK$5,500,001 – HK$6,000,000 | **–** | – |
| HK$6,000,001 – HK$6,500,000 | **–** | – |
| | **3** | 4 |

## 12. INCOME TAX (CREDIT)/EXPENSES

a) Income tax recognised in profit or loss represents:

| | 2020<br>HK$'000 | 2019<br>HK$'000<br>(Restated) |
|---|---|---|
| Current tax | | |
| Hong Kong Profits Tax | **700** | 970 |
| Deferred tax | | |
| Origination and reversal of temporary differences | **(3,157)** | (5,324) |
| Income tax credit (relating to continuing operations) | **(2,457)** | (4,354) |

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 gazette on the following day.

Under the two-tiered profits tax rates regime, the first HK$2,000,000 of profits of qualifying corporations will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

For year ended 31 March 2020 and 31 March 2019, Hong Kong Profits Tax is calculated in accordance with the two-tiered profits tax rates regime for the qualifying corporation and the remaining corporations are calculated at a flat rate of 16.5%.

The provision for PRC Enterprise Income Tax ("EIT") is calculated at 25% (2019: 25%) of the estimated assessable profits for the year. No provision for EIT was provided for as the company's subsidiaries operating in the People's Republic of China incurred losses for the years ended 31 March 2020 and 2019.

b) Reconciliation between tax credit and accounting loss at applicable tax rates:

| | 2020<br>HK$'000 | 2019<br>HK$'000<br>(Restated) |
|---|---|---|
| Loss before taxation from continuing operations | **(78,592)** | (71,235) |
| Notional tax on loss before taxation, calculated at the tax rates applicable to respective tax jurisdictions | **(15,531)** | (13,321) |
| Tax effect of non-taxable income | **(939)** | (911) |
| Tax effect of non-deductible expenses | **10,651** | 5,525 |
| Tax effect of temporary differences not recognised | **5,910** | 133 |
| Tax effect of utilisation of tax losses previously not recognised | **(7,521)** | (569) |
| Tax effect of unused tax losses not recognised | **5,158** | 4,809 |
| Income tax at concessionary rate | **(185)** | (20) |
| Income tax credit | **(2,457)** | (4,354) |

## 13. DISCONTINUED OPERATIONS

On 13 January 2020 and 25 February 2020, the Group has submitted the acknowledgement for cessation of businesses of subsidiaries, C.P.Securities International Limited and C.P. Financial Management Limited, which carried out all of the Group's financial services operations. The cessation of business was effected in order to generate cash flows for the expansion of the Group's other businesses. The cessation of businesses were still in processing as at 31 March 2020.

The (loss)/profit for the year from the discontinued financing operation is set out below. The comparative figures in the statement of profit or loss have been restated to re-present the financing operation as a discontinued operation.

| | **2020** | 2019 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Revenue | **626** | 3,268 |
| Cost of Sales | **(829)** | (2,229) |
| Gross profit | **(203)** | 1,039 |
| Other income/loss | **44** | 17,009 |
| Administrative expenses | **(9,117)** | (9,321) |
| Finance cost | **(174)** | – |
| Impairment of goodwill | **(2,550)** | (2,198) |
| Impairment of intangible assets | **(1,205)** | (2,838) |
| Impairment of right-of-use assets | **(3,587)** | – |
| Income tax credit | **336** | 836 |
| (Loss)/profit from discontinued operation | **(16,456)** | 4,527 |
| Cash flows used in operating activities | **(13,088)** | (42,225) |
| Cash flows generated from investing activities | **525** | – |
| Cash flows generated from financing activities | **128** | – |
| Net outflows of cash | **(12,435)** | (42,225) |
| (Loss)/profit for the year from discontinued operation includes the followings: | | |
| Auditor's remuneration | **95** | 89 |
| Reversal of loss allowance of accounts receivable | **–** | 16,964 |
| Depreciation on plant and equipment | **217** | 219 |
| Depreciation on right-of-use assets | **1,757** | – |
| Amortisation on intangible assets | **829** | 2,229 |
| Interest expenses on lease liabilities | **174** | – |

## 14. DIVIDENDS

The directors did not propose the payment of any dividend for the year ended 31 March 2020 (2019: Nil) in view of the loss for the year.

## 15. LOSS PER SHARE

### FROM CONTINUING AND DISCONTINUED OPERATIONS

The calculation of basic loss per share is based on the loss attributable to owners of the company of HK$92,591,000 (2019: HK$62,354,000) and on the weighted average number of 133,019,000 ordinary shares in issue during the year (2019 (restated): 121,440,000 ordinary shares).

### FROM CONTINUED OPERATIONS

The calculation of basic loss per share is based on the loss attributable to owners of the company of HK$76,135,000 (2019: HK$66,881,000) and on the weighted average number of 133,019,000 ordinary shares in issue during the year (2019 (restated): 121,440,000 ordinary shares).

### FROM DISCONTINUED OPERATIONS

Basic loss per share for the discontinued operations is HK12.37 cents per share (2019 profit: HK3.73 cents per share) and diluted earnings per share for the discontinued operations is HK12.37 cents per share (2019 profit: HK3.73 cents per share), based on the loss for the year from the discontinued operations of HK$16,456,000 (2019 profit: HK$4,527,000) and the denominators detailed above for both basic and diluted earnings per share.

### DILUTED LOSS PER SHARE

Diluted loss per share equals to basic loss per share because the outstanding share options had an anti-dilutive effect on the basic loss per share for the year ended 31 March 2020 and 31 March 2019.

## 16. PLANT AND EQUIPMENT

| | Leasehold improvements HK$'000 | Furniture and equipment HK$'000 | Motor vehicles HK$'000 | Motor vessels HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 April 2018 | 2,875 | 3,747 | 16,309 | 2,504 | 25,435 |
| Additions | – | 25 | – | – | 25 |
| Exchange alignment | (117) | (136) | (378) | (84) | (715) |
| At 31 March 2019 | 2,758 | 3,636 | 15,931 | 2,420 | 24,745 |
| At 1 April 2019 | 2,758 | 3,636 | 15,931 | 2,420 | 24,745 |
| Additions | 1,153 | 42 | 1,085 | – | 2,280 |
| Written-off | (1,564) | – | – | – | (1,564) |
| Exchange alignment | (104) | (350) | (1,089) | (160) | (1,703) |
| At 31 March 2020 | 2,243 | 3,328 | 15,927 | 2,260 | 23,758 |
| **Accumulated depreciation** | | | | | |
| At 1 April 2018 | 2,006 | 1,964 | 11,091 | 626 | 15,687 |
| Charge for the year | 587 | 503 | 1,669 | 492 | 3,251 |
| Exchange alignment | (66) | (71) | (235) | (29) | (401) |
| At 31 March 2019 | 2,527 | 2,396 | 12,525 | 1,089 | 18,537 |
| At 1 April 2019 | 2,527 | 2,396 | 12,525 | 1,089 | 18,537 |
| Charge for the year | 163 | 478 | 1,747 | 484 | 2,872 |
| Eliminated on written-off | (1,408) | – | – | – | (1,408) |
| Exchange alignment | (87) | (350) | (910) | (104) | (1,451) |
| At 31 March 2020 | 1,195 | 2,524 | 13,362 | 1,469 | 18,550 |
| **Carrying amount** | | | | | |
| At 31 March 2020 | 1,048 | 804 | 2,565 | 791 | 5,208 |
| At 31 March 2019 | 231 | 1,240 | 3,406 | 1,331 | 6,208 |

## 17. RIGHTS-OF-USE ASSETS

| | Leased properties | Motor Vehicle | Total |
|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 |
| **As at 1 April 2019** | | | |
| Carrying amount | 10,854 | 1,216 | 12,070 |
| **As at 31 March 2020** | | | |
| Carrying amount | 7,470 | 456 | 7,926 |
| **For the year ended 31 March 2020** | | | |
| Depreciation charge | 4,689 | 701 | 5,390 |
| 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 | | | 1,620 |
| Total cash outflow for leases | | | 6,454 |
| Additions to right-of-use assets | | | 5,344 |

For both years, the Group leases various offices and vehicle for its operations. Lease contracts are entered into for fixed term of 2 to 6 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable 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 April 2019 | 12,070 |
| Additions | 5,344 |
| Depreciation charge | (5,390) |
| Impairment loss (Note 1) | (3,587) |
| Exchange difference | (511) |
| Closing net book amount as at 31 March 2020 | 7,926 |

Note 1: The management of the Group concluded there was indication for impairment on recoverable amounts of right-of-use assets with carrying amounts of HK$3,587,000 arising from the Group's financial services operations. Details of discontinued operations are set out in note 13.

## 18. INVESTMENT PROPERTIES

| | HK$'000 |
|---|---|
| **Valuation (Level 3 fair value measurements):** | |
| At 1 April 2018 | 264,906 |
| Additions | 2,588 |
| Losses on revaluation | (21,296) |
| Exchange alignment | (17,006) |
| At 31 March 2019 | 229,192 |
| At 1 April 2019 | 229,192 |
| Additions | 4,676 |
| Losses on revaluation | (12,628) |
| Exchange alignment | (14,406) |
| At 31 March 2020 | 206,834 |

All of the Group's investment properties are held in the PRC.

All of the Group's investment properties were revalued on 31 March 2020 and 31 March 2019 by Castores Magi (Hong Kong) Limited, an independent firm of professional valuers, who has recognised and relevant professional qualification and recent experience in the location and category of properties being valued. The properties had been revalued on the income capitalisation approach. The Group's chief financial officer has discussion with the valuers on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date. The investment properties are leased to third parties under operating leases, further details of which are included in note 35(i) to the financial statements.

The Group's investment properties of approximately HK$206,834,000 (2019: approximately HK$229,192,000) were pledged to secure general banking facilities granted to the Group (note 28).

## 18. INVESTMENT PROPERTIES (Continued)

### FAIR VALUE MEASUREMENT OF PROPERTIES

*i) Fair value hierarchy*

The following table presents the fair value of the Group's investment properties measured at the end of the reporting period on a recurring basis, categorized into the three-level fair value hierarchy as defined in HKFRS 13 Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

| | | **Fair value measurements as at 31 March 2020 categorised into** | | | | Fair value measurements as at 31 March 2019 categorised into | | |
|---|---|---|---|---|---|---|---|---|
| | **Fair value at 31 March 2020 HK$'000** | **Level 1 HK$'000** | **Level 2 HK$'000** | **Level 3 HK$'000** | Fair value at 31 March 2019 HK$'000 | Level 1 HK$'000 | Level 2 HK$'000 | Level 3 HK$'000 |
| **Recurring fair value measurement** | | | | | | | | |
| Investment properties: | | | | | | | | |
| – Commercial – PRC | **206,834** | **–** | **–** | **206,834** | 229,192 | – | – | 229,192 |

During the year ended 31 March 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2019: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

## 18. INVESTMENT PROPERTIES (Continued)

### FAIR VALUE MEASUREMENT OF PROPERTIES (Continued)

*ii) Information about Level 3 fair value measurements*

| | Valuation techniques | Unobservable input | Range |
|---|---|---|---|
| Investment properties I Commercial - the PRC | Income capitalisation approach | Estimated rental value (per square metre and per month) | HK$72 - HK$303 (2019: HK$210 - HK$260) |
| | | Rental growth rate | 1% (2019: 1%) |
| | | Market yield | 4.5% (2019: 5%) |
| Investment properties II Commercial - the PRC | Income capitalisation approach | Estimated rental value (per square metre and per month) | HK$155 - HK$430 (2019: HK$111 - HK$231) |
| | | Rental growth rate | 1% (2019: 1%) |
| | | Market yield | 4.5% (2019: 5%) |

A significant increase/(decrease) in the estimated rental value (per square metre and per month) and rental growth rate in isolation would result in a significant increase/(decrease) in the fair value of the investment properties. A significant increase/(decrease) in the market yield in isolation would result in a significant decrease/(increase) in the fair value of the investment properties.

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

| | **2020** **HK$'000** | 2019 HK$'000 |
|---|---|---|
| Investment properties – Commercial – PRC | | |
| At 1 April | **229,192** | 264,906 |
| Additions | **4,676** | 2,588 |
| Valuation losses on investment properties | **(12,628)** | (21,296) |
| Exchange alignment | **(14,406)** | (17,006) |
| At 31 March | **206,834** | 229,192 |

All the losses recognised in profit or loss for the year arise from the properties held at the end of the reporting period.

## 19. SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

| Name | Place of incorporation and business | Particulars of issued and paid up capital | Proportion of ownership interest: Group's effective interest | Held by the company | Held by a subsidiary | Principal activity |
|---|---|---|---|---|---|---|
| Luck Grow Group Limited | The British Virgins Islands | 1 ordinary share of US$1 each | 100% | 100% | – | Investment holding |
| Lok Wing Group Limited | Hong Kong | 50,000,000 ordinary shares | 100% | – | 100% | Investment holding |
| 上海祥宸行置業有限公司 Shanghai Xiang Chen Hang Place The Industry Co Limited* (Note) | PRC | US$12,571,540 | 100% | – | 100% | Property investment |
| Allied China Development Limited | The British Virgins Islands | 1 ordinary share of US$1 each | 100% | 100% | – | Investment holding |
| View Success Holdings Limited | Hong Kong | 1 ordinary share | 100% | – | 100% | Investment holding |
| 北京博思嘉睿商務顧問有限公司 (Note) | PRC | HK$4,000,000 | 100% | – | 100% | Agency service |
| Triglory Group Limited | The British Virgins Islands | 1 ordinary share of US$1 each | 100% | 100% | – | Investment holding |
| Triple Glory Holdings Limited | Hong Kong | 1 ordinary share | 100% | – | 100% | Money lending business |

## 19. SUBSIDIARIES (Continued)

| Name | Place of incorporation and business | Particulars of issued and paid up capital | Proportion of ownership interest: Group's effective interest | Held by the company | Held by a subsidiary | Principal activity |
|---|---|---|---|---|---|---|
| China Properties Investment North America Inc. | Canada | 10,000 ordinary shares of CAD300 each | 100% | – | 100% | Property development |
| Big Fair International Limited | The British Virgins Islands | 1 ordinary share of US$1 each | 100% | 100% | – | Investment holding |
| Fair Union Investment Limited | Hong Kong | 1 ordinary share | 100% | – | 100% | Investment holding |
| C.P. Securities International Limited | Hong Kong | 183,819,999 ordinary shares | 100% | – | 100% | Financial services |
| C.P. Financial Management Limited | Hong Kong | 4,800,000 ordinary shares | 100% | – | 100% | Financial services |
| GR Global Limited | The British Virgins Islands | 100 ordinary shares of US$1 each | 100% | 100% | – | Investment holding |
| HKFM Global Fund SPC | Cayman Islands | 100 management shares of US$1 each | 100% | – | 100% | Financial services |
| HKFM Investment Management Limited | Cayman Islands | 1 ordinary share of US$1 each | 100% | – | 100% | Financial services |
| 上海閱宸貿易有限公司 | PRC | RMB5,000,000 | 100% | – | 100% | Dormant |

Note: Registered under the laws of the PRC as a wholly-foreign-owned enterprise.

* For identification only.

## 20. INTANGIBLE ASSETS

| | Trading rights HK$'000 |
|---|---|
| **Cost** | |
| At 1 April 2018, 31 March 2019, 1 April 2019 and 31 March 2020 | 11,143 |
| **Accumulated amortisation and impairment** | |
| At 1 April 2018 | 4,042 |
| Charge for the year | 2,229 |
| Impairment for the year | 2,838 |
| At 31 March 2018 | 9,109 |
| At 1 April 2019 | 9,109 |
| Charge for the year | 829 |
| Impairment for the year | 1,205 |
| At 31 March 2020 | 11,143 |
| **Carrying amount** | |
| At 31 March 2020 | – |
| At 31 March 2019 | 2,034 |

### a) TRADING RIGHTS

Intangible assets include trading rights in the Stock Exchange and the Hong Kong Futures Exchange Limited, with finite life.

For the year ended 31 March 2019, the trading rights have been allocated to the CGUs for impairment testing. The recoverable amount of the CGUs, are determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 1% for financial services, which do not exceed the long-term average growth rates for the business in which the CGUs operate. The cash flows are discounted using a discount rate of 12.51% for financial services. The discount rates used are pre-tax and reflect specific risks relating to the relevant business.

The values assigned to the key assumptions on market development and discount rates are consistent with external information sources. Based on the results of the impairment tests, the Group recognised an impairment of intangible assets of HK$2,838,000 as at 31 March 2019.

During the year ended 31 March 2020, in view of its unsatisfied financial performance and the intense competition in the financial services sector, the directors decided to close down the business of financial services of the Group so as to focus its resources in its other existing business. Thus, the directors of the company have consequently determined impairment of intangible assets directly related to Financial Services segment amounting to HK$1,205,000. The impairment loss has been included in note 13 – discontinued operations.

## 21. GOODWILL

| | Financial services HK$'000 |
|---|---|
| **Cost** | |
| At 1 April 2018, 31 March 2019, 1 April 2019 and 31 March 2020 | 5,469 |
| **Accumulated impairment losses** | |
| At 1 April 2018, 31 March 2019 and 1 April 2019 | 721 |
| Impairment losses | 2,198 |
| At 31 March 2019 | 2,919 |
| At 1 April 2019 | 2,919 |
| Impairment losses | 2,550 |
| At 31 March 2020 | 5,469 |
| **Carrying amount** | |
| At 31 March 2020 | – |
| At 31 March 2019 | 2,550 |

Goodwill is allocated to the following cash-generating unit ("CGU") in the financial services segment as follows:

| | **2020 HK$'000** | 2019 HK$'000 |
|---|---|---|
| Financial services | – | 2,550 |
| At 31 March | – | 2,550 |

### IMPAIRMENT TESTS FOR CASH-GENERATING UNITS CONTAINING GOODWILL

Goodwill acquired through business combinations has been allocated to the CGU for impairment testing. For the year ended 31 March 2019, the recoverable amount of the CGU, are determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 1% for financial services, which do not exceed the long-term average growth rates for the business in which the CGU operate. The cash flows are discounted using a discount rate of 12.51% for financial services. The discount rates used are pre-tax and reflect specific risks relating to the relevant business.

## 21. GOODWILL (Continued)

The values assigned to the key assumptions on market development and discount rates are consistent with external information sources. Based on the results of the impairment tests, the Group recognised an impairment of goodwill of HK$2,198,000 as at 31 March 2019.

During the year ended 31 March 2020, in view of its unsatisfied financial performance and the intense competition in the financial services sector, the directors decided to close down the business of financial services of the Group so as to focus its resources in its other existing business. Thus, the directors of the company have consequently determined impairment of goodwill directly related to Financial Services segment amounting to HK$2,550,000. The impairment loss has been included in note 13 – discontinued operations.

## 22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

### (a) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 31 March 2020, the Group's financial assets at FVTPL include unlisted investments fund, financial product and trading securities with the following details:

| | Unlisted investments fund | Financial products | Trading securities | Total |
|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Balance at 1 April 2018 | 48,144 | 13,745 | 53,011 | 114,900 |
| Maturities | – | (12,860) | – | (12,860) |
| Loss on fair value change | (2,635) | – | (11,792) | (14,427) |
| Sale proceeds | – | – | (9,888) | (9,888) |
| Exchange alignment | – | (885) | – | (885) |
| Balance at 31 March 2019 | 45,509 | – | 31,331 | 76,840 |
| Balance at 1 April 2019 | 45,509 | – | 31,331 | 76,840 |
| Additions | – | – | 4,294 | 4,294 |
| Compulsory redemption (Note 26(c)) | (33,446) | – | 17,971 | (15,475) |
| Realised (Loss)/gain on disposal on unlisted investments fund | (9,271) | – | – | (9,271) |
| Unrealised loss on fair value change | (1,496) | – | (13,355) | (14,851) |
| Sale proceeds | – | – | (16,940) | (16,940) |
| Realised gain on trading securities | – | – | 7,812 | 7,812 |
| Balance at 31 March 2020 | 1,296 | – | 31,113 | 32,409 |
| Analysed for reporting purposes as: | | | | |
| Current assets | – | – | 31,113 | 31,113 |
| Non-current assets | 1,296 | – | – | 1,296 |
| | 1,296 | – | 31,113 | 32,409 |

## 22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

### (a) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

Details of the investments in trading securities were as follows:

| Stock Name | Stock Code | Nature of business | No. of share held 31/3/2019 | Approx. % shareholding as at 31/3/2019 | Market value as at 31/3/2019 HK$'000 | Change in no. of share held for the year ended 31/3/2020 | No. of share held 31/3/2020 | Approx. % shareholding as at 31/3/2020 | Market value as at 31/3/2020 HK$'000 | Realised gain/(loss) on disposal for the year ended 31/3/2020 HK$'000 | Unrealised gain/(loss) on fair value change for the year ended 31/3/2020 HK$'000 | Total gain/(loss) on dealing of trading securities for the year ended 31/3/2020 HK$'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| SEEC MEDIA | 205 | Advertising and sales of books and magazines; Securities Broking; Money Lending; E-commerce | – | – | – | 93,300,000 | 93,300,000 | 1.5% | 1,026 | – | (560) | (560) |
| QPL International | 243 | Manufacture and sale of integrated circuit leadframes heatsinks, stiffeners and investment holding | – | – | – | 14,571,000 | 14,571,000 | 0.6% | 350 | – | (262) | (262) |
| Power Financial | 397 | Investment in listed and unlisted securities and funds investment; provision of green energy-related consultancy services and the sales of electricity; money lending; and financial service | – | – | – | – | – | – | – | 140 | – | 140 |
| SOHO China Limited | 410 | Investment in real estate development, property leasing and property management | 19,500 | 0.0004% | 64 | – | – | – | – | (9) | – | (9) |
| AMCO United Holding Limited | 630 | Engaged in manufacture and sale of medical devices products and plastic moulding products; provision of construction services; provision of money lending and investment in securities | 22,970,000 | 1.2% | 2,067 | – | 36,970,000 | 2.0% | 3,364 | (67) | (131) | (198) |
| CN CULTURE GP | 745 | Engaged in e-commerce, advertisement and movie production businesses | – | – | – | 131,000,000 | 131,000,000 | 1.3% | 1,310 | – | (655) | (655) |
| Unity Investments Holdings Limited[#] | 913 | Investment in listed companies in Hong Kong stock markets, and also investment in unlisted companies | 26,330,000 | 1.4% | 1,369 | (23,697,000) | 2,633,000 | 1.4% | 442 | – | (927) | (927) |
| China Construction Bank Corporation – H Shares | 939 | Provision of corporate and personal banking services | 125,000 | 0.00005% | 841 | – | – | – | – | (40) | – | (40) |

## 22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

### (a) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

| Stock Name | Stock Code | Nature of business | No. of share held 31/3/2019 | Approx. % shareholding as at 31/3/2019 | Market value as at 31/3/2019 HK$'000 | Change in no. of share held for the year ended 31/3/2020 | No. of share held 31/3/2020 | Approx. % shareholding as at 31/3/2020 | Market value as at 31/3/2020 HK$'000 | Realised gain/(loss) on disposal for the year ended 31/3/2020 HK$'000 | Unrealised gain/(loss) on fair value change for the year ended 31/3/2020 HK$'000 | Total gain/(loss) on dealing of trading securities for the year ended 31/3/2020 HK$'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| China Environial Energy | 986 | Carrying trading of gold and diamond; money lending business; Internet service and financial service | – | – | – | 5,374,000 | 5,374,000 | 0.86% | 720 | – | (3,574) | (3,574) |
| Milan Station Holdings Limited# | 1150 | Retailing of handbags, fashion accessories and embellishments operation | 13,000,000 | 1.6% | 1,430 | (9,750,000) | 3,250,000 | 1.6% | 384 | – | (1,046) | (1,046) |
| Bolina Holding Company Limited* | 1190 | Engaged in the manufacture and sale of sanitary ware and accessories | 9,116,000 | 0.7% | – | – | 9,116,000 | 0.7% | – | – | – | – |
| Lerado Financial Group Company Limited* | 1225 | Providing financial services, including securities broking, margin financing and money lending etc., and manufacturing and distributing children plastic toys and medical care products | 107,000,000 | 4.6% | – | – | 107,000,000 | 4.6% | – | – | – | – |
| AIA Group Limited | 1299 | Providing insurance services | 13,600 | 0.00011% | 1,063 | (13,600) | – | – | – | 29 | – | 29 |
| Luxxu Group Limited (formerly known as "Time2U International Holding Limited") # | 1327 | Engaged in the manufacture and sales of own-branded watches, OEM watches and third-party watches | 30,000,000 | 0.9% | 1,230 | (27,000,000) | 3,000,000 | 0.9% | 390 | – | (840) | (840) |
| China Aoyuan Property Group Limited | 3883 | Property Development, provision consultancy services and hotel ownership | 35,000 | 0.0013% | 331 | (35,000) | – | – | – | 74 | – | 74 |
| Sino Splendid Holdings Limited | 8006 | Engaged in travel media operations; provision of contents and advertising services in a well-known financial magazine; investment in securities and money lending Business | 19,000,000 | 4.9% | 3,553 | – | 19,000,000 | 4.9% | 1,596 | – | (1,957) | (1,957) |

## 22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

### (a) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

| Stock Name | Stock Code | Nature of business | No. of share held 31/3/2019 | Approx. % shareholding as at 31/3/2019 | Market value as at 31/3/2019 HK$'000 | Change in no. of share held for the year ended 31/3/2020 | No. of share held 31/3/2020 | Approx. % shareholding as at 31/3/2020 | Market value as at 31/3/2020 HK$'000 | Realised gain/(loss) on disposal for the year ended 31/3/2020 HK$'000 | Unrealised gain/(loss) on fair value change for the year ended 31/3/2020 HK$'000 | Total gain/(loss) on dealing of trading securities for the year ended 31/3/2020 HK$'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Hao Wen Holdings Limited | 8019 | Carrying money lending business, trading and manufacturing of biomass fuel and trading of electronic parts | 75,000,000 | 3.5% | 3,975 | – | 75,000,000 | 3.5% | 2,475 | – | (1,500) | (1,500) |
| WLS Holdings | 8021 | Engaged in the provision of scaffolding and fitting out services and management contracting services for construction and buildings work, money lending business and securities investment business. | – | – | – | 378,000,000 | 378,000,000 | 2.6% | 10,584 | – | 1,134 | 1,134 |
| KPM Holding Limited | 8027 | Provision of design, fabrication, installation and maintenance of signage and related products | 48,000,000 | 1.5% | 1,776 | – | 48,000,000 | 1.5% | 960 | – | (816) | (816) |
| Luxey International (Holdings) Limited | 8041 | Engaged in manufacturing and trading of high-end swimwear and garment products; trading and provision of on-line shopping and media related services; and money lending business. | 61,240,000 | 1.0% | 2,817 | – | 61,240,000 | 0.9% | 3,797 | – | 980 | 980 |
| China 33 Media Group Limited | 8087 | Provision of advertising services of printed media for railway networks; film and entertainment investment in Hong Kong and the PRC and prepaid card business in Hong Kong. | 142,780,000 | 2.5% | 4,284 | – | 142,780,000 | 2.5% | 2,427 | – | (1,857) | (1,857) |

## 22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

### (a) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

| Stock Name | Stock Code | Nature of business | No. of share held 31/3/2019 | Approx. % shareholding as at 31/3/2019 | Market value as at 31/3/2019 HK$'000 | Change in no. of share held for the year ended 31/3/2020 | No. of share held 31/3/2020 | Approx. % shareholding as at 31/3/2020 | Market value as at 31/3/2020 HK$'000 | Realised gain/(loss) on disposal for the year ended 31/3/2020 HK$'000 | Unrealised gain/(loss) on fair value change for the year ended 31/3/2020 HK$'000 | Total gain/(loss) on dealing of trading securities for the year ended 31/3/2020 HK$'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Wealth Glory Holdings Limited# | 8269 | Trading of natural resources and commodities; money lending business; investment in coal trading business; development and promotion of brands, design, manufacture and sale of trendy fashion merchandises and other consumer products; and investment in securities | 27,700,000 | 3.4% | 2,632 | (20,775,000) | 6,925,000 | 3.4% | 1,288 | – | (1,344) | (1,344) |
| Asia Grocery Distribution Limited | 8413 | Engaged in the food and beverage grocery distribution business | 28,250,000 | 2.4% | 3,899 | (28,250,000) | – | – | – | 7,685 | – | 7,685 |
| | | | | | 31,331 | | | | 31,113 | 7,812 | (13,355) | (5,543) |

* Suspend trading

# Share consolidation during the year

Note:

1. The market value of listed equity securities is based on their closing bid prices at the end of the reporting period.
2. None of the above trading securities is individually carrying at value more than 5% of the Group's net assets.

## 23. PROPERTY UNDER DEVELOPMENT

| | 2020 HK$'000 | 2019 HK$'000 |
|---|---|---|
| Property under development, at cost | | |
| At 1 April | **20,136** | 20,362 |
| Additions | **722** | 464 |
| Exchange alignment | **(1,377)** | (690) |
| At 31 March | **19,481** | 20,136 |

The property under development is a freehold land located in Canada.

At 31 March 2020 and 31 March 2019, the property under development are held for resale after property development.

The amount of the property under development expected to be recoverable after more than one year is HK$19,481,000 (2019: HK$20,136,000).

## 24. TRADE AND OTHER RECEIVABLES

| | 2020 HK$'000 | 2019 HK$'000 |
|---|---|---|
| Trade receivables | **13,580** | 12,260 |
| Less: loss allowance (note 4(i)) | **(7,732)** | (8,149) |
| Trade receivables (net) | **5,848** | 4,111 |
| Deferred rental receivables | **5,259** | 5,460 |
| Accounts receivable from the business of dealing in securities (note 24(3)) | | |
| Clearing house and cash clients | **–** | 451 |
| Secured margin loans | **–** | – |
| Less: loss allowance (note 4(i)) | **–** | – |
| Accounts receivable from the business of dealing in securities (net) | **–** | 451 |
| Interest receivables from money lending business | **19,047** | 11,307 |
| Other loan and interest receivables (note 24(2)) | **45,138** | 45,138 |
| Less: loss allowance (note 4(i)) | **(45,138)** | (45,138) |
| Other loan and interest receivables (net) | **–** | – |
| Other receivables (note 24(4)) | **16,015** | 811 |
| Financial assets at amortised cost | **46,169** | 22,140 |
| Prepayments and deposits | **4,953** | 7,935 |
| | **51,122** | 30,075 |

## 24. TRADE AND OTHER RECEIVABLES (Continued)

Note:

1) All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

2) On 27 July 2011, the company entered into a participation deed with the Simsen Capital Finance Limited ("Simsen") and the sub-participation agreement with Power Alliance International Limited respectively in relation to the participation of the advancement of the first participation amount of HK$42,000,000 and second participation amount of HK$8,000,000 (together the "Participation Loans"). The interest rate for Participation Loans was 18% per annum. The Participation Loans are in association with a loan agreement (the "Loan Agreement") between Simsen and Make Success Limited ("Borrower"). The Borrower has assigned a promissory note of HK$300,000,000 (the "PN") and a convertible note of HK$90,000,000 (the "CN") as security to Simsen under the Loan Agreement. The PN and CN were issued by Mayer Holdings Limited ("Mayer") to the Borrower.

   The repayment date of the loan is the date falling three months from the date of drawdown which may be extended for further three months if so agreed by the parties thereto. The Loan had been drawn down by the borrower on 7 June 2011, and the repayment date of the Loan was 6 September 2011. On 7 September 2011, both parties agreed to extend the Loan for further three months to 5 December 2011. The Borrower had defaulted the first and second payments during the year ended 31 March 2012.

   Following a litigation between Mayer and the Borrower, Simsen disposed of the PN on 10 February 2012 for an amount of HK$10,000,000 with the consent of the company. During the year ended 31 March 2015, the company received HK$4,862,000 from the disposal of the PN after the payment of other loan participant of Simsen, all cost and expenses in connection with the disposal.

3) The settlement terms of accounts receivable, except for secured margin loans, arising from the business of dealing in securities are two days after trade date.

   For secured margin loans, as at 31 March 2019, the loans are secured by pledged securities, repayable on demand subsequent to settlement date and bear interest at commercial rates.

   During the year ended 31 March 2020 and 31 March 2019, no accounts receivable was arising from margin clients.

4) For the year ended 31 March 2020, other receivable amounted HK$12,300,000 was arising from compulsory redemption disclosed in note 26(c). Approximately HK$3,715,000 mainly represents other tax recoverables and cash advanced to staffs.

## 24. TRADE AND OTHER RECEIVABLES (Continued)

### AGEING ANALYSIS

*(i) Trade receivable*

Trade receivables are net of loss allowance of HK$7,733,000 (2019: HK$8,149,000) with the following ageing analysis presented based on invoice dates:

| | **2020** | 2019 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Within 1 month | **930** | 1,194 |
| 1 to 3 months | **1,859** | 1,926 |
| 3 to 6 months | **1,845** | 905 |
| Over 6 months | **1,214** | 86 |
| | **5,848** | 4,111 |

Trade receivables are due within 0-60 days from the date of billing. Further details on the Group's credit policy are set out in note 4(i).

Trade receivables amounting to HK$5,848,000 have been fully settled after the year ended 31 March 2020.

*(ii) Accounts receivable from the business of dealing in securities*

Accounts receivable from the business of dealing in securities are net of loss allowance with the following ageing analysis presented based on invoice dates:

| | **2020** | 2019 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Within 1 month | **–** | 451 |
| 1 to 3 months | **–** | – |
| Over 6 months | **–** | – |
| | **–** | 451 |

Accounts receivable from clearing house and cash clients are due two days after trade date while accounts receivable from secured margin loans are due immediately from the date of billing. Further details on the Group's credit policy are set out in note 4(i).

## 24. TRADE AND OTHER RECEIVABLES (Continued)

### AGEING ANALYSIS (Continued)

*(iii) Interest receivables*

The ageing analysis of interest receivables is presented based on invoice dates as follows:

| | **2020** | 2019 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Within 1 month | **7,334** | 8,165 |
| 1 to 3 months | **9,652** | 3,142 |
| 3 to 6 months | **2,061** | – |
| 6 to 12 months | **–** | – |
| | **19,047** | 11,307 |

Interest receivables are due immediately from the date of billing. Further details on the Group's credit policy are set out in note 4(i).

Interest receivables amounting to HK$19,047,000 in which HK$11,498,000 have been settled after the year ended 31 March 2020.

## 25. LOAN RECEIVABLES

| | 2020 HK$'000 | 2019 HK$'000 |
|---|---|---|
| Loan receivables arising from: | | |
| – Money lending business | **447,023** | 406,652 |
| Less: Allowance for expected credit losses | **(42,394)** | (13,236) |
| | **404,629** | 393,416 |
| Amounts due within one year included under current assets | **324,726** | 83,433 |
| Amounts due after one year included under non-current assets | **79,903** | 309,983 |
| | **404,629** | 393,416 |

Note:

i) During the year ended 31 March 2020, the Group lent total amount of HK$447,023,000 (2019: HK$406,652,000) to independent third parties. These loan receivables had 12 to 24 month (2019: 24 month) loan periods and bore interest at 10% to 18% per annum (2019: 10% to 18% per annum, and the corresponding interest were expected to be repaid on a quarterly basis. These loan receivables were secured by properties or private equities. As at 31 March 2020 and 31 March 2019, all of the fair value of pledged properties or private equities were higher than the corresponding outstanding loans.

### a) MATURITY PROFILE

As at the end of the reporting period, the maturity profile of loan receivables, based on maturity date, is as follows:

| | 2020 HK$'000 | 2019 HK$'000 |
|---|---|---|
| Due within 1 month or on demand | **40,507** | – |
| Due after 1 month but within 3 months | **109,144** | – |
| Due after 3 months but within 6 months | **132,894** | 39,000 |
| Due after 6 months but within 12 months | **42,181** | 44,433 |
| Due after 12 months | **79,903** | 309,983 |
| | **404,629** | 393,416 |

## 26. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

### (a) CASH AND CASH EQUIVALENTS COMPRISE:

| | **2020** | 2019 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Cash at bank and on hand | **19,585** | 55,903 |
| Less: Fixed deposits with maturity of 3 months or more | **–** | (8,523) |
| Trust accounts (Note) | **(1,058)** | (6,726) |
| Cash and cash equivalents in the consolidated statement of financial position and consolidated statement of cash flows | **18,527** | 40,654 |

Deposit with banks carry interest at market rates ranging from 0.001% to 1.86% (2019: 0.001% to 1.85%) per annum.

Note: The Group receives and holds money deposited by clients and other institutions in the course of the conduct of the regulated activities. These clients' money are maintained in one or more trust bank accounts and bear interest at commercial rates. The Group has recognised the corresponding accounts payable to respective clients and other institutions. However, the Group currently does not have an enforceable right to offset those payables with the deposits placed.

## 26. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (Continued)

### (b) RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

| | Interest bearing borrowings (Note 28) HK$'000 | Unconvertible bonds (Note 30) HK$'000 | Lease liabilities (Note 29) HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| At 31 March 2019 | 67,235 | 20,000 | – | 87,235 |
| Adjustment upon application of HKFRS 16 | – | – | 10,854 | 10,854 |
| At 1 April 2019 (restated) | 67,235 | 20,000 | 10,854 | 98,089 |
| Proceed from loan and other loan | 72,969 | 20,000 | – | 92,969 |
| Repayment of bank loans and other loan | (47,711) | (11,667) | (4,283) | (63,661) |
| Interest paid | (7,643) | (1,107) | (551) | (9,301) |
| Total changes from financing cash flow | 17,615 | 7,226 | (4,834) | 20,007 |
| Effect of foreign exchange rate changes | (4,909) | – | (459) | (5,368) |
| **Other changes** | | | | |
| Interest expenses | 7,643 | 1,255 | 551 | 9,449 |
| Interest payables | – | (148) | – | (148) |
| New leases entered | – | – | 5,344 | 5,344 |
| Total other changes | 2,734 | 1,107 | 5,436 | 9,277 |
| At 31 March 2020 | 87,584 | 28,333 | 11,456 | 127,373 |

## 26. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (Continued)

### (b) RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (Continued)

| | Interest bearing borrowings (Note 27) HK$'000 | Unconvertible bonds (Note 29) HK$'000 | Lease liabilities HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| At 1 April 2018 | 38,110 | 20,000 | – | 58,110 |
| **Changes from financing cash flows** | | | | |
| Proceeds from new bank borrowings and other borrowings | 34,488 | – | – | 34,488 |
| Repayment of bank borrowings and other borrowings | (2,923) | – | – | (2,923) |
| Interest paid | (3,042) | (1,000) | – | (4,042) |
| Total changes from financing cash flows | 28,523 | (1,000) | – | 27,523 |
| **Exchange adjustments** | (2,440) | – | – | (2,440) |
| **Other changes:** | | | | |
| Interest expenses | 3,042 | 1,000 | – | 4,042 |
| Total other changes | 602 | 1,000 | – | 1,602 |
| At 31 March 2019 | 67,235 | 20,000 | – | 87,235 |

### (c) MAJOR NON-CASH TRANSACTION

On 15 October 2019, the company has been informed by the investment advisor of a unlisted investment fund ("the Fund") of the company that the portfolio will be closing down due to the lack of operating scale and the shrinking assets under the management of the Fund and will need to implement compulsory redemption for the investor of the portfolio ("Compulsory Redemption"). As elected in the sole discretion of the directors of the Fund, based on the net asset value (NAV) report of the Portfolio as of 30 September 2019, the company received the following assets (in cash and in kind) before the closing of the portfolio:

1. Cash consideration of HK$3,175,000.

2. Batch of listed securities in value approximately HK$17,971,000 based on the closing price as at 15 October 2019.

3. A receivable amount in the sum of HK$12,300,000 payable to the Fund on or before 8 September 2020 assigned to the company pursuant to sale and purchase agreement and deed of assignment dated 9 September 2019 and 16 October 2019 respectively.

## 27. TRADE AND OTHER PAYABLES

| | 2020 HK$'000 | 2019 HK$'000 |
|---|---|---|
| Accounts payable from the business of dealing in securities (note a) | | |
| Clearing house | – | – |
| Margin and cash clients | 18 | 5,047 |
| Other payables and accruals | 3,727 | 11,479 |
| Amounts due to a director (note 36) | 219 | 234 |
| Amounts due to related parties (note 36) | 32 | 35 |
| Financial liabilities measured at amortised cost | 3,996 | 16,795 |
| Contract liabilities | – | 56 |
| Rental deposit received (non-refundable) | 2,643 | 2,762 |
| | 6,639 | 19,613 |

Notes:

a) The settlement terms of accounts payable, except for margin loans, arising from the business of dealing in securities are two days after trade date. All of the remaining trade and other payables (including amounts due to related parties and amounts due to director) are expected to be settled or recognised as income within one year or are repayable on demand.

Accounts payable to margin and cash clients arising from the business of dealing in securities bear variable interest at commercial rates, and are repayable on demand subsequent to settlement date.

As at 31 March 2020, included in accounts payable, amounts of HK$18,000 (2019: HK$5,047,000) respectively were payable to clients and other institutions in respect of the trust and segregated bank balances received and held for clients and other institutions in the course of conducting the regulated activities. However, the Group currently does not have an enforceable right to offset these accounts payables with the deposits placed.

b) The amounts due to a director and amounts due to related parties are unsecured, interest-free and repayable on demand.

The following is an aging analysis of accounts payable from the business of dealing in securities presented based on the invoice dates:

| | 2020 HK$'000 | 2019 HK$'000 |
|---|---|---|
| Within 1 month | 18 | 5,047 |

## 28. INTEREST-BEARING BANK BORROWINGS

At 31 March 2019, the secured bank borrowings were due for repayment as follows:

| | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|
| **Current liabilities** | | |
| Within 1 year or on demand | 6,569 | 5,262 |
| **Non-current liabilities** | | |
| After 1 year but within 2 years | 6,569 | 5,262 |
| After 2 years but within 5 years | 14,616 | 29,817 |
| After 5 years | 59,830 | 26,894 |
| | 81,015 | 61,973 |
| Total | 87,584 | 67,235 |

All of the interest-bearing borrowings were carried at amortised cost.

None of the portion of interest-bearing borrowings due for repayment after one year contain a repayment on demand clause.

The range of effective interest-rates (which are also equal to contractual interest rates) on the Group's bank borrowings are as follows:

| | 2020 | 2019 |
|---|---|---|
| Effective interest rates: | | |
| Variable-rate borrowings (Note) | 8.5% - 8.57% | 5.88% - 8.5% |

At 31 March 2020, the bank borrowings were secured by the investment properties of the Group with an aggregate carrying amount of approximately HK$206,834,000 (2019: approximately HK$229,192,000) (see note 18).

Note: The Group's variable-rate borrowings carrying interest at the People's Bank of China's RMB benchmark loan interest rate plus 73% to 75% of the interest rate.

## 29. 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 April 2019: | 10,854 |
| Additions | 5,344 |
| Repayment | (4,834) |
| Interest expenses | 551 |
| Exchange difference | (459) |
| Closing net book amount as at 31 March 2020 | 11,456 |

| | 2020<br>HK$'000 |
|---|---|
| **Lease liabilities payable:** | |
| Within one year | 4,512 |
| Within a period of more than one year but not more than two years | 3,035 |
| Within a period of more than two years but not more than five years | 3,909 |
| | 11,456 |
| Less: Amount due for settlement within 12 months shown under current liabilities | (4,512) |
| Amount due for settlement after 12 months shown under non-current liabilities | 6,944 |

The Group's lease liabilities are for terms of 2 years.

## 30. UNCONVERTIBLE BONDS

| | **2020** | 2019 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Unconvertible bonds | | |
| Non-current portion | **10,000** | 10,000 |
| Current portion | **18,333** | 10,000 |
| | **28,333** | 20,000 |

The amount represented eight unconvertible bonds of total HK$28,333,000 (2019: two, HK$20,000,000). As at 31 March 2020, accrued interest of HK$382,000 (2019: HK$234,000) was included in other payables and accruals. The unconvertible bonds bear interest at 5% to 8% per annum (2019: 5% per annum) on the outstanding aggregate principal amount. The interest is payable in arrears annually on the anniversary of issue date or redemption date. The company may redeem principal amounts of outstanding bonds in whole or in part at any time before the maturity date. The maturity date of the unconvertible bonds are ranged between 1 month to 7 years from their issue date i.e. between 7 April 2020 and 23 October 2022.

## 31. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### a) DEFERRED TAX LIABILITIES RECOGNISED

The components of deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

| | **Intangible assets** | **Revaluation of investment properties** | **Total** |
|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 |
| **Deferred tax liabilities arising from:** | | | |
| At 1 April 2018 | 1,171 | 18,193 | 19,364 |
| Deferred tax credited to profit or loss | (836) | (5,324) | (6,160) |
| Exchange alignment | – | (1,168) | (1,168) |
| At 31 March 2019 | 335 | 11,701 | 12,036 |
| At 1 April 2019 | **335** | **11,701** | **12,036** |
| Deferred tax credited to profit or loss | **(335)** | **(3,158)** | **(3,493)** |
| Exchange alignment | **–** | **(667)** | **(667)** |
| At 31 March 2020 | **–** | **7,876** | **7,876** |

## 31. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

### b) DEFERRED TAX ASSETS NOT RECOGNISED

*From continuing operations*

As at 31 March 2020, the Group has no unused tax losses (2019 (restated): HK$45,583,912) arising in Hong Kong that are available for offsetting against future taxable profits of the companies in which the losses arose.

*From discontinued operations*

The Financial Services segment has unused tax losses arising in Hong Kong of HK$25,466,000 (2019 (restated): HK$17,373,000).

No deferred tax assets have been recognised in respect of the tax losses due to the unpredictability of future profits streams.

In addition, the Group has unused tax losses of RMB23,328,374 (2019: RMB27,782,441) available for offset against future profits that may be carried forward for a period of up to five years for PRC Enterprise Income Tax purposes. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

At the end of the reporting period, the Group has deductible temporary differences of HK$42,394,000 (2019: HK$13,236,000) arising from the expected credit losses. No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

## 32. SHARE CAPITAL

| | Number of ordinary shares | Per share | |
|---|---|---|---|
| | '000 | HK$ | HK$'000 |
| **Authorised:** | | | |
| At 1 April 2018, 31 March 2019 and 1 April 2019 | 30,000,000 | 0.01 | 300,000 |
| Shares consolidation (note 32(2)) | (29,250,000) | | – |
| At 31 March 2020 | 750,000 | 0.40 | 300,000 |

| | | | |
|---|---|---|---|
| | | | HK$'000 |
| **Issued and fully paid:** | | | |
| At 1 April 2018, 31 March 2019 and 1 April 2019 | 4,857,582 | 0.01 | 48,576 |
| Shares issued under share option scheme (note 32(1)) | 485,750 | 0.01 | 4,857 |
| Shares consolidation (note 32(2)) | (5,209,748) | | – |
| | 133,584 | 0.40 | 53,433 |

During the year ended 31 March 2020, the movements of the authorised and issued share capital of the company are as follows:

1) On 17 April 2019, options were exercised to subscribe for 485,750,000 ordinary shares of the company at a consideration of $14,767,000, all of which was credited to share capital and share premium. $11,995,000 was transferred from the equity settled share base compensation reserve to the share premium.

2) On 8 January 2020, the ordinary share of the company was consolidated on the basis of every forty issued and unissued existing shares of HK$0.01 each in the share capital of the company were consolidated into one consolidated share of HK$0.40 each in the share capital of the company. The authorised share capital of the company had become HK$300,000,000 divided into 750,000,000 consolidated shares of HK$0.40 each after the share consolidation.

## 33. EQUITY SETTLED SHARE-BASED TRANSACTIONS

The company has a share option scheme (the "Scheme") which was adopted on 16 December 2011. The purpose of the Scheme is to enable the Group to grant share options to selected participants as incentives or rewards for their contributions to the Group and to provide the Group with a more flexible means to reward, remunerate, compensate and/or provide benefits to the eligible participants. The directors of the company are authorised, at their discretion, to invite the company's employees, company's director (including independent non-executive directors), other employees and director of the Group, suppliers of goods or services to the Group, customers of the Group, persons or entities that provided research, development or other technological support to the Group, any shareholder of the Group (collectively "participants") and any company wholly owned by one or more persons belonging to any of the participants, to take up share options at a nominal consideration to subscribe for ordinary shares of the company. Upon acceptance of the share option, the grantee must pay HK$1 to the company as consideration for the grant thereof. The exercise price of share options shall be such price as determined by the board in its absolute discretion but in any case should not be lower than the highest of the nominal value of the shares, the closing price of the shares on the SEHK on the date of grant and the average closing price of the shares on the SEHK for the five business days immediately preceding the date of grant. The share option scheme shall be valid and effective for a period of ten years ending on 15 December 2021, after which no further share options will be granted.

The total number of shares issued and to be issued upon exercise of the share options granted and to be granted to each eligible participant (including cancelled, exercised and outstanding share options) in any 12-month period up to and including the date of grant of share options shall not exceed 10% of the shares in issue. Any further grant of share options in excess of this 10% limit shall be subject to the approval of the shareholders of the company in general meeting with such eligible participant and his associates abstaining from voting and other requirements prescribed under the Listing Rules from time to time.

Any grant of share options to a director, chief executive or substantial shareholder of the company or any of their respective associates must additionally be approved by all independent non-executive directors (excluding any independent non-executive director who is a grantee). If the company proposes to grant share options to a substantial shareholder or any independent non-executive director or any of their respective associates which will result in the number of shares issued and to be issued upon exercise of share options granted and to be granted (including share options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant: (a) representing in aggregate over 0.1% of the Shares in issue; and (b) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5 million, such grant or any change in the terms of share options granted shall be subject to the issue of a circular by the company to the shareholders and the approval of the shareholders in general meeting on a poll at which all connected persons of the company shall abstain from voting except that a connected person of the company may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in that circular in compliance with Rules 17.04 and 17.06 of the Listing Rules and such other requirements as prescribed under the Listing Rules as amended from time to time.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

At 31 March 2020, the number of shares in respect of which options has been remained outstanding under the Scheme was 14,166,250 (2019: 26,310,000 after share consolidation), representing 10.6% (2015: 21.7%) of the shares of the company in issue at that date.

## 33. EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

### a) THE TERMS AND CONDITION OF THE GRANT ARE AS FOLLOWS:

| Date of grant | Exercisable period | Exercise price | Adjusted exercise price | Number of share (before share consolidation) |
|---|---|---|---|---|
| **i) Options granted to directors** | | | | |
| 10 October 2017 | 10 October 2017 to 9 October 2022 | HK$0.05 | HK$2 | 2,428,750 (97,150,000) |
| **ii) Options granted to employees** | | | | |
| 11 July 2017 | 11 July 2017 to 10 July 2022 | HK$0.058 | HK$2.32 | 2,022,500 (80,900,000) |
| 10 October 2017 | 10 October 2017 to 9 October 2022 | HK$0.05 | HK$2 | 9,715,000 (388,600,000) |
| **iii) Options granted to service providers** | | | | |
| 25 March 2019 | 25 March 2019 to 24 March 2024 | HK$0.0304 | N/A | N/A (485,750,000) |
| | | | | 14,166,250 (1,052,400,000) |

The exercise price was adjusted for share consolidation and become effective on 8 January 2020.

## 33. EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

### a) THE TERMS AND CONDITION OF THE GRANT ARE AS FOLLOWS: (Continued)

The following table disclosures the movements of the number of the company's share under options held by director, ex-directors, employees and service providers during the year ended 31 March 2020

| | Number of share options | | | | | | |
|---|---|---|---|---|---|---|---|
| | Outstanding at 1 April 2019 | Exercised during the year | Share Consolidation | Outstanding at 31 March 2020 | Date of grant of share options* | Exercisable period of share options | Exercise price of share options** HK$ |
| **Director and ex-director** | | | | | | | |
| Mr Xu Dong (as ex-director) | 48,575,000 | – | (47,360,625) | 1,214,375 | 10-10-2017 | 10-10-2017 to 9-10-2022 | 2 |
| Mr Han Wei | 48,575,000 | – | (47,360,625) | 1,214,375 | 10-10-2017 | 10-10-2017 to 9-10-2022 | 2 |
| | 97,150,000 | – | (94,721,250) | 2,428,750 | | | |
| **Employees** | | | | | | | |
| Other employees | 80,900,000 | – | (78,877,500) | 2,022,500 | 11-7-2017 | 11-7-2017 to 10-7-2022 | 2.32 |
| Other employees | 388,600,000 | – | (378,885,000) | 9,715,000 | 10-10-2017 | 10-10-2017 to 9-10-2022 | 2 |
| | 469,500,000 | – | (457,762,500) | 11,737,500 | | | |
| **Other eligible participants** | | | | | | | |
| Other service providers | 485,750,000 | (485,750,000) | – | – | 25-3-2019 | 25-3-2019 to 24-3-2024 | N/A |
| Total number of share options | 1,052,400,000 | (485,750,000) | (552,483,750) | 14,166,250 | | | |

* The share options vested immediately from the date of the grant.

** The exercise price of the share option is subject of adjustment in the case of rights issues, or other relevant changes in the company's share capital. Effective on 8 January 2020, the exercise price of the share options and the number of consolidated shares to be allotted and issued upon exercising of the share options had been adjusted as a result of the share consolidation. For details, please refer to the company's announcement dated 6 January 2020.

## 33. EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

### a) THE TERMS AND CONDITION OF THE GRANT ARE AS FOLLOWS: (Continued)

The closing price of the company's shares immediately before 25 March 2019, the date of grant of option, was HK$0.027 (equivalent to HK$1.08 after share consolidation).

The estimated fair value of the options granted on 25 March 2019 is HK$11,995,000. The fair value was calculated using Binomial Option Pricing Model. The inputs into the model are follows:

| | 25 March 2019 |
|---|---|
| Weighted average share price | HK$0.025<br>(equivalent HK$1 after share consolidation) |
| Exercise price | HK$0.0304<br>(equivalent HK$1.216 after share consolidation) |
| Expected volatility | 154.804% |
| Option life | 5 years |
| Risk free rate | 1.495% |
| Expected dividend yield | 0% |

Expected volatility was determined by calculating the historical volatility of the company's share price over the previous 5 years. The expected life used in the model has been adjusted, based on the Group's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

## 33. EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

**b) THE NUMBER AND WEIGHTED AVERAGE EXERCISE PRICE OF SHARE OPTIONS UNDER THE SCHEME ARE AS FOLLOWS:**

| | **2020** | | 2019 | |
|---|---|---|---|---|
| | **Weighted average exercise price HK$** | **Number of shares issuable under options** | Weighted average exercise price HK$ | Number of shares issuable under options |
| Outstanding at 1 April | **0.042** | **1,052,400,000** | 0.051 | 566,650,000 |
| Granted during the year | | | 0.0304 | 485,750,000 |
| Exercised during the year | **0.0304** | **(485,750,000)** | – | – |
| Share Consolidation | | **(552,483,750)** | | |
| Outstanding at 31 March | **2.046** | **14,166,250** | 0.042 | 1,052,400,000 |
| Exercisable at the end of the year | **2.046** | **14,166,250** | 0.042 | 1,052,400,000 |

The share option scheme is governed by chapter 17 of the Listing Rules.

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise was HK$0.036 (equivalent to HK$1.44 after share consolidation).

The options outstanding at the end of the year have a weighted average remaining contractual life of 2.49 years (2019: 4.18 years) and the exercise price is HK$2 or HK$2.32 (2019: HK$2, HK$2.3 or HK$1.216 after share consolidation).

## 34. RESERVES

**a)** The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the company's individual components of equity between the beginning and the end of the year are set out below:

### The company

| | Share premium HK$'000 | Contributed surplus HK$'000 | Equity settled share-based compensation reserve HK$'000 | Exchange fluctuation reserve HK$'000 | Accumulated losses HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| At 1 April 2018 | 2,064,777 | 136,012 | 27,392 | 36,089 | (1,589,037) | 675,233 |
| **Change in equity for 2018/2019:** | | | | | | |
| Loss for the year | – | – | – | – | (39,388) | (39,388) |
| Total comprehensive loss for the year | – | – | – | – | (39,388) | (39,388) |
| Equity-settled share-based transactions | – | – | 11,995 | – | – | 11,995 |
| Total transactions with owners | – | – | 11,995 | – | – | 11,995 |
| At 31 March 2019 | 2,064,777 | 136,012 | 39,387 | 36,089 | (1,628,425) | 647,840 |
| At 1 April 2019 | 2,064,777 | 136,012 | 39,387 | 36,089 | (1,628,425) | 647,840 |
| **Change in equity for 2019/2020:** | | | | | | |
| Loss for the year | **–** | **–** | **–** | **–** | **(173,983)** | **(173,983)** |
| Total comprehensive loss for the year | **–** | **–** | **–** | **–** | **(173,983)** | **(173,983)** |
| Effect on share option exercised | **21,905** | **–** | **(11,995)** | **–** | **–** | **9,910** |
| Total transactions with owners | **21,905** | **–** | **(11,995)** | **–** | **–** | **9,910** |
| At 31 March 2020 | **2,086,682** | **136,012** | **27,392** | **36,089** | **(1,802,408)** | **483,767** |

## 34. RESERVES (Continued)

### b) NATURE AND PURPOSES OF THE RESERVES

#### i) *Share premium*

The application of the share premium account is governed by section 40 of the Bermuda Companies Act 1981. The share premium account of the company is distributable to the owners of the company in the form of fully paid bonus shares.

#### ii) *Special reserve*

The Group's special reserve represents the difference between the nominal value of the shares and the share premium account of the subsidiaries acquired pursuant to the Group reorganisation in prior years, over the nominal value of the company's shares issued in exchange therefore and the difference between the total consideration and the net assets value of the subsidiaries acquired for the year ended 31 March 2011.

#### iii) *Equity settled share-based compensation reserve*

The equity settled share-based compensation reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the company and others providing similar services recognised in accordance with the accounting policy adopted for share-based payments in note 2(x)(ii).

#### iv) *Exchange fluctuation reserve*

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of group entities whose functional currency is other than Hong Kong Dollars. The reserve is dealt with in accordance with the accounting policies set out in note 2(t).

#### v) *Contributed surplus*

The contributive surplus represents the credit arising from capital reduction for the year ended 31 March 2016.

### c) DISTRIBUTABILITY OF RESERVES

At 31 March 2020, the aggregate amount of reserves available for distribution to owners of the company was approximately HK$483,767,000 (2019: equivalent to approximately HK$608,453,000 ) subject to the restriction on the share premium account as stated above.

## 34. RESERVES (Continued)

### d) CAPITAL MANAGEMENT

The Group's objectives when managing capital are to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt as it sees fit and appropriate.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes interest-bearing bank borrowings and unconvertible bonds) less cash and cash equivalents and fixed deposits. Total equity comprises all components of equity.

During the year ended 31 March 2020, the Group's strategy, which was unchanged from 2019, was to maintain a gearing ratio as low as feasible. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to the owners, return capital to the owners, issue new shares or sell assets to reduce debt. The gearing ratios at 31 March 2020 and 2019 were as follows:

| | **2020 HK$'000** | 2019 HK$'000 |
|---|---|---|
| Total borrowings | | |
| Interest-bearing bank borrowings (note 28) | **87,584** | 67,235 |
| Unconvertible bonds (note 30) | **28,333** | 20,000 |
| Less: Cash and cash equivalents (note 26) | **(18,527)** | (40,654) |
| Fixed deposits (note 26) | **–** | (8,523) |
| Trust accounts (note 26) | **(1,058)** | (6,726) |
| Adjusted net cash | **96,332** | 31,332 |
| Total equity | **604,934** | 697,038 |
| Gearing ratio | **N/A** | N/A |

Several subsidiaries of the Group (the "Regulated Subsidiaries") are granted licenses by the Hong Kong Securities and Futures Commission (the "SFC") for the business they operate in. The Regulated Subsidiaries are subject to liquid capital requirements under the Hong Kong Securities and Futures (Financial Resources) Rules (the "SF(FR)R"). Management of the Group closely monitors, on a daily basis, the Regulated Subsidiaries' liquid capital level to ensure compliance with the minimum liquid capital requirements under the SF(FR)R. The Regulated Subsidiaries has no non-compliance of capital requirements imposed by the SF(FR)R throughout both years.

Neither the company nor its other subsidiaries are subject to externally imposed capital requirements.

## 35. COMMITMENTS

### OPERATING LEASE COMMITMENTS

i) The Group as lessor:

The Group leases its investment properties under operating lease arrangements to tenants, with leases negotiated for terms ranging from ten to twelve years (2019: eight to twelve years). The terms of the leases generally require the tenants to pay security deposits. At the end of the reporting period, the Group had total future minimum lease payments receivable under non-cancellable operating leases with its tenants falling due as follows:

| | **2020** | 2019 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| | | (restated) |
| Within one year | **10,464** | 11,915 |
| In the second year | **11,825** | 11,177 |
| In the third year | **11,652** | 12,630 |
| In the fourth year | **12,535** | 12,444 |
| In the fifth year | **12,350** | 13,387 |
| Over five years | **23,445** | 38,231 |
| | **82,271** | 99,784 |

ii) The Group as lessee:

The Group leases certain office premises, staff quarters and plant and equipment under operating leases. Leases are negotiated for terms ranging from one to six years.

As at 31 March 2019, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

| | 2019 |
|---|---|
| | HK$'000 |
| Within one year | 4,939 |
| In the second to fifth years, inclusive | 8,022 |
| Over five years | 1,418 |
| | 14,379 |

## 36. MATERIAL RELATED PARTY TRANSACTIONS

### a) KEY MANAGEMENT PERSONNEL EMOLUMENTS

Emoluments for key management personnel, including amounts paid to the company's directors as disclosed in note 10 and certain of the highest paid employees as disclosed in note 11 are as follows:

| | **2020** | 2019 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Short-term employee benefits | **9,111** | 13,872 |
| Post-employment benefits | **119** | 157 |
| | **9,230** | 14,029 |

Total emoluments is included in "staff costs" (see note 9(b)).

### b) OUTSTANDING BALANCES WITH RELATED PARTIES

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

| | **2020** | 2019 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Amounts due to a director (note 27) | **219** | 234 |
| Amounts due to related parties (note 27) | **32** | 35 |

The amounts due to related parties represented the advance from the directors of company's subsidiaries. The balances with these related parties and the amounts due to a director are unsecured, interest-free and repayable on demand.

## 37. FINANCIAL INSTRUMENTS BY CATEGORY

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

**2020**

**Financial assets**

| | Financial assets at fair value through profit or loss HK$'000 | Financial assets at amortised cost HK$'000 | Total HK$'000 |
|---|---|---|---|
| Trading securities | 31,113 | – | 31,113 |
| Unlisted investments fund | 1,296 | – | 1,296 |
| Financial assets included in trade and other receivables | – | 46,169 | 46,169 |
| Loan receivables | – | 404,629 | 404,629 |
| Cash and bank balances | – | 19,585 | 19,585 |
| | 32,409 | 470,383 | 502,792 |

**Financial liabilities**

| | Financial liabilities at amortised cost HK$'000 |
|---|---|
| Financial liabilities included in trade and other payables | 3,996 |
| Interest-bearing bank borrowings | 87,584 |
| Unconvertible bonds | 28,333 |
| | 119,913 |

## 37. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

**2019**

**Financial assets**

| | Financial assets at fair value through profit or loss HK$'000 | Financial assets at amortised cost HK$'000 | Total HK$'000 |
|---|---|---|---|
| Trading securities | 31,331 | – | 31,331 |
| Unlisted investments fund | 45,509 | – | 45,509 |
| Financial assets included in trade and other receivables | – | 22,140 | 22,140 |
| Loan receivables | – | 393,416 | 393,416 |
| Fixed deposits | – | 8,523 | 8,523 |
| Cash and bank balances | – | 47,380 | 47,380 |
| | 76,840 | 471,459 | 548,299 |

**Financial liabilities**

| | Financial liabilities at amortised cost HK$'000 |
|---|---|
| Financial liabilities included in trade and other payables | 16,795 |
| Interest-bearing bank borrowings | 67,235 |
| Unconvertible bonds | 20,000 |
| | 104,030 |

## 38. COMPANY – LEVEL STATEMENT OF FINANCIAL POSITION

| | Note | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Plant and equipment | | – | – |
| Right-of-use assets | | 1,563 | – |
| Investment in subsidiaries | 19 | 323,126 | 824,759 |
| Financial assets at fair value through profit or loss | | 1,296 | 45,509 |
| Loan receivables | | 73,078 | – |
| | | 399,063 | 870,268 |
| **Current assets** | | | |
| Trade and other receivables | | 29,551 | 817 |
| Loan receivables | | 268,875 | – |
| Financial assets at fair value through profit or loss | | 31,113 | 396 |
| Tax recoverable | | – | – |
| Cash and cash equivalents | | 2,078 | 13,521 |
| | | 331,617 | 14,734 |
| **Current liabilities** | | | |
| Other payables and accruals | | 2,250 | 7,786 |
| Unconvertible bonds | | 18,333 | 10,000 |
| Tax payable | | 504 | – |
| Amount due to a subsidiary | | 160,800 | 160,800 |
| Lease liabilities | | 1,593 | – |
| | | 183,480 | 178,586 |
| **Net current asset/(liabilities)** | | 148,137 | (163,852) |
| **Total assets less current liabilities** | | 547,200 | 706,416 |
| **Non-current liabilities** | | | |
| Unconvertible bonds | | 10,000 | 10,000 |
| **NET ASSETS** | | 537,200 | 696,416 |
| **EQUITY** | | | |
| **Equity attributable to owners of the company** | | | |
| Share capital | 32 | 53,433 | 48,576 |
| Reserves | 34(a) | 483,767 | 647,840 |
| **TOTAL EQUITY** | | 537,200 | 696,416 |

## 39. LITIGATION

In 1998, the company brought up legal proceedings against ASG Capital Limited and ASG Brokerage Limited (the "Defendants") for breach of the placing and underwriting agreement dated 9 December 1997 in that the Defendants failed to fulfill their underwriting obligations thereunder and for the recovery of HK$40 million being the economic loss suffered by the company together with interest and legal cost. The proceedings are now in pre-trial stage of discovery of documents of the parties and the date of the trial has not been fixed. The last action of the parties to the proceedings took place in middle of 2005 when solicitors acting for the company in the legal proceedings served a notice to inspect documents to those acting for the Defendants.

## 40. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund ("MPF") scheme for all Hong Kong eligible employees including executive directors. The assets of the MPF scheme are held separately from those of the Group in funds under the control of trustees.

The retirement benefit cost for the MPF scheme charged to the consolidated statement of profit or loss represents contributions payable to the MPF scheme by the Group at 5% specified in the rules of the MPF scheme.

Employees who are employed in the PRC are members of the state-sponsored pension scheme operated by the PRC government. The Group is required to contribute a certain percentage of their payroll to the pension scheme to fund the benefits. The only obligation of the Group with respect to the pension scheme is to make the required contributions under the scheme.

## 41. COMPARATIVE FIGURES

The Group has initially applied HKFRS 16 at 1 April 2019. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 3.

The Financial Services Segment was discontinued during the year ended 31 March 2020. Information about discontinued operation is provided in note 13. The comparative figures in the consolidated statement of profit or loss have been restated to present the result of Financial Services Segments as a discontinued operation.

## 42. EVENTS AFTER THE REPORTING PERIOD

### A) SUBSCRIPTION OF UNCONVERTIBLE BONDS

On 6 April 2020, the company entered into the subscription agreement with the subscriber pursuant to which the subscriber has conditionally agreed to subscribe for and the company has conditionally agreed to issue the unconvertible bonds in an aggregate principal amount of RMB100,000,000 (equivalent to HK$109,480,000).

### B) OUTBREAK OF CONVID-19

Since January 2020, the outbreak of Novel Coronavirus ("COVID-19") has impact on the global business environment. Up to the date of these financial statements, COVID-19 has seriously hindered the Group's operating business. Pending on the development and spread of COVID-19 subsequent to the date of these financial statements, 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 statements. 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.

# FIVE YEAR FINANCIAL SUMMARY

## RESULTS

| | Year ended 31 March | | | | |
|---|---|---|---|---|---|
| | **2020** | 2019 | 2018 | 2017 | 2016 |
| | **HK$'000** | HK$'000 (Restated) | HK$'000 | HK$'000 | HK$'000 |
| **Continuing operations:** | | | | | |
| Revenue | **51,799** | 48,336 | 61,760 | 63,345 | 15,094 |
| Loss before taxation | **(78,592)** | (71,235) | (567,123) | (33,962) | (101,566) |
| Income tax credit/(expenses) | **2,457** | 4,354 | (2,333) | (5,772) | 5,021 |
| (Loss)/profit for the year from continuing operations | **(76,135)** | (66,881) | (569,456) | (39,734) | (96,545) |
| **Discontinued operations:** | | | | | |
| (Loss)/profit for the year from discontinued operations | **(16,456)** | 4,527 | – | 23,150 | (15,092) |
| Loss for the year | **(92,591)** | (62,354) | (569,456) | (16,584) | (111,637) |

## ASSETS AND LIABILITIES

| | As at 31 March | | | | |
|---|---|---|---|---|---|
| | **2020** | 2019 | 2018 | 2017 | 2016 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Total assets | **747,194** | 816,354 | 883,174 | 1,447,424 | 914,155 |
| Total liabilities | **(142,260)** | (119,316) | (100,655) | (67,872) | (91,234) |
| Net assets | **604,934** | 697,038 | 782,519 | 1,379,552 | 822,921 |

# PROPERTIES HELD BY THE GROUP FOR INVESTMENT

As at 31 March 2020

| | Location | Existing Use | Term of Lease |
|---|---|---|---|
| 1. | Unit Nos. 201 and 202 on Mezzanine Level, Yun Hai Building, Nos. 1329 and 1331 Huai Hai Zhong Road, Xuhui District, Shanghai, The PRC. ("Investment Properties I") | Commercial | Medium term |
| 2. | Whole of Levels 1 and 2, Shimei Mansion, No.445 Jiangning Road, Jingan District, Shanghai, The PRC. | Commercial | Medium term |
| 3. | Whole of Levels 3 and 4, Shimei Mansion, No.445 Jiangning Road, Jingan District, Shanghai, The PRC. (Location 2 and 3 collectively as "Investment Properties II") | Commercial | Medium term |