CONVOY 康宏

Convoy Global Holdings Limited
康宏環球控股有限公司

(incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立之有限公司)

Stock Code 股份代號 : 1019

DELI
VERY

ANNUAL REPORT 2019 年報

Contents

Corporate Information

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Ng Wing Fai
Mr. Yap E Hock
Mr. Shin Kin Man
Ms. Wong Suet Fai (appointed on 1 January 2021)
Mr. Lee Jin Yi (appointed on 19 November 2020)
Mr. Chung Kwok Wai, Kelvin (appointed on 1 January 2021)
Mr. Wong Lee Man*
(removed as Director on 7 January 2021)
Ms. Fong Sut Sam* (resigned on 16 November 2020)
Ms. Chan Lai Yee* (removed on 7 January 2021)

NON-EXECUTIVE DIRECTORS

Mr. Johnny Chen *(Chairman of the Board)*
(re-designated from executive Director to
non-executive Director on 1 January 2021)
Mr. Chen Shih-pin

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Pun Tit Shan
Mrs. Fu Kwong Wing Ting, Francine
Mr. Pak Wai Keung, Martin
Mr. Yan Tat Wah
Mr. Lam Kwok Cheong (appointed on 19 November 2020)
Ms. Carrie Bernadette Ho (appointed on 1 January 2021)

AUDIT COMMITTEE

Mr. Pak Wai Keung, Martin *(Chairman)*
Mr. Yan Tat Wah
Mrs. Fu Kwong Wing Ting, Francine

REMUNERATION COMMITTEE

Mrs. Fu Kwong Wing Ting, Francine *(Chairman)*
Mr. Johnny Chen
Mr. Yan Tat Wah

NOMINATION COMMITTEE

Mr. Pun Tit Shan *(Chairman)*
Mrs. Fu Kwong Wing Ting, Francine
Mr. Johnny Chen

CORPORATE GOVERNANCE COMMITTEE

Mr. Johnny Chen *(Chairman)*
Mrs. Fu Kwong Wing Ting, Francine
Mr. Pak Wai Keung
Mr. Yan Tat Wah

COMPANY SECRETARY

Mr. Kong Siu Keung (appointed on 1 April 2020)
Mr. Lau Hok Yuk (resigned on 1 April 2020)

AUTHORISED REPRESENTATIVES

Mr. Yap E Hock (appointed on 23 January 2018)
Mr. Kong Siu Keung (appointed on 1 April 2020)
Mr. Lau Hok Yuk (resigned on 1 April 2020)

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5th, 7th, 15th, 37th, 39th, and 40th Floors, @CONVOY
169 Electric Road
Hong Kong

Address changed on 16 January 2020:
37/F and 39/F
Lee & Man Commercial Center
169 Electric Road
Hong Kong

Address changed on 13 July 2020:
Trust Tower
68 Johnston Road
Wan Chai
Hong Kong

* The duties as directors of Mr. Wong Lee Man, Ms. Fong Sut Sam and Ms. Chan Lai Yee have been suspended since 8 December 2017 following their arrests by the Independent Commission Against Corruption.

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited
Royal Bank House — 3rd Floor
24 Shedden Road
P.O. Box 1586
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited
China Construction Bank (Asia) Corporation Limited

OUR COMPANY'S WEBSITE ADDRESS

www.convoy.com.hk

AUDITOR

ZHONGHUI ANDA CPA Limited (appointed on 31 August 2020)
Certified Public Accountants

Chairman's Statement

YEAR OF DELIVERY

2019 is the year of delivery. This year, after two years of restructuring, we begin our path in delivering quality services to customers all-around.

TRANSFORMING UNPROFITABLE BUSINESS FOR GROWTH AND PRODUCTIVITY

In 2019, the Company expanded our businesses and enhanced their profitability through different growth initiatives. Our strong track record in insurance industry built over the past decades positioned us well in providing customers with long-term protection and investing opportunities.

In view of the continued operating loss of the IFA business since 2015, a new commission scheme has been launched to the IFA in 2019 to enhance its productivity, attract new recruits and boost sales activities. We successfully further contained the loss at our IFA business in 2019. Alongside with the new commission scheme, the IFA business also registered for Million Dollar Round Table ("MDRT") membership in 2019, being the first insurance broker firm qualified for MDRT membership in the industry in Hong Kong, with 201 IFA registered as 2020 MDRT members.

BUILDING NEW CORPORATE CULTURE TO DRIVE BUSINESS SUCCESS

The Company has a comprehensive talent development program and is dedicated to nurture young talents in Hong Kong. We partnered with Business School of The Chinese University of Hong Kong to launch our Mini-MBA program for the employees to broaden their capabilities and accelerate their career developments. This unique collaboration between a financial institution and a university turned out to be a great success.

To support the Company's Fintech development, we rolled out a talent nurturing platform, FINSPIRE, to inspire Hong Kong's young people's entrepreneurship skills and growth mindsets. This enabled us to build a future talent pipeline to bring business innovation and creativity.

We also launched our 18-month Graduate Trainee Program for graduates to work in three to four departments to develop their business and management skills.

REBRANDING TO BETTER RESONATE WITH THE PUBLIC

Subsequent to the marketing campaigns in 2018, the Company launched the "Grow Your Money" Campaign in February 2019 to reinforce the Group's positioning in offering all-rounded money management services that helps customers make financial choices and achieve financial goals. In November 2019, we launched the "All-in-One" Campaign — "All-caring, All-knowing, All-round" that encapsulated the Company's propositions and promises to customers by bringing hope and positivity to Hong Kong people to get through challenging times.

THE PATH AHEAD

The Company is now in the beginning phase of transforming from the single IFA business into a diversified financial services platform empowered by FinTech business technology and collaboration with retail and healthcare strategic partners. The approach and mix of businesses are progressing, yet the Company's core values, cultural attributes and key businesses resemble the same. This significant evolution is healthy and vital to the Company's future success.

In July 2020, we will consolidate our offices in Hong Kong and moved to a new headquarters at Trust Tower, 68 Johnston Road, Wan Chai to further promote efficiency. The new headquarters, occupying the entire building, adopts open office design to reduce rental expenses, promote collaborative culture and create a more flexible workspace environment. The ethos of the Company is to put capital and ideas to work to expand the potential of organizations, accelerate the Fintech development, and amplify customers' prosperity. The Company is passionate about its role in the coming years.

The Company is committed to executing upon its long-term strategy, strengthening the market-leading positions of its core franchises, and investing for growth in new businesses and opportunities. Regardless of the market conditions, the focus always remain on what has sustained the Company over the last 30 years: the people, the culture, and above all, the evolving needs of customers. In doing so, the Company is well-positioned to compete in the years ahead, deliver higher, more sustainable returns for its shareholders, and becomes a trusted partner for institutions and individuals.

As always, we are dedicated in maintaining a high standard in corporate governance and upholding the highest standards in risk management. We remain confident that the Company will be able to grasp the market opportunities and create sustainable values to our shareholders.

Johnny Chen
Chairman and Non-Executive Director

Hong Kong, 17 February 2021

Highlights of the Year

JANUARY

"Beyond Finnovation" fintech forum

Convoy held the "Beyond Finnovation" fintech forum. Over 200 international fintech leaders, entrepreneurs and investors met to discuss industry trends and prospects.

"Grow your money" advertising campaign

Convoy's new advertisement — "Grow you money" — highlighted the message of "all-round money manager".

Foster quality financial planning education in Hong Kong

Awarded "Corporate Financial Education Leadership (Gold Award)" and "Accredited Professional Financial Planning Firm" by the Institute of Financial Planners of Hong Kong.

MARCH

Support Food Angel

Convoy Volunteer Team helped at Food Angel, utilising food resources to minimise wastage.

Green Money Workshop

The Green Money Experiential Workshop aimed at equipping the public with green knowledge and financial intelligence.

APRIL

Support Hong Kong Dog Rescue

Convoy Volunteer Team visited Hong Kong Dog Rescue, showing love to the abandoned dogs by taking them on walks.

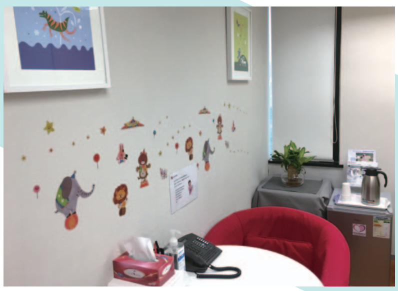
Run Mini MBA Programme with CUHK

Convoy collaborated with CUHK Business School to launch "Mini MBA" programme to nurture future industry leaders.

MAY

Support "Enough Plastic" Campaign

Convoy supported the "Enough Plastic" campaign, encouraging colleagues to live a greener life by using less disposable plastic tableware.



JULY

Support "Say Yes to Breastfeeding"

Putting the family-friendly policy into action, Convoy joined the "Say Yes to Breastfeeding" Campaign initiated by Hong Kong Committee for UNICEF by setting up and further upgrading breastfeeding facilities to ensure the best care for its working-mother employees.

Sponsor Cyberport's youth programme

Sponsored "Cyberport University Partnership Programme" to support youth entrepreneurship in Hong Kong.

Forum on AI Innovations

Convoy exchanged Fintech ideas with industry elites at "AI Innovation Forum" organized by CUHK Business School.

Summer Internship

The Summer Internship gave practical work and training exposure to finance business operation.

AUGUST

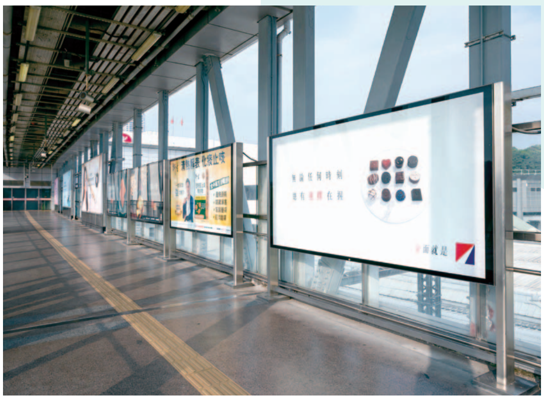
"Bring Our Kids To Work Day"

Convoy demonstrated its family-friendly culture by organising a "Bring Our Kids To Work Day" to encourage colleagues to bring their kids to the office. Convoy interns played the role of 'buddy' and participated in specially organised art and craft workshops together with the visiting children.

OCTOBER

New branding campaign

Convoy launched a new advertising campaign to promote the new brand philosophy — "all-caring, all-knowing, and all-round".



Blood Donation Day

Convoy and Hong Kong Red Cross co-organised a two-day Blood Donation drive, which was enthusiastically supported by more than 100 Convoy colleagues.

NOVEMBER

Spreading Fair Trade Lifestyle

Convoy promoted healthy living, fair trade and social justice among colleagues by giving out fair trade snacks at the office.

SEPTEMBER

FINSPIRE begins

Convoy initiated FINSPIRE to provide a platform for young talents to create and incubate Fintech ideas.

Mid-Autumn Elderly Visit

The Convoy management team, accompanied by 120 Convoy volunteers, joined hands with Saint James' Settlement to visit the elderly community. In addition to giving gifts, the volunteers helped to assess the elderly residents' living environment and health condition for follow up by social workers.

DECEMBER

Awarded "Hong Kong Corporate Citizenship" Logo

Convoy was awarded "Hong Kong Corporate Citizenship" Logo — presented by the Hong Kong Productivity Council (HKPC).

FINANCIAL HIGHLIGHTS

Key financial information:	2019 HK$'000	2018 HK$'000	Change %
Revenue	**957,708**	802,739	19.3
Loss before tax	**(537,829)**	(616,485)	-12.8
EBITDA	**(430,453)**	(542,715)	-20.7

FINANCIAL REVIEW

GROUP PERFORMANCE

Loss before tax was approximately HK$537.8 million for the year, representing an improvement of approximately 12.8% compared with prior year loss of approximately HK$616.5 million.

GROUP REVENUE

Our Group revenue for the year ended 31 December 2019 was approximately HK$957.7 million (2018: HK$802.7 million), representing an increase of approximately 19.3% as compared with that for the year ended 31 December 2018.

The improvement was mainly resulted from: (i) higher income from IFA business with the adoption of diversification strategies by way of introducing more business partners, strengthening consultancy force and enlarging product varieties which drove a steady growth of the revenue from IFA business in Hong Kong in 2019 and (ii) higher income from asset management segment as stronger fund sales during the second half of the year due to increase in our product offerings with new investment portfolio.

The effect of the above increment has been partly set off by the fair value loss on various investments from proprietary investment business due to poor market sentiment. Total revenue showed progressive improvement against 2018.

The Group revenue by reportable segments is as follows:

Revenue by reportable segments:	2019 HK$'000	2018 HK$'000	Increase/ (decrease) HK$'000	Change %
IFA segment	**954,751**	691,821	262,930	38.0%
Money lending segment	**53,970**	53,893	77	0.1%
Proprietary investment segment	**(75,023)**	48,547	(123,570)	-254.5%
Asset management segment	**22,668**	5,233	17,435	333.2%
Corporate finance segment	**–**	400	(400)	-100.0%
Securities dealing segment	**1,342**	2,845	(1,503)	-52.8%
Total	**957,708**	802,739	154,969	19.3%

GROUP OPERATING AND OTHER EXPENSES

Group operating and other expenses increased by approximately 3.0% from approximately HK$1,473.1 million in prior year to approximately HK$1,516.8 million in current year. The slight increase in group operating and other expenses was mainly due to increase in IFA's commission and advisory expenses with an increase in revenue in IFA business as well as the increase in impairment of certain financial assets. Meanwhile, tightened cost control and lower spending in legal and professional expenses in 2019 as compared with 2018 set off the magnitude of the increment in overall operating and other expenses.

GROUP FINANCIAL POSITION

Total consolidated assets of the Group decreased by approximately 9.5% from approximately HK$5,117.4 million as at 31 December 2018 to approximately HK$4,633.0 million as at 31 December 2019. Total consolidated current assets of the Group decreased by approximately 28.4% from approximately HK$2,958.6 million as at 31 December 2018 to approximately HK$2,117.1 million as at 31 December 2019.

PROSPECTS AND OUTLOOK

MARKET OUTLOOK

During 2019, global real gross domestic product (GDP) growth decreased compared with 2018, reflecting slower growth in both emerging markets and advanced economies. The market sentiment in 2019 was also impacted by geopolitical uncertainty, including Brexit and the ongoing trade tension between the U.S. and China.

Although uncertainty about the coronavirus (COVID-19) pandemic persisted in 2020, the operating environment continued to recover, as global economic activity rebounded in the last quarter of 2020 and market volatility declined modestly.

BUSINESS PROSPECTS

The Group is principally engaged in the IFA business, money lending business, asset management business and securities dealing business.

As of December 2019, the Group is by far the largest financial advisory firms in Hong Kong with over 1,400 financial advisors and 432 corporate staff serving a sizable share of one of Hong Kong's working population. Combining the world-class technology of global FinTech business, the management has successfully transformed the Company from an IFA business into a one-stop omni-channel financial service platform since 2017.

Currently, the Company's business strategy comprises three core priorities:

— Growing and strengthening the fundamental pillars

— Diversifying the business portfolio by launching new products and services

— Achieving operational excellence with powerful infrastructure

The strategy reflects the need to anticipate and adapt to structural forces shaping the economies and driving the FinTech landscape, especially when the market and financial products are competing, and customer segments are converging at an unprecedented pace. Considering how technology is influencing the way business is running and customers are transacting, this requires the Group to simultaneously invest for growth and create better infrastructure. The Group has to achieve the scale to deliver quality services to the customers seamlessly, that means investing in platforms and creating an ecosystem for the customers.

In early 2018, the Group undertook an extensive review of each of its major businesses and core activities. The reviews reinforced the fact that the Group benefits enormously from a strong distribution channel in Hong Kong. At the same time, the Group sees tremendous opportunities to expand its addressable market and grow new business. There is a sense of urgency and excitement about the opportunities identified, yet it is important for the Group to be diligent and not rush into long-term decision making. As the Group pursues these opportunities, its focus is placed on strong risk management and controls — central to the Group's sustainable ability in meeting the expectations of its customers, shareholders and the regulators.

Below are the opportunities and priorities the Group will be focused on in the year ahead.

Grow and Strengthen the fundamental pillars

The Group's first strategic priority is to expand the existing businesses and further enhance its profitability. The Group is now executing on various growth initiatives. On insurance salesforce, the Group has embarked on a broad footprint expansion strategy including proactive recruitments, potential acquisitions of small competitors and increasing product coverage.

The Group is one of the largest independent insurance distribution firms in Hong Kong, with a significant size to impact the market and accounted for a strong wallet share of life insurers' business origination. Both customers and insurers value the Group's deep intermediation capabilities and expertise. The Group sees further potential in this business by growing the insurance salesforce, expanding product offering, offering unbiased product advices and broadening its customer base. The Group's strong track record built over the past decades has positioned it well in providing customers with long-term protection and investing opportunities.

To further strengthen the Group's overall long-term competitiveness, the senior management is working with the Group's salesforces for a new comprehensive plan that would dramatically improve the cashflow and profitability of the IFA business. It would create a better balance between performance-based incentives to individual financial advisors and financial return to the Group, increasing long-term shareholder value.

Diversify the business portfolio with new products and services

The Group has made considerable progress over the past two years, but there are more to do in the years ahead. Since 2018, the Company has created an ensemble of top-notch FinTech investments and partnership in the United Kingdom, the United States and Europe, and the Group is now bringing the best technology to Hong Kong to connect its growing customer base and their growing wealth, to the Group's broader suite of services. Over time, the Group expects this will grow to be another core capability of its customer-centric multi-channel platform.

The Group is pleased with the early progress: it has investment in Tandem, a UK digital bank with full banking license; Nutmeg, an established digital wealth management platform in the UK; CurrencyFair, the industry pioneer in digital payment for international and foreign exchange markets merged with Convoy's payment operations, for Hong Kong and the Greater China partnerships. Together with the self-built product comparison platforms for life and general insurance products, the potential for the Group in this space is significant. The Group will build on these strong relationships and forge new ones by delivering new solutions that solve customer frustrations around outdated technology, limited customization and siloed service offerings.

The Group sees a real opportunity to provide its customers with a financial management platform that is both secure and flexible. The Group expects this business to provide synergy to adjacent businesses, including generating more customer flows and cross-selling opportunities. The Group is making tangible progress in building this platform and expects to launch some new offerings to customers next year.

Achieve operational excellence with powerful infrastructure

The third strategic priority of the Group is to ensure excellence in the business infrastructure by investing in product intelligence, technology and operations that will improve customer experience and drive efficiency across the businesses. The Group has a broad product knowledge base with product comparison built with proprietary technology, and the business units are currently led by industry veterans with deep expertise. The Group is also revamping and upgrading all systems to become fully digitalized with a straight through transaction process when the vendors are ready. FinTech development of the Group in Hong Kong and Malaysia is leading the market, and the Group strives to drive operational efficiency and process standardization in the back-office operations to achieve high standard of performance, reducing the staff level from 503 in November 2017 to 432 in December 2019.

A culture of risk management

As the Group grows and expands its business reach, bringing the Group closer and to more customers, the Group is dedicated to maintaining the primacy of the control function and upholding the highest standards in risk and operational management. There are important lessons learnt from difficult situations and as it relates to the wrongdoings of the Previous Management Team, the Group has looked back and will continue to reflect on anything else the Group could have done better. It remains a priority for the Group that the culture of integrity, compliance and escalation only improves from this experience. Effective risk management and robust control infrastructure require constant vigilance. An unwavering cultural commitment to it lies at the heart of an effective financial institution and it is a core competence that helps define the Company going forward.

Building a new corporate culture

The Group is committed to building a capable team and institutionalizing the achievement culture based on the three core values of professionalism, integrity and passion. As a result of the management's effort, the Group has successfully revamped the top executive rank and workforce, with a change of almost 50% of its workforce in 2018. To further strengthen the engagement level and accountability of the employees, the Group has been promoting open communication proactively (e.g. Monthly Mission Update) across the entire organization to share business directions, project progress and receive employees' feedback; provides training programmes (e.g. Mini-MBA with the Chinese University of Hong Kong) for the employees to broaden their capabilities and accelerate their career developments, and hosts community events (e.g. Green Money) to promote corporate social responsibilities. The Group is also dedicated to launching programmes (e.g. Graduate Trainee, Internship) and platforms (e.g. Hackathon) to nurture young talents in Hong Kong.

BUSINESS REVIEW

(1) IFA Business

The IFA business continued to be loss-making in the year of 2019. However, the business started to pick up as the business achieved 10% annual growth in business volume in 2019, driven by the increase in sales productivity by 22% and manpower by 18%. The new management team managed to turn CFS around from over HK$500m operating loss in 2017 to almost breakeven in 2019.

A new commission scheme has been launched to the IFA in 2019, with the objective to attract new recruits and boost sales activities. Alongside with the new commission scheme, the IFA business also registered for Million Dollar Round Table ("MDRT") membership in 2019, being the first insurance broker firm qualified for MDRT membership in the industry in Hong Kong, with 201 IFA registered as 2020 MDRT members.

As mentioned before, the senior management is working with the IFA for a new comprehensive plan that would dramatically improve the cashflow and profitability of the IFA business, to further strengthen the Group's overall long-term competitiveness and create a better balance between performance-based incentives to individual financial advisors and financial return to the Company.

With all these new initiatives and campaigns, the business also strived to increase the number of business partners, enhance product variety and strengthen the consultancy force to maintain its competitiveness in the industry.

The Group believes that the demand on financial planning and advisory services is still on the rise amid the insurance regulatory reform and MPF reform initiatives, and is ready to capture more Mainland China customers in the future.

(2) Money Lending Business

The money lending business focused on "Specialty Mortgage Service" which offers high loan-to-value ratio and an approach tailored to meet client's specific financial needs. The newly originated mortgages in 2019 was HK$161.4 million, with all loans secured by Hong Kong properties as collateral. The business maintained a stable return on loans of 9.2% with zero net impairment loss ratio.

(3) Asset Management Business

The asset management business remained in good shape for 2019, with business model reengineered to reduce risk and all the known legacy issues cleaned up. The business also partnered with Wilshire to enhance the fund due diligence process, risk classification methodology and portfolio management service. The business successfully relaunched discretionary portfolio management services and raised HK$300 million of Asset Under Management ("AUM"). Despite a slower sales inflow, there was an increase of 4% in total AUM compared to 2018.

(4) Securities Dealing Business

The securities dealing business started to reshuffle the risk management systems, controls and relevant policies and procedures, with the Credit and Control Department established and a credit committee formed in 2018. Upon independent review of the implementation current system and controls in relation to securities margin financing, SFC uplifted all the restrictions previously imposed on the securities dealing business in October 2019.

OTHER DEVELOPMENTS

As disclosed in the Company's announcement on 3 January 2021, the delay in publishing the outstanding audited accounts was mainly due to:

1. The auditing works required on the extensive wrongdoings prior to 2017 and incomplete records of various operations and transactions whilst the Company was under the management of the previous management team;

2. The severity and complexity of the wrongdoings of Roy Cho Kwai Chee ("Roy Cho") and the previous management including Roy Cho have imposed an unheard-of level of difficulty on the auditors in finalizing their audit on the accounts;

3. The litigious environment between 2018 to 2020 that the Company has regretfully found itself operating under has caused the auditors and the management needing more time to assess and determine the implications and appropriate accounting treatments;

4. Delay in the determination of the accounting treatment of many of Roy Cho's wrongdoings for example, the Wrongfully Allotted Shares circular-financed in 2015 by the Company's own fund (as defined in the Company's announcement dated 3 January 2021 (Litigation Updates)); and

5. PricewaterhouseCoopers ("PwC") was previously engaged to conduct the audit of the 2017 Financial Statements. However, over 30 months have passed since PwC was appointed and a considerable amount of professional fees had been incurred, the 2017 Financial Statements had yet been able to be finalised. As PwC was unable to commit to a clear timeline for the finalisation of the 2017 Financial Statements and there were no clarity how much more professional fees would be incurred in the process, PwC agreed with the Company to tender its resignation as the auditor in August 2020, with Zhonghui Anda CPA Limited appointed as the auditor subsequently on 31 August 2020.

For further details regarding the delay in publishing financial results, please refer to the Company's announcements dated 19 March 2018, 31 August 2018, 29 March 2019, 23 August 2019 and 3 January 2021.

LOOKING AHEAD

The Group is building new business and reorienting itself for a broader set of opportunities, with a robust risk management approach and a strong balance sheet with the talent to deploy it. The Group has successfully rebuilt its brand and is investing across its businesses and bringing the world-class technology and expertise to serve new and existing customers, to build a one-stop omni-channel financial service platform. With these distinctive advantages and comprehensive business plan in place, the management is confident that the Group is in a solid position to accelerate the Group's ambitions in the financial services sector and poised for strong growth in years to come.

LIQUIDITY AND FINANCIAL RESOURCES

The Group mainly relies upon the shareholders' fund, placing of bonds and cash generated from its business operations to finance its operations and expansion. As at 31 December 2019, the Group had cash and cash equivalents of approximately HK$716.7 million (2018: HK$1,402.2 million), bond payables of approximately HK$492.6 million (2018: HK$525.5 million) and interesting-bearing bank and other borrowings of HK$1.1 million (2018: HK$Nil). The gross gearing ratio, calculated on the basis of the aggregate of the Group's bond payables and interest-bearing bank and other borrowings divided by equity attributable to owners of the Company was approximately 17.8% (2018: 16.0%). As at 31 December 2019, the net current assets of the Group amounted to approximately HK$1,046.1 million (2018: HK$1,933.9 million) and the current ratio (current assets/current liabilities) was approximately 2.0 (2018: 2.9).

CAPITAL STRUCTURE

As at 31 December 2019 and 2018, the authorised share capital of the Company was HK$2,000 million divided into 20,000,000,000 shares of HK$0.1 each and the issued share capital of the Company was approximately HK$777.9 million divided into 7,778,596,000 shares of HK$0.1 each. Please refer to note 42 to the consolidated financial statements for the detailed explanation of the share capital structure of the Company.

During the years ended 31 December 2019 and 2018, no movement in the Company's authorised and issued share capital was noted.

HUMAN RESOURCES AND REMUNERATION POLICIES

As at 31 December 2019, the Group employed 432 (2018: 432) supporting staff. The total remuneration of the employees (including the Directors' remuneration) was approximately HK$254.4 million for the year ended 31 December 2019 (2018: HK$294.8 million).

The Group offered competitive market remuneration packages for employees and granted bonuses with reference to employees' performance during the reporting periods according to the general rules of the Group's remuneration policy.

The emoluments of the Directors are in accordance with the remuneration policy of our Group that it is our Group's remuneration objective to, in consultation with the remuneration committee of our Company, remunerate Directors fairly but not excessively for their efforts, time and contributions made to the Group and the remuneration of Directors would be determined with reference to various factors such as duties and level of responsibilities of each Director, the available information in respect of companies of comparable business or scale, the performance of each Director and the Group's performance for the financial year concerned and the prevailing market conditions.

In addition, the Company operates a share option scheme which was adopted on 23 June 2010 for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The share option scheme, unless otherwise cancelled or amended, will remain in force for 10 years from that the adoption date.

RISK MANAGEMENT

The Group adopts very stringent risk management policies and monitoring systems to mitigate the risks associated with interest rate, credit, liquidity, foreign currency and equity, debt and investment fund price in all its major operations. For details of the financial risk management, please refer to note 6 to the consolidated financial statements.

INTEREST RATE RISK

The Group is exposed to interest rate risk through the impact of rate changes on interest-bearing financial assets and liabilities. The Group's interest rate risk arises from its loans receivable carried at amortised costs, interest-bearing bank and other borrowings with floating interest rates, restricted cash, cash held on behalf of clients, pledged bank deposit and cash and cash equivalents. Except for, bank and other borrowings and loans receivable with floating rates, which are entitled to interest at variable rates, and expose the Group to cash flow interest rate risk, cash and cash equivalents, loan receivables at fixed rate, restricted cash, cash held on behalf of clients, pledged bank deposits, bond payables and interest-bearing bank and other borrowings are at fixed rates.

The Group reviews interest rate risk regularly and monitors closely the fluctuation of interest rates and will make proper adjustments if necessary.

CREDIT RISK

The Group conducts business with and creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's financial assets, which comprise loans receivable, accounts receivable, deposits and other receivables, investments, cash held on behalf of clients, restricted cash, pledged bank deposits and cash and cash equivalents, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

At the end of the reporting period, the Group had certain concentrations of credit risk of accounts receivable and loans receivable. The Group minimises risk exposure by performing credit analysis and overseeing and monitoring of the performance regularly.

All cash held on behalf of clients are located in Hong Kong and deposited with a financial institution. The Group regularly reviews the cash position and the financial institution is financially solid, the concentration risk of cash held on behalf of clients is manageable. Further quantitative data in respect of the Group's exposure to credit risk arising from loans receivable, deposits and other receivables and accounts receivable are disclosed in the relevant notes to the consolidated financial statements.

LIQUIDITY RISK

In the management of liquidity risk, the Group monitors and maintains its level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

FOREIGN CURRENCY RISK

The Group mainly operates in Hong Kong and Mainland China with most of the Group's monetary assets, liabilities and transactions principally denominated in Hong Kong dollars and Renminbi, respectively. Majority of the commission revenue and expenditure incurred by the operating units of the Group were denominated in the units' functional currency and as a result, the Group does not anticipate significant transactional currency exposure. The Group has not used any derivative to hedge its exposure to foreign currency risk.

EQUITY, DEBT AND INVESTMENT FUND PRICE RISK

The Group is exposed to equity price risk through its investments in listed and unlisted equity securities, debt and investment funds. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group has a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

SIGNIFICANT INVESTMENTS HELD

As at 31 December 2019, the financial investments held by the Group are as follows:

	2019 HK$'000	2018 HK$'000
Equity investments at fair value through other comprehensive income	**169,777**	157,979
Investment at fair value through profit or loss	**1,559,314**	1,483,193
Total	**1,729,091**	1,641,172

Save as disclosed above, the Group did not hold any other significant financial investment as at 31 December 2019.

Information in relation to the top 3, significant financial investments as at 31 December 2019 are set out as follows:

Stock code	Name of investee company/fund	Nature of investment	Principal business or investment scope of the investee company/fund	Carrying value		Net investment/ (redemption) during the year	Change in fair value during the year
				2019 **HK$'000**	2018 HK$'000	HK$'000	HK$'000
Not applicable	Nutmeg Saving and Investment Limited	Investment in shares	Provision of online discretionary investment management services and is regulated by the Financial Conduct Authority of the United Kingdom	**551,133**	282,787	250,169	18,177
Not applicable	Tandem Money Limited	Investment in shares	Holding company of a virtual bank in the UK	**169,777**	157,979	–	11,798
Not applicable	Mulberry Health Inc.	Investment in shares	High growth technology and date driven health insurance company	**158,600**	165,724	–	(7,124)

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

On 27 February 2019, the Group completed the acquisition of the entire interests in GMD Holding Group Limited ("GMD") from two Independent Third Parties ("GMD Vendor") at an aggregate consideration of HK$45 million, which is subject to adjustment depending upon the achievement of several financial targets by GMD and its subsidiary, GET Mdream Wealth Management Limited ("GET") in 2019 and subsequent two years (the "GMD Acquisition "). As GMD and GET were not able to achieve those financial targets in 2019, the final consideration was adjusted to approximately HK$92,000. As of 31 December 2019, HK$36.0 million was paid to the GMD Vendors for the GMD Acquisition and accordingly an amount of approximately HK$35.9 million, being the difference between the amount paid and the final consideration, shall be clawed back from the GMD Vendors. GMD was primarily engaged in the provision of insurance brokerage. The acquisition was made as part of the Group's strategy to develop the existing corporate finance and advisory services business through the provision of insurance brokerage. For details of the GMD Acquisition, please refer to note 46(a) to the consolidated financial statement in this annual report.

On 1 April 2019, the Group disposed of its entire equity interest in 康宏碧升保險代理有限公司 and its subsidiaries including 江西康宏泛誠保險代理有限公司 and 康宏碧升保險代理有限公司(四川分公司) to an Independent Third Party for a cash consideration of RMB15.4 million (equivalent to approximately HK$18.5 million), resulting in a loss on disposal of approximately HK$8.5 million for the year. For details of the disposal, please refer to note 46(b) to the consolidated financial statement in this annual report.

Save as disclosed above, the Group did not have any other material acquisition and disposal of subsidiaries for the year ended 31 December 2019.

FUTURE PLANS RELATING TO MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 31 December 2019, the Group had not executed any agreement in respect of material investments or capital assets and did not have any other future plans relating to material investments or capital assets.

There was no change on the Company's overall share capital structure for the year ended 31 December 2019.

CONTINGENT LIABILITIES

The Group has been served a number of claims and counterclaims by various independent parties. These claims and counterclaims are in relation to the normal commercial activities of the Group. No material provision was made against these claims and counterclaims because the directors believe that the Group has meritorious defenses against the claimants or the amounts involved in these claims are not expected to be material. For details of the litigations which the Group is involved, please refer to note 53 to the consolidated financial statements in this annual report.

Save as the above, the Group did not have any significant contingent liabilities as at 31 December 2019 and 2018.

PLEDGE OF ASSETS

As at 31 December 2019, assets pledged to banks to secure banking facilities (including bank borrowings and bank overdraft) granted to the Group are as follows:

	2019 HK$'000	2018 HK$'000
Bank deposit	**10,325**	10,250

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

MR. NG WING FAI

Mr. Ng Wing Fai ("Mr. Ng"), aged 53, was appointed as an executive Director on 15 September 2015. Mr. Ng is the Group President of the Company and the director of certain subsidiaries of the Company. He holds a Master of Business Administration Degree from Harvard University and a Bachelor of Arts Degree from University of Cambridge. Mr. Ng is the Managing Partner and Founding Partner of Primus Pacific Partners, an Asian private equity fund with a focus on financial services. At Primus Pacific Partners, Mr. Ng oversees substantial investments in New China Life Insurance Co., Ltd., the fourth largest life insurance company in China, EON Bank, the seventh largest bank in Malaysia, and a number of significant assets around the world. Mr. Ng was previously the Managing Director of Fubon Financial Holding Co., Ltd. ("Fubon Financial"), the largest financial conglomerate in Taiwan and was in charge of Fubon Financial's overall strategy, capital markets, merger and acquisition activities and major change programs. During his tenure at Fubon Financial, Mr. Ng led the winning bids to acquire Taipei Bank in Taiwan and International Bank of Asia in Hong Kong. Prior to his position at Fubon Financial, Mr. Ng served as the Managing Director and Head of the Asia-Pacific Financial Institutions Group at Salomon Smith Barney. Among his many transactions in the region, he represented and advised Fubon Financial in its strategic alliance with Citigroup in 2000. From 1998 to 1999, Mr. Ng led a team of bank specialists in advising the Government of Malaysia on recapitalizing and restructuring the banking industry. Previously, Mr. Ng was a Management Consultant at Booz Allen & Hamilton specializing in financial services in the United States of America and Asia.

MR. YAP E HOCK

Mr. Yap E Hock ("Mr. Yap"), aged 65, was appointed as an executive Director on 9 December 2017. Mr. Yap is responsible for exploring business development opportunities and implementation of operational strategies of the Group. Mr. Yap is a director of certain subsidiaries of the Company. Mr. Yap is also a director of Hong Kong Credit Corporation Limited, a wholly-owned licensed money lender of the Company that focuses on prime mortgage lending business. Mr. Yap obtained a Bachelor Degree in Chemical Engineering from the University of Sheffield, the United Kingdom in 1978. He is also a fellow of the Institute of Chartered Accountants in England and Wales and a fellow of the Hong Kong Institute of Certified Public Accountants. Mr. Yap started his career with the London office of KPMG as an auditor specializing in insolvency from August 1978 to May 1983. From May 1983 to January 1987, he worked at Chase Manhattan Bank as an investment banker and in various investment banks in the region. He later took up management roles in several financial services companies in the Asia Pacific Region. He served as the Chief Executive Officer and as the Group Managing Director of Prime Credit Limited during the period from August 1999 to December 2007.

Mr. Yap is currently an independent non-executive director and also the chairman of the nomination committee and a member of each of the audit committee and the remuneration committee of China New Town Development Company Limited (HKSE Stock Code: 1278), a company listed on the Stock Exchange. He had also served as an independent non-executive director of SRE Group Limited (HKSE Stock Code: 1207), a company listed on the Stock Exchange, from September 2004 to May 2012.

MR. SHIN KIN MAN

Mr. Shin Kin Man ("Mr. Shin"), aged 44, was appointed as an executive Director on 15 January 2018. Mr. Shin is the Chief Executive Officer of Convoy Financial Services Limited, a subsidiary of the Company, and is responsible for managing the consultancy team and refining business development system for the Group. He is also the director of certain subsidiaries of the Company. Mr. Shin graduated from the Hong Kong Baptist University in 1998. In the same year, he joined Convoy Financial Services Limited as a Financial Consultant. He was promoted to Deputy Director in 2005. He has many years of experience in business development and team management. He once held the position of President of Lions Clubs of Happy Valley International District 303 – Hong Kong and Macau and he is now a core member of various social service organizations.

MS. WONG SUET FAI

Ms. Wong Suet Fai ("Ms. Wong"), aged 50, who was an executive Director from 15 January 2018 to 22 October 2018 and was re-appointed as an executive Director on 1 January 2021. Ms. Wong has over 20 years of related experience encompassing organizational and talent development, compensations and benefits management, staff training and engagement, organizational efficiency. Ms. Wong graduated with a Bachelor of Business Administration (Hons.) in Human Resources Management from Hong Kong Baptist University in 1995. She also holds a Master of Business Administration from University of Leicester in 2003 and completed the Advanced Management Program offered by Harvard Business School in 2018.

Ms. Wong joined the Group in February 2012. She is currently the Group Chief People and Culture Officer and Acting Chief of OnePlatform of the Company. She is responsible for overseeing all aspects of human resources, marketing and branding, talent engagement and development, organizational efficiency and leading the OnePlatform business. She is also a director of certain subsidiaries of the Company. Before joining the Group, Ms. Wong held different positions in AXA, Sun Life Financial, Hutchison Ports, CSL Telecommunications and Wyeth.

MR. LEE JIN YI

Mr. Lee Jin Yi ("Mr. Lee"), aged 63, was appointed as an executive Director on 19 November 2020. Mr. Lee has extensive experience in the banking industry and held various senior management positions with major financial institutions over the past 20 years. Mr. Lee was the deputy chairman of Lansen Pharmaceutical Holdings Limited ("Lansen"), a company listed on the Stock Exchange, the chief executive officer of Cathay International Holdings Limited ("CIH"), a company listed on the London Stock Exchange, and a director of Xiamen City Commercial Bank. Mr. Lee was the managing director and chief executive officer of Fubon Bank (Hong Kong) Limited for five and a half years and a director of Fubon Financial Holding Company Limited. Prior to that, Mr. Lee was the managing director and China senior country officer of J.P. Morgan Chase & Co. and chairman of the Hong Kong Management Committee of J.P. Morgan Chase & Co. Mr. Lee obtained a master's degree in business administration from Harvard University in 1984.

Mr. Lee was an independent director of Taichung Commercial Bank Company Limited, a company listed on the Taiwan Stock Exchange (TWSE Stock Code: 2812) from June 2011 to June 2020. He was a non-executive director of Lansen (HKSE Stock Code: 503) from April 2010 to October 2019, and an executive director of CIH (LSE Stock Code: CTI) from January 2010 to October 2019.

MR. CHUNG KWOK WAI, KELVIN

Mr. Chung Kwok Wai, Kelvin ("Mr. Chung"), aged 54, was appointed as an executive Director on 1 January 2021. Mr. Chung has over 25 years of experiences in banks and financial institutions. His expertise is formulating strategic business blueprint, designing distribution strategies for financial products, regulating operations, and maintaining efficiency in corporate governance. Mr. Chung holds a Master of Business Administration in Technology Management, which he obtained from Deakin University in 2001.

Mr. Chung joined the Group in May 2019 as the Head of Distribution Management and he is currently the Managing Director of Perform Financial Planning Services Limited since January 2020 and the Chief Business Officer of OnePlatform Wealth Management Limited since November 2020. Before joining the Group, Mr. Chung held different senior positions in Prudential Hong Kong Limited, Western Union Business Solutions, DBS Bank, Bank of China and HSBC.

NON-EXECUTIVE DIRECTORS

MR. JOHNNY CHEN

Mr. Johnny Chen ("Mr. Chen"), aged 61, was re-designed as a non-executive Director on 1 January 2021 but he remains as the Chairman of the Board. Mr. Chen has been an executive Director since 9 December 2017. He acted as interim Chairman of the Board from 9 December 2017 until 21 December 2017 when he was appointed as Chairman of the Board with effect from 21 December 2017. Mr. Chen is the director of Fubon Convoy Asset Management (HK) Limited, an associate of the Group. Mr. Chen is the Senior Advisor of LionRock Capital Limited and an Adjunct Associate Professor of Department of Finance, Hong Kong University of Science and Technology. Mr. Chen joined the management of Zurich Insurance Group ("Zurich") in 2005. He worked in Zurich from March 2005 to February 2015 in multiple senior managerial roles in the Asia-Pacific region. His last position in Zurich was the chairman of Life and General Insurance, China. Prior to joining Zurich, Mr. Chen was an executive member of the Greater-China Management Board and the Operating Committee of PricewaterhouseCoopers ("PwC"), as well as a managing partner of PwC's Beijing office. Mr. Chen holds a Master of Science Degree in Accounting from the University of Rhode Island and a Bachelor Degree in Accounting from the Johnson & Wales University. He is a certified public accountant in the United States.

Mr. Chen is currently an independent non-executive director of each of Uni-President China Holdings Ltd. (HKSE Stock Code: 220), where Mr. Chen also serves as a member of each of the audit committee, the nomination committee and the investment, strategy and development committee; Stella International Holdings Limited (HKSE Stock Code: 1836), where Mr. Chen also serves as the chairman of the nomination committee and a member of each of the audit committee and the remuneration committee; Alibaba Pictures Group Limited (HKSE Stock Code: 1060), where Mr. Chen also serves as the chairman of the audit committee and a member of the nomination committee; and China Travel International Investment Hong Kong Limited (HKSE Stock Code: 308), where Mr. Chen also serves as a member of each of the audit committee, the remuneration committee and the nomination committee. From July 2005 to January 2014, Mr. Chen was a non-executive director of New China Life Insurance Company Ltd. (HKSE Stock Code: 1336). He was also an independent non-executive director of China Minsheng Financial Holding Corporation Limited (formerly known as "China Seven Star Holdings Limited") (HKSE Stock Code: 245) from December 2015 to November 2018; Viva China Holdings Limited (HKSE Stock Code: 8032) from June 2010 to February 2019; and China Dongxiang (Group) Co., Ltd. (HKSE Stock Code: 3818) from July 2017 to March 2019. All of the above companies are listed on the Stock Exchange.

MR. CHEN SHIH-PIN

Mr. Chen Shih-pin ("Mr. Chen"), aged 68, was appointed as a non-executive Director on 29 December 2017. Mr. Chen was educated at, and holds a Bachelor of Science Degree and a Master of Business Administration Degree from, the National Taiwan University. Mr. Chen is also a member of the Actuarial Institute of Chinese Taipei. Since February 1995, Mr. Chen has been working at Fubon Life Insurance Co., Ltd. Over the years, he has worked as Assistant Vice President since 1995 until 1997, as Vice President since 1997 until 2001, as Executive Vice President since 2001 until 2004, as Senior Advisor since 2004 until 2005, as Director since 2005 until 2008, as Executive Vice President since 2008 until 2010, as Advisor since 2010 until 2011, and as Supervisor from 2013 until now. Prior to his employment with Fubon Life Insurance Co., Ltd., Mr. Chen worked at Chung Hsing Life Insurance Co., Ltd. as a Resident Supervisor from March 1993 to February 1995 and Cathay Life Insurance Co., Ltd. as a Manager from October 1977 to March 1993.

INDEPENDENT NON-EXECUTIVE DIRECTORS

MRS. FU KWONG WING TING, FRANCINE

Mrs. Fu Kwong Wing Ting, Francine ("Mrs. Fu"), aged 52, who was an independent non-executive Director from 16 March 2010 to 26 May 2014, was re-appointed as an independent non-executive Director on 8 December 2017. Mrs. Fu attained her Master Degree in Politics, Philosophy and Economics from University of Oxford in the United Kingdom in June 1994 and has been holding the CFP (Certified Financial Planner) designation since October 2001. Mrs. Fu is the Managing Principal and owner of a business consulting firm, Coram Advisory Services (HK) Limited, set up in 2008 to provide advisory service to business based in Hong Kong. Before setting up her own practice, she was the Chief Marketing Officer of AXA China Region Insurance Company Limited, one of the top three long term insurers in Hong Kong, from January 2006 to June 2008. She has been in the financial services industry with various leading financial services companies for over 22 years. She has previously been a member of the Advisory Committee on Applied Mathematics of the Hong Kong Polytechnic University, an alternate member of the Investment-Linked Assurance and Pooled Retirement Funds of the Securities and Futures Commission, a member of the Investor Education Advisory Committee of the Hong Kong Securities and Futures Commission from April 2006 to March 2008 and a member of the Award Council of the Hong Kong Award for Young People from February 1994 to January 2002. Mrs. Fu has previously been the President of the Institute of Financial Planners of Hong Kong from September 2008 to September 2010. She has also previously been a board member of United World Colleges Hong Kong Committee Limited from July 2008 to May 2018. Mrs. Fu is currently a board member of Li Po Chun United World College (Hong Kong), Limited since 1991 as well as a Governor and an executive committee member of Keswick Foundation since 2014.

Mrs. Fu was appointed as an independent non-executive Director of the Company on 16 March 2010, and as the chairman of each of the remuneration committee and the nomination committee of the Company, and a member of each of the audit committee and the corporate governance committee of the Company. At the annual general meeting (the "2014 AGM") of the Company held on 6 May 2014, Mrs. Fu did not offer herself for re-election due to her personal commitments on her other business and accordingly retired as an independent non-executive Director upon the conclusion of the 2014 AGM.

MR. PAK WAI KEUNG, MARTIN

Mr. Pak Wai Keung, Martin ("Mr. Pak"), aged 57, was appointed as an independent non-executive Director on 8 December 2017. Mr. Pak had held positions of chief financial officer and company secretary at various listed companies in Hong Kong, and has accumulated over 25 years of experience in finance, accounting and corporate governance affairs. Mr. Pak is a fellow of the Hong Kong Institute of Certified Public Accountants, an associate member of The Institute of Chartered Secretaries and Administrators in the United Kingdom and The Hong Kong Institute of Chartered Secretaries.

Mr. Pak has been appointed as an independent non-executive director of Nan Nan Resources Enterprise Limited (HKSE Stock Code: 1229), Dragon Mining Limited (HKSE Stock Code: 1712) and Viva China Holdings Limited (HKSE Stock Code: 8032) since September 2017, November 2018 and February 2019, respectively. He was an independent non-executive director of Ta Yang Group Holdings Limited (HKSE Stock Code: 1991) from April 2016 to October 2018. All of the above companies are listed on the Stock Exchange. He was also an independent non-executive director of Trony Solar Holdings Company Limited (HKSE Stock Code: 2468) and China Huiyuan Juice Group Limited (HKSE Stock Code: 1886) from January 2017 and June 2019, respectively until the listing of its shares on the Main Board of the Stock Exchange was cancelled on 23 August 2018 and 18 January 2021, respectively.

MR. PUN TIT SHAN

Mr. Pun Tit Shan ("Mr. Pun"), aged 59, was appointed as an independent non-executive Director on 9 May 2016. He holds a Master of Business Administration Degree (with Honour) from the University of Manchester. Mr. Pun is currently the Investment Director of Wellchamp Capital Limited and is a licensed person to carry out Type 9 (asset management) regulated activity under the Securities and Futures Ordinance. He has over 33 years of experience in the finance field, such as strategic dealing and arbitraging in the derivatives market, sales and marketing management in the primary and secondary equity market and sales and asset management of high net-worth clients and investment advisory.

From 1984 to 1989, Mr. Pun was a Chief Trader and Dealing Room Manager of legacy Po Sang Bank Ltd., Hong Kong and was a Vice President and Senior Dealer of Credit Suisse, Hong Kong from 1989 to 1993, both focusing on foreign exchange and precious metals trading. From 1993 to 1994, he was a Manager of Po Sang Financial Investment Services Co., Ltd. From 1994 to 1996, he was appointed as Director of Po Sang Futures Ltd. and Chung Mao Commodities & Futures Ltd. From 1996 to 2003, he acted as Vice President of Bank of China International Securities Ltd. looking after the stock options and the financial derivatives and the brokerage sales department. From 2003 to 2008, he was the Responsible Officer and director of Southwest Securities (HK) Brokerage Ltd. (formerly known as "Tanrich Securities Co. Ltd."), Southwest Securities (HK) Asset Management Ltd. (formerly known as Tanrich Asset Management Ltd.), and Southwest Securities (HK) Futures Ltd. (formerly known as "Tanrich Futures Ltd."). From 2008 to 2015, he was the Responsible Officer of Haitong International Securities Co. Ltd., and Haitong International Futures Ltd., and in the years of 2008 to 2014, he was also the Responsible Officer of Haitong International Asset Management Ltd. In January 2015 to September 2015, he was also the Responsible Officer of Haitong International Consultants Ltd. of which the principal activities were engaged in asset management. From October 2015 to July 2016, he was the Chief Investment Officer of Astrum Capital Management Limited. From August 2016 to January 2018, he was the Chief Executive Officer of Asia Wealth Securities Limited. From March 2018 to July 2020, he was the Head of Investment and Responsible Officer of TC Concord Securities Limited and TC Concord Asset Management Limited.

Mr. Pun is the Vice-Chairman of the Institute of Financial Analyst and Professional Commentator and a member of the Honorary Consultant of Hong Kong Ningxia Youth Association (香港寧夏青年會) since 2015. Mr. Pun was previously a board director of Hong Kong Futures Exchange Ltd. (1995-1999); a board director of Hong Kong Stock Exchange Options Clearing House Ltd. (1997-2000); a membership committee member of the Hong Kong Securities Institute (1998-2002); a panel member of the Derivatives Market Consultative Panel (2000-2003); and a committee member of the Hong Kong Securities Institute Professional Education Committee (2002-2004). He was a former member of the Lions Club of Hong Kong Shouson Hill.

Mr. Pun is currently an independent non-executive Director of CPMC Holdings Limited (HKSE Stock Code: 906) and was an independent non-executive Director of China New Economy Fund Limited (HKSE Stock Code: 80) from April 2016 to June 2019, both of which are listed on the Stock Exchange.

MR. YAN TAT WAH

Mr. Yan Tat Wah ("Mr. Yan"), aged 56, was appointed as an independent non-executive Director on 8 December 2017. Mr. Yan is a fellow and practising member of the Hong Kong Institute of Certified Public Accountants, and the Association of Chartered Certified Accountants, a fellow member of the Society of Chinese Accountants and Auditors, and a fellow member of the Institute of Chartered Accountants in England and Wales. Mr. Yan is also a fellow member of the Taxation Institute of Hong Kong and Certified Tax Adviser in Hong Kong. Mr. Yan is a Senior Partner and founder of the accounting firm LKY China, Certified Public Accountants (Practising). Mr. Yan was an independent non-executive director of Tidetime Sun (Group) Limited (now known as "Up Energy Development Group Limited") (HKSE Stock Code: 307), a company listed on the Stock Exchange, for over 10 years until September 2009, and also served as the chairman of its audit committee and a member of its remuneration committee.

MR. LAM KWOK CHEONG

Mr. Lam Kwok Cheong ("Mr. Lam"), aged 67, was appointed as an independent non-executive Director on 19 November 2020. He has over 38 years of experience as a practicing solicitor. He obtained a bachelor's degree in law from the University of Hong Kong in November 1976. Mr. Lam is a Justice of the Peace, a holder of Bronze Bauhinia Star (BBS) and a solicitor of the High Court of Hong Kong. Mr. Lam is currently a member of the Buildings Ordinance Appeal Tribunal Panel, an Ex-Officio Member of Heung Yee Kuk New Territories, a Civil Celebrant of Marriages and a China appointed Attesting Officer.

Mr. Lam is currently an independent non-executive director of Sparkle Roll Group Limited (HKSE Stock Code: 970) and Wah Sun Handbags International Holdings Limited (HKSE Stock Code: 2683), both companies are listed on the Stock Exchange. He was an independent non-executive director of China Brilliant Global Limited (HKSE Stock Code: 8026), a company listed on the Stock Exchange, from June 2015 to February 2018.

MS. CARRIE BERNADETTE HO

Ms. Carrie Bernadette Ho ("Ms. Ho"), aged 61, was appointed as an independent non-executive Director on 1 January 2021. She has extensive experience in the accounting and corporate finance field. She graduated from Monash University, Australia with a Bachelor of Economics. She is a member of the Hong Kong Institute of Certified Public Accountants and a member of the CPA Australia. Ms. Ho held different positions at accountant firms, and private and listed public companies. Among others, she worked as adviser to chairman of Hudson Holdings Limited since 1997 until 2000, chief financial officer and company secretary of Zhong Hua International Holdings Limited (HKSE Stock Code: 1064), a company listed on the Stock Exchange, since 2000 until 2002, and general manager of FTMS Training Systems (Hong Kong) Limited since 2006 until 2007.

SENIOR MANAGEMENT

MR. HO CHOON LENG, PATRICK

Mr. Ho Choon Leng, Patrick ("Mr. Ho"), aged 49, was appointed as Chief Digital Officer of the Company in February 2017. Mr. Ho is the pioneer of iFast, one of the most successful online investment platforms in Asia. He has over 20 years of track record in Information Technology and Fintech in Asia.

MS. CHIU WAI LING, VENUS

Ms. Chiu Wai Ling, Venus ("Ms. Chiu"), aged 45, joined the Group in September 2019 and is presently the Managing Director of Digital Wealth Management and Innovation of the Company. Ms. Chiu has over 20 years of experience in wealth management and banking industry. She took up several senior positions in managing the wealth management and private banking businesses for various established banks.

Corporate Governance Report

The Board hereby presents this Corporate Governance Report (the "CG Report") for the year ended 31 December 2019.

The Board is committed to maintaining good corporate governance standards and procedures to safeguard the interests of the Company's shareholders and to enhance its accountability and transparency.

CORPORATE GOVERNANCE PRACTICES

The Board recognises the importance of good corporate governance in the management of the Group and is committed to establishing and maintaining good corporate governance practices and procedures to safeguard the interests of the Company's shareholders, ensure the sustainability of the Group's business and to enhance the Board and senior management's accountability and transparency.

During the year ended 31 December 2019, the Company has adopted and complied with the code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 to the Listing Rules and except for certain deviations as more specifically described below. The current practices will be reviewed and updated regularly so that the latest development in corporate governance can be followed and observed.

Below is a summary for certain deviations of these relevant CG Code provisions:

CG Code provisions	Description of deviations
A.1.1 and A.1.3	The Board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals, with proper prior notice being given to all Directors. During the year ended 31 December 2019, there were four regular Board meetings held in May, July, October and December, but the Company has failed to comply with such requirements with proper prior notice for most of the Board meetings convened.
A.2.1	The Company does not have an official position of chief executive officer and the day-to-day management of the Group's business has been handled by the executive Directors collectively and led by the president of the Company. The Board believes that the arrangement is adequate to ensure an effective management and control of the Group's business operations. The situation is under constant review and the Board will assess whether any changes to the current practice, including re-designation of the president as chief executive officer, are needed.
A.6.5	The Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. During the year ended 31 December 2019, the Directors, (save that the Company did not receive the training records from Mr. Wong Lee Man, Ms. Chan Lai Yee and Ms. Fong Sut Sam, whose duties had been suspended since 8 December 2017 and they subsequently resigned or removed as a Director) have participated in continuous professional development.
C.1.2	The Company's management should provide all members of the Board with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their relevant duties. The management of the Company has failed to provide any management updates on a monthly basis during the year ended 31 December 2019.

CG Code provisions	Description of deviations
E.1.1 to E.1.3	The Company did not hold the annual general meeting in year 2019. As no annual general meeting held in year 2019, the Directors are unable to comment as to whether the Company has complied with the said code provisions contained in Appendix 14 of the Listing Rules.
E.1.4	As at 31 December 2019, no formal shareholders' communication policy has been put in place. Moving forward, the Board intends to adopt such policy to reflect the current practices as soon as possible.
E.1.5	As at 31 December 2019, no policy on payment of dividends has been put in place. The Board is committed to ensure compliance of these code provisions.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by Directors of the Company. Having made specific enquiry of all Directors, the Directors (save that the Company did not receive the confirmations from Mr. Wong Lee Man, Ms. Chan Lai Yee and Ms. Fong Sut Sam, whose duties had been suspended since 8 December 2017, and Ms. Fong Sut Sam subsequently resigned as a Director on 16 November 2020 and Mr. Wong Lee Man and Ms. Chan Lai Yee were removed as a Director at the adjourned extraordinary general meeting of the Company held on 7 January 2021) confirmed that they have complied with the required standard as set out in the Model Code for the year ended 31 December 2019.

BOARD OF DIRECTORS

COMPOSITION

As at 31 December 2019, the Board comprised four executive Directors, one non-executive Director and four independent non-executive Directors, but excluded the three Directors whose duties have been suspended since 8 December 2017. Further details of the current composition of the Board are set out in the section headed "Directors' Report" of this annual report.

During the year ended 31 December 2019 and as at the date of this CG Report, the Board currently comprises the following Directors:

Executive Directors

Mr. Ng Wing Fai
Mr. Yap E Hock
Mr. Shin Kin Man
Mr. Lee Jin Yi (appointed on 19 November 2020)
Ms. Wong Suet Fai (appointed on 15 January 2018 and resigned on 22 October 2018, and re-appointed on 1 January 2021)
Mr. Chung Kwok Wai, Kelvin (appointed on 1 January 2021)
Mr. Wong Lee Man (removed as *Chairman* of the Board on 21 December 2017 and removed as Director on 7 January 2021)
Ms. Fong Sut Sam (suspended from 8 December 2017 and resigned on 16 November 2020)
Ms. Chan Lai Yee (suspended from 8 December 2017 and removed on 7 January 2021)

Non-executive Directors

Mr. Johnny Chen *(Chairman)* (appointed as an executive Director on 9 December 2017
and re-designed as a non-executive Director with effect from 1 January 2021)
Mr. Chen Shih-pin

Independent Non-executive Directors
Mr. Pun Tit Shan
Mr. Pak Wai Keung, Martin
Mr. Yan Tat Wah
Mrs. Fu Kwong Wing Ting, Francine
Mr. Lam Kwok Cheong (appointed on 19 November 2020)
Ms. Carrie Bernadette Ho (appointed on 1 January 2021)

An updated list of Directors and their roles and functions are posted on the websites of the Company and the Stock Exchange. Independent Non-Executive Directors are identified as such in the Directors List and all other corporate communications containing the names of the Directors.

The Board includes a balanced composition of executive, non-executive and independent non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

The Board has a balance of skills and experience appropriate for the requirements of the business of the Company. All Directors, including non-executive Director and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The biographical information of the current Directors are set out in the section headed "BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT" on pages 19 to 24 of this annual report. The Board members have no financial, business, family or other material/relevant relationships with each other.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors are of sufficient calibre and number for their views to carry weight. The functions of the non-executive Directors include, but not limited to:

- bringing an independent judgement at Board meetings;
- taking the lead where potential conflicts of interests arise;
- serving on Board committees if invited; and
- scrutinising the Company's performance in achieving agreed corporate goals and objectives, and monitoring performance reporting.

The Board has received from each of the independent non-executive Directors a written annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considers each of them to be independent.

ROLES AND FUNCTIONS

The Board is responsible for overall strategic formulation and monitoring the performance of the Group. It delegates day-to-day operations of the Company to the senior management within the control and authority framework set by the Board. In addition, the Board also delegates various responsibilities to the Audit Committee, the Remuneration Committee, the Nomination Committee, the corporate governance committee (the "Corporate Governance Committee", collectively with Auditor Committee, Remuneration Committee and Nomination Committee, as the "Board Committees"). Further details of these committees are set out below in this CG Report.

BOARD MEETINGS

Regular Board meetings should be held at least four times a year. Additional meetings would be arranged if and when required. The Directors can attend meetings in person or through other means of electronic communication in accordance with the Articles.

The company secretary of the Company (the "Company Secretary") assists the chairman in drawing the agenda of each meeting and each Director may request inclusion of matters in the agenda. Normally, the Company sends the agenda and the accompanying board papers, which are prepared in such form and quality as will enable the Board to make an informed decision on matters placed before it, to all Directors at least 3 days before the date of the Board meeting.

All Directors have access to the Company Secretary who is responsible for ensuring that Board procedures are complied with and all applicable rules and regulations are followed.

The Company Secretary is responsible for taking minutes of Board and Board committee meetings, drafts and final versions of which would be sent to Directors for comments and records respectively, in both cases within a reasonable time after each meeting. Minutes are recorded in sufficient detail regarding the matters considered by the Board and decisions reached, including any concerns raised by Directors or dissenting views (if any) expressed. Minutes of the Board and the Board Committees meetings are kept by the Company Secretary and are open for inspection by any Director/committee member.

If a Director has a conflict of interest in a matter (including material transaction with connected persons) which the Board has determined to be material, a Board meeting will be held instead of by way of circulation.

ATTENDANCE RECORDS OF DIRECTORS

During the year ended 31 December 2019, the Directors have made active contribution to the affairs of the Group and nine Board meetings were held to consider, among other things, various projects contemplated by the Group and to review. It also approved the further investment in Nutmeg Saving and Investment Limited, renewal of the continuous connected transaction and preparation of resumption plan submitted to the Stock Exchange.

The attendance of the Directors at the general meetings of the Company, meetings of the Board and the Board Committees during the year ended 31 December 2019 are set out below:

		Meetings attended/Meetings eligible to attend						
	Note	**AGM***	**EGM***	**Board meetings**	**Audit Committee meetings**	**Nomination Committee meetings**	**Remuneration Committee meetings**	**Corporate Governance Committee meetings**
Executive Directors								
Mr. Johnny Chen		–	–	9/9	–	1/1	1/1	1/1
Mr. Ng Wing Fai		–	–	9/9	–	–	–	–
Mr. Yap E Hock		–	–	8/9	–	–	–	–
Mr. Wong Lee Man	(i)	–	–	–	–	–	–	–
Ms. Fong Sut Sam	(i)	–	–	–	–	–	–	–
Ms. Chan Lai Yee	(i)	–	–	–	–	–	–	–
Mr. Shin Kin Man		–	–	7/9	–	–	–	–
Non-Executive Directors								
Mr. Chen Shih-pin		–	–	5/9	–	–	–	–
Independent Non-Executive Directors								
Mr. Pun Tit Shan		–	–	8/9	–	1/1	–	–
Mr. Pak Wai Keung, Martin		–	–	9/9	3/3	–	–	1/1
Mrs. Fu Kwong Wing Ting, Francine		–	–	8/9	3/3	1/1	1/1	1/1
Mr. Yan Tat Wah		–	–	9/9	3/3	–	1/1	1/1

* There were no annual general meeting and extraordinary general meeting ("EGM") held in the year 2019.

Note

(i) The duties of Mr. Wong Lee Man, Ms. Fong Sut Sam and Ms. Chan Lai Yee as Directors were suspended with effect from 8 December 2017. Besides, Ms. Fong Sut Sam resigned as Director on 16 November 2020, Mr. Wong Lee Man and Ms. Chan Lai Yee were removed as Director on 7 January 2021; and

Attendances of the Directors appointed/retired during the year ended 31 December 2019 were made by reference to the number of meetings held during their respective tenures.

ACCESS TO INFORMATION

The Directors have full and timely access to all the information of the Company and may seek independent professional advice in appropriate circumstances, at the Company's expenses. The Company will, upon request, provide separate independent professional advice to Directors to assist the Directors to discharge their duties to the Company.

The Board is supplied with relevant information by the senior management pertaining to matters to be brought before the Board for decision as well as reports relating to operational and financial performance of the Group before each Board meeting. Where any Director requires more information than is volunteered by the management, the Director has the right to separately and independently access to the Company's senior management to make further enquiries if necessary.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Appointment of new Directors is a matter for consideration by the Nomination Committee. The Nomination Committee will review the profiles of the candidates and make recommendations to the Board on the nomination, appointment, and re-appointment of Directors.

Most of the Directors are appointed for a term of three years and is subject to renewal after the expiry of the then current term. All Directors are subject to retirement by rotation and re-election at annual general meeting. According to the Articles, 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 and be eligible for re-election at each annual general meeting, provided that every Director is subject to retirement by rotation at least once every three years. In addition, according to the Articles, any new Director appointed by the Board shall hold office, in the case of filling a casual vacancy, only until the first general meeting of the Company after his appointment or, in the case of an addition to their number, until the next following annual general meeting of the Company who shall then be eligible for re-election at such general meeting.

There was no annual general meeting held in 2019.

INDUCTION AND CONTINUING PROFESSIONAL DEVELOPMENT OF DIRECTORS

Each newly appointed Director is provided with necessary induction and information to ensure that he has a proper understanding of the Company's operations and businesses as well as full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutes, laws, rules and regulations.

The Directors are continually updated on the latest development of the Listing Rules and other applicable statutory requirements to ensure compliance and upkeep of good corporate governance practice.

Code provision A.6.5 of the CG Code stipulates that Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for Directors have been arranged where appropriate and all Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended 31 December 2019, the Directors (save that the Company did not receive the training records from Mr. Wong Lee Man, Ms. Chan Lai Yee and Ms. Fong Sut Sam, whose duties have been suspended since 8 December 2017 and were subsequently resigned or removed) had participated in continuous professional development.

DIRECTORS' AND OFFICERS' LIABILITY

Appropriate insurance cover on directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management of the Group has been arranged to protect the Directors and senior management of the Group from their risk exposure arising from the businesses of the Group.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

During the year ended 31 December 2019, Mr. Johnny Chen was the Chairman of the Company and the Company does not have an official position of chief executive officer and the day-to-day management of the Group's business has been handled by the executive Directors collectively and led by the president of the Company. The Board believes that the arrangement is adequate to ensure an effective management and control of the Group's business operations. The situation is under constant review and the Board will assess whether any changes to the current practice, including re-designation of the president as chief executive officer, are needed.

BOARD COMMITTEES

The Board has established the following committees to oversee particular aspects of the Company's affairs and to assist in the execution of the Board's duties. All committees have their own terms of reference. All resolutions passed by the committees are reported to the Board at the next Board meeting held after the resolutions are passed by the committees.

AUDIT COMMITTEE

The Company established the Audit Committee with written terms of reference in compliance with the CG Code, with the latest version adopted with effect from 1 January 2016. The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment and removal of external auditor; review the financial statements and give material advice in respect of financial reporting; oversee risk management and internal control systems of the Company; and review arrangements that the employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The full terms of reference is available on the Company's website and Stock Exchange's website.

During the year ended 31 December 2019 and as at the date of this CG Report, the Audit Committee comprises three independent non-executive Directors, namely Mr. Pak Wai Keung, Martin (Chairman), Mr. Yan Tat Wah and Mrs. Fu Kwong Wing Ting, Francine.

During the year ended 31 December 2019, three meetings of the Audit Committee were held and attended by the then members for, amongst other things:

- reviewing the draft financial report for the year ended 31 December 2017; and

- reviewing the Group's financial information.

NOMINATION COMMITTEE

The Company established the Nomination Committee with written terms of reference in compliance with the CG Code. The primary duties of the Nomination Committee are to consider and recommend to the Board and to review at least annually the structure, size and composition (including skills, knowledge and experience) required of the Board to discharge its duties; make recommendations to the Board regarding candidates to fill vacancies on the Board; and consider, propose and recommend to the Board succession planning for both executive and non-executive Directors. The full terms of reference are available on the Company's website and Stock Exchange's website.

During the year ended 31 December 2019 and as at the date of this CG Report, the Nomination Committee comprises one executive Director (who has been re-designated as a non-executive Director since 1 January 2021) and two independent non-executive Directors, namely Mr. Pun Tit Shan (Chairman), Mrs. Fu Kwong Wing Ting, Francine and Mr. Johnny Chen.

During the year ended 31 December 2019, one meeting of the Nomination Committee were held and attended by the then members for, amongst other things:

- reviewing the structure, size and composition of skills, knowledge and experience of the Board; and
- reviewing the training programme for the Directors; and making recommendation to the Board on matters relation to re-election for retiring Directors.

Board Diversity Policy

The Board adopted a board diversity policy on 28 August 2013 in compliance with the CG Code. In assessing the Board's composition, the diversity of members of the Board is considered from a number of aspects including but not limited to gender, age, educational background, professional qualifications and experience, relevant industry experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered and selected based on a range of diversity perspectives including but not limited to the aforesaid aspects.

In addition, the Nomination Committee will consider the above criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendations to the Board in identifying and selecting suitable candidates to serve as a director of the Company, and it will review the board diversity policy, as appropriate, to ensure its effectiveness.

REMUNERATION COMMITTEE

The Company established the Remuneration Committee with written terms of reference in compliance with the CG Code. The Company has adopted the model whereby the Remuneration Committee determines, with delegated responsibility, the remuneration packages of individual executive Directors and senior management. The primary duties of the Remuneration Committee are to make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group; review performance-based remuneration; and ensure none of the Directors or any of his/her associates determine their own remuneration. The full terms of reference are available on the Company's website and Stock Exchange's website.

During the year ended 31 December 2019 and as at the date of this CG Report, the Remuneration Committee comprises two independent non-executive Directors and one executive Director (who has been re-designated as a non-executive Director since 1 January 2021), namely Mrs. Fu Kwong Wing Ting, Francine (Chairman), Mr. Yan Tat Wah and Mr. Johnny Chen.

During the year ended 31 December 2019, one meeting of the Remuneration Committee were held and attended by the then members for, amongst other things;

- ratification of the directors' fee of non-executive Directors;
- ratification of the remuneration of the senior management; and
- discussing short-term incentive scheme for the senior management.

Details of the Company's remuneration policies are set out in the Management Discussion and Analysis on pages 15 of this annual report and Directors' emoluments are disclosed in note 13 to the consolidated financial statements in this annual report.

CORPORATE GOVERNANCE COMMITTEE

The Company established the Corporate Governance Committee in place of the compliance committee on 1 January 2012.

The Corporate Governance Committee is established for the purposes of (i) developing and reviewing the Group's policies and practices on corporate governance and making recommendations to the Board; and (ii) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements. The full terms of reference are available on the Company's website and Stock Exchange's website.

During the year ended 31 December 2019 and as at the date of this CG Report, the Corporate Governance Committee comprises four Directors, namely Mr. Johnny Chen (Chairman), Mrs. Fu Kwong Win Ting, Francine, Mr. Yan Tat Wah and Mr. Pak Wai Keung, Martin.

During the year ended 31 December 2019, one meeting of the Corporate Governance Committee were held and attended by the then members for, amongst other things:

- reviewing the Environmental, Social and Governance Report;
- discussing on the establishment of the sub-committees; and
- discussing on the whistleblowing policy.

DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2019 (the "2019 Financial Statements") in compliance with relevant laws and disclosure provisions of the Listing Rules. Due to the suspension of duties as Directors, Mr. Wong Lee Man, Ms. Fong Sut Sam and Ms. Chan Lai Yee were not involved in the preparation of the 2019 Financial Statements. In preparing the 2019 Financial Statements, the Directors have selected appropriate accounting policies and applied them consistently, made judgements and estimates that are prudent and reasonable, and have prepared the financial statements on a going concern basis.

Due to the change of auditor of the Company from Ernst & Young ("EY") to ZHONGHUI ANDA CPA Limited, the Company required additional time to gather sufficient information for the new auditor to perform and complete their audit procedures. As a result, the publication of the Company's 2019 financial results and 2019 annual report were delayed, which delays constitute non-compliance with Rules 13.49 (1) and 13.46(1) of the Listing Rules respectively. Reference is also made to the announcements of the Company dated 1 February 2018, 19 March 2018, 31 August 2018, 29 March 2019, 23 August 2019 , 18 August 2020, 31 August 2020 and 4 January 2021 in relation to the change of auditors and delay in publication of the relevant financial statements.

The statement of the auditor of the Company, ZHONGHUI ANDA CPA Limited, about its reporting responsibilities on the 2019 financial statements of the Group is set out in the Independent Auditor's Report on pages 66 to 73 of this annual report.

AUDITOR'S REMUNERATION

During the year, the remuneration paid and payable to the Company's auditor, ZHONGHUI ANDA CPA Limited, are approximately HK$4,000,000 for audit services and HK$285,000 for non-audit services. The non-audit services mainly include tax filing service.

COMPANY SECRETARY

Mr. Lau Hok Yuk ("Mr. Lau") was appointed as the Company Secretary and authorised representative of the Company with effect from 30 June 2018 and resigned as the Company Secretary and authorised representative of the Company with effect from 1 April 2020.

As at the date of this CG Report, Mr. Kong Siu Keung is the Company Secretary and authorised representative of the Company who was appointed with effect from 1 April 2020.

During the year ended 31 December 2019, Mr. Lau undertook no less than 15 hours of relevant professional training as required under Rule 3.29 of the Listing Rules.

All Directors have access to the advice and services of the Company Secretary on corporate governance and board practices and matters.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for the risk management and internal control systems of the Company and reviewing their effectiveness. The Board oversees the overall risk management of the Group and endeavours to identify, control impact of the identified risks and facilitate implementation of the coordinated mitigating measures. The risk management and internal control systems are designed to manage rather than to eliminate the risk of failure to achieve business objectives, and can only provide reasonable, not absolute, assurance against material misstatement or loss.

For the year ended 31 December 2019, the Group had an internal audit function to review the Group's operational control and risk management practices, and to provide the findings and any recommendations for improvement in relation to the financial, operational and compliance matters to the Management. The key features of the Group's internal control system include independent reviews and testing of internal controls, taking a risk-based approach and developing an Annual Audit Plan which was reviewed by FTI Consulting (Hong Kong) Limited ("FTI") in 2018 and approved by the Audit Committee. Reports of significant audit findings are prepared and communicated to the Management and Audit Committee, and where control weaknesses are identified, recommendations are provided to remediate them. The Management is responsible for the design, implementation and evaluation of the internal control system, including ongoing mitigation, across the business and processes.

In order to ensure the Company's compliance with applicable requirements under the Listing Rules, the Company engaged FTI in October 2019 to further review the internal control systems of the Company. FTI conducted the Internal Control Review during the period between 1 November 2019 and 23 January 2020, in three phases. In January 2020, the Board has received the draft Internal Control Report and accordingly:

Phase	Scope	Result
1	Targeted review of the rectification measures implemented by the current management since 2018 and considered whether they are adequate to address the compliance and control weaknesses identified from the Compliance Review in relation to each relevant business segment.	During the Compliance Review, FTI identified a total of 58 compliance and control weaknesses in relation to money lending, asset management and securities dealing business segments of the Company, of which the senior management had already taken rectification measures to resolve 51 of these 58 issues. Subject to the completion of the ongoing rectification measures for the remaining weaknesses (the majority of which are expected to be completed by February 2020), FTI is satisfied that appropriate actions have been taken to sufficiently address the remaining weaknesses. As such, it is the Company's view that it has put in place adequate internal control systems and procedures without any material weakness.
2	Independent review of the Group's entity-level and process-level controls and identified whether there are any major weaknesses or ineffectiveness of the control systems, environment and process deficiencies. Where appropriate, FTI also provided recommendations for rectification.	FTI did not identify any high risk internal control weakness or deficiency and is satisfied that there was no indication of any material internal control weaknesses or deficiencies that has been brought to FTI's attention in its Internal Control Review. For the remaining findings which are classified as medium and low risk levels (which do not represent material weaknesses or deficiencies), the Company has already developed formal remediation plans with reference to the recommendations provided by FTI, the majority of which are expected to be remediated by March 2020.
3	Follow-up review to note management responses to FTI's findings based on Phase 1 and Phase 2 Review, specifically to consider whether any of the recommendations by FTI have been adopted by the Company and if so, their implementation status.	To be reported in the 2020 annual report as FTI will conduct a follow-up review to verify and assess the ongoing and planned remediation actions during the period between January to August 2020.

With respect to the procedures and internal controls for handling and dissemination of inside information, proper safeguards exist to prevent a breach of disclosure, amongst others include, the access to inside information is limited on a need-to-know basis; employees are discouraged to discuss inside information in public area; and only designated representatives are authorized to speak externally on behalf of the Group when communicating with external parties.

PROCESS OF RISK MANAGEMENT

The risk management assessment identified key risks, primarily through conducting interviews with senior management and the executives under a business risk model, presenting threats to the Group, including strategic risks, operation risks, financial risks as well as information risks. The risk model is a framework for identifying and understanding the types of business risks. It is followed by assessing the significance and likelihood of the risks qualitatively and quantitatively and prioritized the risks, subsequently evaluate against the control design indicator to conclude the audit requirement rating. According to the result of the risk assessment and following the discussion with the Audit Committee, a prioritized group of auditable areas is available for input to the development of the Group's internal audit plan.

MAIN FEATURES OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Group's internal control system includes a defined management structure with straightforward and clear lines of reporting, authority limits that are designed to help management to carry out regular management functions for the purpose of achieving the Group's business strategies. Risk management and internal control functions are there to deal with the Group's risk management and internal control systems. The main features of the Group's risk management and internal control systems are namely: maintenance of records, maintenance of management integrity, safeguarding of proper segregation of duties, assisting in the preservation of the Group's assets.

REVIEW OF THE EFFECTIVENESS OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Board acknowledges its responsibility for reviewing the effectiveness of the Group's internal control and risk management systems and communicates regularly with the Audit Committee and the independent advisor on the implementation and monitoring of the risk management and internal control systems. The Audit Committee has reviewed the adequacy and effectiveness of the Group's risk management and internal control systems for the financial year ended 31 December 2019. Based on the information available to the Audit Committee, the Audit Committee has noted that there were deficiencies and weaknesses on the Group's risk management and internal control systems identified in the Internal Control Review and there were non-compliances of the Corporate Governance Code identified by the internal audit team of the Group. Hence, the Audit Committee is of the view that the Group's risk management and internal control systems are inadequate for the year ended 31 December 2019 and would require further improvement. The Board agrees with the assessment of the Audit Committee. However, as disclosed in the Company's announcements dated 27 August 2020 and 1 November 2020, steps were taken to remedy the internal control weaknesses and deficiencies in 2020. The Audit Committee has not been made aware of any further inadequacy in the Company's internal control systems to meet the obligations under the Listing Rules.

PROCEDURES AND INTERNAL CONTROLS FOR THE HANDLING AND DISSEMINATION OF INSIDE INFORMATION

With respect to procedures and internal controls for the handling and dissemination of inside information, the Company is aware of the relevant obligations under the SFO and the Listing Rules. Certain reasonable measures have been taken from time to time to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Group, which include access of inside information is restricted to a limited number of employees on a need-to-know basis; prohibit employees to discuss inside information in public area; officers and employees other than the designated representative are prohibited to speak externally on behalf of the Company when communicating with external parties such as the media, analysts or investors. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public.

COMMUNICATION WITH SHAREHOLDERS

The Company considers effective communication with shareholders is essential to enable them to have a clear assessment of the Group's performance as well as accountability of the Board. Major means of communication with shareholders of the Company include the following:

INFORMATION ON COMPANY'S WEBSITE

The Company maintains a corporate website at www.convoy.com.hk where important information of the Group's activities and corporate matters, such as annual reports, interim reports, announcements and corporate governance practices are available for review by shareholders.

When announcements are made through Stock Exchange, the same information are made available on the Company's website.

During the year, the Company has issued announcements which can be viewed on the Company's website and the Stock Exchange's website.

GENERAL MEETINGS WITH SHAREHOLDERS

E.1.1 to E.1.3 of the Code Provisions stipulates that the annual general meeting (the "AGM") provides an effective forum for shareholders to exchange views with the Board. Notice of the AGM should be sent to shareholders at least 20 clear business days before the meeting. The Chairman of the Board and the Directors (including independent non-executive Directors) are available at the AGMs to answer questions from shareholders about the business and performance of the Group. In addition, the Company's auditor is also invited to attend the AGMs to answer questions about the conduct and the preparation of the audit, and contents of the independent auditor's report. Separate resolutions are proposed at general meetings for each substantial issue. All votes of shareholders at general meetings are taken by poll except where the Chairman of the meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Explanation of the detailed procedures of conducting poll is provided to shareholders at the general meetings to ensure that shareholders are familiar with the procedures.

The Company's last AGM was held on 29 June 2017. As the 2019 Financial Statements were only published on the date of this CG Report, the Company did not convene and hold the AGM for the year ended 2019.

The Company proposes to hold its next AGM on Thursday, 18 March 2021. A notice of annual general meeting and a circular containing further details of the matters to be considered at the meeting, together with this annual report, will be sent to the Shareholders in due course.

INVESTOR RELATIONS

Information of the Group is delivered to shareholders and investors through a number of channels including but not limited to annual reports, interim reports and announcements. The latest information of the Group together with the published documents are also available on the Company's website at http://www.convoy.com.hk.

The Company recognises its responsibility to explain its activities to shareholders and investors (including potential investors) and to respond to their enquiries. The Chairman of the Board, the Company's Chief Financial Officer and other senior management also make presentations and hold meetings with investors and analysts to keep them abreast of the Company's development, subject to compliance with the applicable laws and regulations. In addition, questions received from the public and shareholders are answered promptly.

During the year ended 31 December 2019, the Company has not made any changes to its Articles. An up to date version of the Articles as amended at the 2012 AGM is available on the websites of the Company and Stock Exchange.

SHAREHOLDERS' RIGHTS

CONVENING OF EXTRAORDINARY GENERAL MEETING ON REQUISITION BY SHAREHOLDERS

To safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue. Besides, pursuant to the Articles, shareholder(s) holding 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 an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

PROCEDURES FOR PUTTING FORWARD ENQUIRIES TO THE BOARD

Shareholders may send written enquiries to the Company for putting forward any enquiries or proposals to the Board. The Company will not normally deal with verbal or anonymous enquiries. Contact details of the Company are as follows:

Address : Trust Tower, 68 Johnston Road, Wan Chai, Hong Kong
Email : IR_Info@convoy.com.hk

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto.

Shareholders' information may be disclosed as required by law.

PROCEDURES FOR PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS BY SHAREHOLDERS

There are no provisions in the Articles or the Companies Law of the Cayman Islands for putting forward proposals of new resolutions by shareholders at general meetings. Shareholders who wish to move a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the paragraph "Convening of Extraordinary General Meeting on Requisition by Shareholders" in this CG Report to consider the business specified in the requisition.

For proposing a person for election as a Director, pursuant to Article 85 of the Articles and the "Procedures for Shareholders to Propose a Person for Election as a Director" posted on the Company's website, no person other than a retiring Director shall be eligible for election to the office of Director at any general meeting unless (a) such person is recommended by the Directors for election; or (b) such person is nominated by notice in writing by a shareholder (other than the person to be proposed) entitled to attend and vote at the meeting. The notice of nomination shall be accompanied by a notice signed by that person indicating his willingness to be elected to the office of Director and shall be lodged at the head office from time to time or at the registration office within the seven day period commencing from the day after the dispatch of the notice of the meeting (or such other period, being a period of not less than seven days, commencing no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and ending no later than seven days prior to the date of such meeting, as may be determined by the Directors from time to time).

Directors' Report

The Board is pleased to present the annual report and the audited financial statements of the Company and the Group for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. The Group is principally engaged in IFA business, money lending business, proprietary investment business, asset management business, corporate finance business and securities dealing business. The activities of its principal subsidiaries are set out in note 1 to the consolidated financial statements in this annual report.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance including a description of the principal risks and uncertainties faced by the Group and an indication of likely future development in the Group's business can be found in the "Management Discussion and Analysis" section set out on pages 9 to 18 of this annual report. The discussion forms part of this directors' report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Other than financial performance, environmental conservation remains a key focus of the Group. The Board believes that a sound environmental, social and governance structure is vital for the continued sustainability and development of the Group's business. The Group encourages environmental protection and complies with environmental legislation and promotes awareness towards environmental protection to the employees.

In the course of its daily operations, the Group adheres to the principle of recycling and reducing. It implements green office practices such as double-sided printing and copying, promoting the use of recycled paper and reducing energy consumption by switching off idle lightings, air-conditioning and electrical appliances. The management of the Group is responsible for monitoring and managing environmental-related issues and the effectiveness of the monitoring system.

The Group reviews its environmental practices from time to time and will consider implementing further eco-friendly measures and practices in the operation of the Group's businesses to enhance environmental sustainability. Further details of the Group's performance by reference to environmental and social responsibility related policies can be found in the Environmental, Social and Governance Report on pages 51 to 65 of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Company recognizes the importance of regulatory compliance.

To the best of the Directors' knowledge, information and belief, the Group had obtained all licences and permits necessary for its business in the jurisdictions in which the Group operates. As far as the Group is aware, and save as elsewhere disclosed in this annual report, there was no material breach or violation of relevant laws and regulations and the Listing Rules that have a significant impact on the business and operation of the Group during the year ended 31 December 2019.

KEY RELATIONSHIPS WITH STAKEHOLDERS

(I) EMPLOYEES

Human resources are the most valuable asset of the Group. Developing and retaining talents are vital to our success. The Group is committed to providing our employees with a safe, pleasant and healthy working environment. The Group rewards and recognizes employees by competitive remuneration package and appropriate incentives, and promotes career development by providing opportunities for career advancement to employees. In addition, applicable training courses are either arranged internally or by external service providers. Knowledge, skills and capacities of employees are vital to the continuous improvement, business growth and success of the Group. The Company strives to ensure that all employees can fulfill as well as enhance the relevant job qualifications in terms of education, training, technical and work experiences.

(II) SUPPLIERS AND CUSTOMERS

The Group has good reputation for offering high quality and reliable products and services to our customers. The Group communicates with its customers from time to time so as to collect feedback from them as a tool to measure and improve the quality of products and services as well as customer satisfaction. Sales staff are encouraged to maintain regular contact with customers to provide them with personalised updates about the Group's products.

The Group has developed long term relationships with various product providers which are selected with reference to, among other things, product quality, reliability, financial strength and pricing, and we ensure that they share our value and commitment to quality and ethics.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2019 and the state of affairs of the Company and the Group as at that date are set out in the consolidated financial statements on pages 74 to 174 of this annual report.

In order to maintain adequate cashflow of the Group to encounter the uncertainties brought by the substantial impairment on investments in associate, write-off of certain loans, continued losses of the IFA business caused by substantial cost incurred in the retention program to stabilize the consultancy force and losses incurred in the settlement for the alleged mis-selling of certain financial products in China that were approved by previous management of the Group, the Directors do not recommend the payment of a final dividend for the year ended 31 December 2019 (31 December 2018: Nil).

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 43 to the consolidated financial statements in this annual report and in the consolidated statement of changes in equity in this annual report, respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2019, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of Cayman Islands, amounted to HK$1,971.9 million (2018: HK$2,425.7 million). The amount of HK$1,971.9 million (2018: HK$2,425.7 million) includes the Company's share premium account and the nominal share capital and share premium from the 2015 Placing which has been transferred to the 2015 Placing Shares Reserve which may be distributable provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

CHARITABLE DONATIONS

During the year, the Group did not make any charitable donations. (2018: HK$1.1 million).

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 42 to the consolidated financial statements in this annual report.

MAJOR PRODUCT ISSUERS/CUSTOMERS AND SUPPLIERS

In the year under review, revenue from the Group's five largest product issuers/customers accounted for 51.9% (2018: 39.9%) of the total revenue for the year and revenue from the largest product issuer/customer included therein amounted to 16.7% (2018: 17.6%). For the purpose of identifying major product issuers/customers of the Group, revenue derived from the proprietary investment segment, including fair value changes on financial investments at fair value through profit or loss, net gains on disposals of available-for-sale investments, interest income from debt investments and dividend income from financial investments at fair value through profit or loss, are excluded from the calculation.

Commission expenses attributable to the five highest paid consultants of the Group accounted for less than 30% of the Group's total commission expenses for the year under review.

None of the Directors or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's entire issued share capital) had any beneficial interest in the Group's five largest product issuers/customers.

SUMMARY FINANCIAL INFORMATION

A summary of the published results, assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the consolidated financial statements, is set out on page 176 of this annual report. The summary does not form part of the audited financial statements.

PRE-EMPTIVE RIGHTS

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

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles, the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty; provided that the indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the Directors.

PLEDGE OF ASSETS

Details of the Group's bank loans, which are secured by assets of the Group, are set out in note 34 to the consolidated financial statements in this annual report.

At the end of each reporting period, the balance of pledged bank deposit represented deposit that has been pledged to secure overdraft facility granted to a subsidiary of the Company.

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

During the year ended 31 December 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

SHARE OPTION SCHEME

The share option scheme (the "Share Option Scheme") of the Company was conditionally approved by written resolutions of the sole shareholder of the Company passed on 23 June 2010 and is valid and effective for a period of 10 years to 22 June 2020. Pursuant to the Share Option Scheme, the Board may at its absolute discretion, offer to grant option to any Employee, Business Associate and the trustee of any trust (whether family, discretionary or otherwise) whose beneficiaries or objects include any Employee or Business Associate of the Group (collectively, the "Participants").

For the purpose of this section, Employee means (i) any full-time employee and director (including executive director, non-executive director and independent non-executive director or proposed executive director, non-executive director and independent non-executive director) of any member of the Group; and (ii) any part-time employee with weekly working hours of 10 hours or above of the Group; and Business Associate means (a) any adviser, consultant or agent (in the areas of legal, technical, financial or corporate managerial) to the Group; (b) any provider of goods and/or services to the Group; or (c) any other person who, at the sole discretion of the Board, has contributed or may contribute to the Group (the assessment criterion of which are (i) such person's contribution to the development and performance of the Group; (ii) the quality of work performed by such person for the Group; (iii) the initiative and commitment of such person in performing his or her duties; and (iv) the length of service or contribution of such person to the Group).

The purpose of the Share Option Scheme is to encourage the Participants to perform their best in achieving the goals of the Group and at the same time allow the Participants to enjoy the results of the Company attained through their efforts and contributions and to provide the Participants with incentives and help the Company in retaining its existing Employees and recruiting additional Employees.

The subscription price in respect of any particular option shall be such price as determined by the Board in its absolute discretion at the time of the grant of the options but in any case the subscription price shall not be less than the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a trading day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 trading days immediately preceding the date of grant; or (iii) the nominal value of the share. Each of the grantee is required to pay HK$1.00 as consideration for the grant of share options in accordance with the Share Option Scheme and the offer of share options must be accepted within 21 days from the date of the offer.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes must not, in aggregate, exceed 1,493,889,600, which represents 10% of the total issued share capital of the Company as at the date of approval of the refreshment of the 10% mandate of the Share Option Scheme by the shareholders of the Company in the extraordinary general meeting held on 22 December 2016.

The total number of share options granted of 448,164,000, representing 3.0% of the total number of issued shares of the Company, lapsed on 23 December 2019.

No Participant shall be granted an option if the total number of shares issued and to be issued upon exercise of the options granted and to be granted (including both exercised and outstanding options) in any 12-month period up to and including the date of grant to such Participant would exceed 1% of the shares for the time being in issue unless the proposed grant has been approved by the shareholders of the Company in general meeting with the proposed grantee and his associates (as defined in the Listing Rules) abstaining from voting.

An option may be exercised in accordance with the terms and conditions of the Share Option Scheme at any time during such period as the Board may in its absolute discretion determine, save that such period shall not be more than 10 years from the date of grant of the option and the Board may provide restrictions on the exercise of an option during the period an option may be exercised. There is no requirement that an option must be held for any minimum period before it can be exercised but the Board is empowered to impose at its discretion any such minimum period at the time of grant of any option.

Details of movements of the share options under the Share Option Scheme during the year ended 31 December 2019 were as follows:

Category and name of grantee	**Outstanding as at 1 January 2019**	**Lapsed during the year**	**Outstanding as at 31 December 2019**	**Exercise price per share**	**Date of grant**	**Exercise period**
Executive Directors						
Mr. Wong Lee Man (removed)	149,388,000	(149,388,000)	–	HK$0.2332	24 December 2016	24 June 2017 to 23 December 2019
Mr. Shin Kin Man	149,388,000	(149,388,000)	–	HK$0.2332	24 December 2016	24 June 2017 to 23 December 2019
Sub-total	298,776,000	(298,776,000)	–			
Employee of the Group	149,388,000	(149,388,000)	–	HK$0.2332	24 December 2016	24 June 2017 to 23 December 2019
Sub-total	149,388,000	(149,388,000)	–			
Total	448,164,000	(448,164,000)	–			

The share options granted on 24 December 2016 are subject to a vesting period of six-month after the last outstanding condition to which the grant of options are subject having been satisfied.

No share options were granted, exercised or cancelled during the year ended 31 December 2019 and all share options granted lapsed on 23 December 2019.

SHARE AWARD SCHEME

The Company's share award scheme (the "Award Scheme") was adopted pursuant to a resolution passed by the Board on 25 January 2011 ("Adoption Date") for the primary purpose of recognising the contributions made by certain selected participants, giving incentives to them in order to retain them for the continual operation and development of the Group and attracting suitable personnel for further development of the Group. Subject to any early termination as may be determined by the Board pursuant to the rules of the Award Scheme, the Award Scheme shall be valid and effective for a term of 10 years commencing on the Adoption Date and ending on 24 January 2021.

Details of the Award Scheme are disclosed in note 44 to the consolidated financial statements in this annual report.

DIRECTORS

The Directors during the year and up to the date of this directors' report are:

EXECUTIVE DIRECTORS

Mr. Ng Wing Fai
Mr. Yap E Hock
Mr. Shin Kin Man
Ms. Wong Suet Fai (appointed on 1 January 2021)
Mr. Lee Jin Yi (appointed on 19 November 2020)
Mr. Chung Kwok Wai, Kelvin (appointed on 1 January 2021)
Ms. Fong Sut Sam (duty suspended since 8 December 2017 and resigned on 16 November 2020)
Mr. Wong Lee Man (duty suspended since 8 December 2017 and removed on 7 January 2021)
Ms. Chan Lai Yee (duty suspended since 8 December 2017 and removed on 7 January 2021)

NON-EXECUTIVE DIRECTORS

Mr. Johnny Chen *(Chairman)* (redesignated from Executive Director to Non-Executive Director on 1 January 2021)
Mr. Chen Shih-pin

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Pun Tit Shan
Mr. Pak Wai Keung, Martin
Mr. Yan Tat Wah
Mrs. Fu Kwong Wing Ting, Francine
Mr. Lam Kwok Cheong (appointed on 19 November 2020)
Ms. Carrie Bernadette Ho (appointed on 1 January 2021)

Following the arrest by the Independent Commission Against Corruption, the duties of Messrs. Wong Lee Man, Fong Sut Sam and Chan Lai Yee as Directors have been suspended since 8 December 2017 until further notice.

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' SERVICE CONTRACTS

None of the Directors being 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.

REMUNERATION OF THE DIRECTORS

Details of the remuneration of the Directors are set out in note 13 to the consolidated financial statements in this annual report.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed elsewhere in the annual report, neither Director nor a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company, or any of the Company's subsidiaries was a party during or at the end of the year.

EQUITY-LINKED AGREEMENTS

Save for the "Share Option Scheme" and "Share Award Scheme" disclosed above, no equity-linked agreements were entered into by the Company nor existed during the year.

CONTRACT OF SIGNIFICANCE

There is no contract of significance between the Company or any of its subsidiaries, and a controlling shareholder or any of its subsidiaries.

MANAGEMENT CONTRACT

Other than the service contracts of the Directors as disclosed elsewhere in the annual report, the Company has not entered into any contracts with any individuals, firms or body corporates to manage or administer the whole or any substantial part of any business of the Company during the year.

INTERESTS IN COMPETITORS

The Directors were not aware of any business or interest of the Directors and their respective associates (as defined under the Listing Rules) that competed or might compete with the business of the Group or any other conflicts of interests which any such person had or might have with the Group.

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2019, so far as the Directors are aware, the interests and short positions of the Directors and chief executive in shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in the Listing Rules, were as follows:

Name of Director/ Chief Executive	Capacity	Long/Short position	Class of Shares	Number of shares held	Approximate percentage of issued share capital
Ng Wing Fai	Beneficial owner	Long position	Ordinary shares	2,436,000	0.02%
Johnny Chen	Beneficial owner	Long position	Ordinary Shares	1,002,000	0.01%
Shin Kin Man	Beneficial owner	Long position	Ordinary shares	6,168,000	0.04%
	Interest of Spouse	Long position	Ordinary shares	812,200	0.01%

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

As at 31 December 2019, so far as the Directors are aware, the following individuals and corporations had interests and/or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or the disclosure of interest forms filed at the Stock Exchange's website:

Name of substantial shareholder	Capacity	Long/Short position	Number of shares held	Approximate percentage of issued share capital
Kwok Hiu Kwan (Note)	Beneficial owner (disputed by the Company)	Long position (disputed by the Company)	4,468,182,000 (disputed by the Company)	29.91% (disputed by the Company)
Eagle Legacy Limited	Beneficial owner	Long position	2,240,000,000	14.99%
Oceana Glory Limited	Beneficial owner	Long position	2,240,000,000	14.99%
Chen Pei Xiong (Note)	Beneficial owner (disputed by the Company)	Long position (disputed by the Company)	1,085,280,000 (disputed by the Company)	7.26% (disputed by the Company)

Note: The Company together with two of its subsidiaries have commenced legal proceedings in High Court Action Number 2922 of 2017 against Mr. Kwok Hiu Kwan, Mr. Chen Pei Xiong and others. The Company claims that the purported shareholdings registered in the name of Mr. Kwok Hiu Kwan and Mr. Chen Pei Xiong (or their respective nominees) are null and void, or has been rescinded and set aside. The Company further claims an injunction to restrain Mr. Kwok Hiu Kwan and Mr. Chen Pei Xiong from exercising the voting rights of, or transferring or otherwise dealing with their interest in their purported shareholdings.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in the paragraph headed "SHARE OPTION SCHEME" in this section, at no time during the year was the Company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

CONTINUING CONNECTED TRANSACTIONS

The Group has entered into certain agreements and arrangements with its connected persons (as defined under the Listing Rules) in the ordinary and usual course of business of the Group during the year. Details of the transactions are set out below.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

SERVICE FEES PAID TO CONNECTED PERSONS

Reference is made to the announcement of the Company dated 28 May 2019, in which it was disclosed that CFS had entered into contracts for services (the "New Shin Family CFS Service Contracts") with two associates (as defined under the Listing Rules) of Mr. Shin Kin Man (the "New Shin Family") pursuant to which CFS agreed to pay commission to the New Shin Family for their acting as consultants of CFS to provide insurance and MPF scheme brokerage services in Hong Kong for a term of three years commencing from 1 January 2019 and ending on 31 December 2021 (both days inclusive).

Further, CAM had entered into contracts for services (the "New Shin Family CAM Service Contracts") with the New Shin Family pursuant to which CAM agreed to pay commission to the Shin Family for their acting as licensed representatives of CAM to provide funds dealing and securities brokerage services in Hong Kong for a term of three years commencing from 1 January 2019 and ending on 31 December 2021 (both days inclusive).

At the time when the service contracts were entered into, Mr. Shin Kin Man was and still is the executive director of the Company and thus the New Shin Family, being the two associates (as defined under the Listing Rules) of Mr. Shin Kin Man, are connected persons of the Company under Chapter 14A of the Listing Rules.

Accordingly, the transactions contemplated under the New Shin Family CFS Service Contracts and the New Shin Family CAM Service Contracts constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to the New Shin Family CFS Service Contracts, in consideration of the Shin Family acting as consultants of CFS to provide insurance and MPF scheme brokerage services in Hong Kong, CFS agreed to pay to the Shin Family commission which is calculated in accordance with the terms of the New Shin Family CFS Service Contracts and payable monthly. Such commission to be paid to the New Shin Family represents normal commission applicable to all other consultants of CFS, and will not include payment of any kind to which all other consultants are not entitled.

The New Shin Family CFS Service Contracts are for a term of three years commencing from 1 January 2019 and ending on 31 December 2021 (both days inclusive), with the proposed annual caps of HK$4,900,000, HK$5,300,000 and HK$5,700,000 for each of the three financial years ending 31 December 2019, 2020 and 2021, respectively. Details of the transactions were disclosed in the Company's announcement dated 28 May 2019.

During the year, commission expenses paid to the New Shin Family for New Shin Family CFS Service Contracts amounted to approximately HK$7,229,000 (2018: HK$3,835,000).

Pursuant to the New Shin Family CAM Service Contracts, in consideration of the New Shin Family acting as licensed representatives of CAM to provide funds dealing and securities brokerage services in Hong Kong, CAM agreed to pay the New Shin Family commission which is calculated in accordance with the terms of the New Shin Family CAM Service Contracts and payable monthly. Such commission to be paid to the New Shin Family represents normal commission applicable to all other licensed representatives of CAM, and will not include payment of any kind to which all other licensed representatives of CAM are not entitled.

The New Shin Family CAM Service Contracts are for a term of three years commencing from 1 January 2019 and ending on 31 December 2021 (both days inclusive), with the proposed annual caps of HK$700,000, HK$750,000 and HK$810,000 for each of the three financial years ending 31 December 2019, 2020 and 2021, respectively. Details of the transactions were disclosed in the Company's announcement dated 28 May 2019.

During the year, commission expenses paid to the New Shin Family for the New Shin Family CAM Service Contracts amounted to approximately HK$418,000 (2018: HK$537,000).

The independent non-executive Directors of the Company have reviewed the continuing connected transactions set out above and have confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Zhonghui Anda CPA Limited, the Company's auditor, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 Assurance Engagements other than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants.

Details of related party transactions entered into by the Group are set out in note 49 to the consolidated financial statements in this annual report. Except for those described above in respect of which the disclosure requirements in accordance with Chapter 14A of the Listing Rules have been complied with, none of those related party transactions constitutes a discloseable connected transaction as defined under the Listing Rules.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the shareholders of the Company by reason of their holding of the Company's securities.

AUDIT COMMITTEE

The Company established an audit committee on 23 June 2010 (the "Audit Committee") with written terms of reference in compliance with the Listing Rules. As at the date of this directors' report, the Audit Committee comprised of three independent non-executive Directors, namely Mr. Pak Wai Keung, Martin (Chairman), Mr. Yan Tat Wah and Mrs. Fu Kwong Wing Ting, Francine.

The Audit Committee has reviewed a near final draft of the consolidated results of the Group for the year ended 31 December 2019 and has submitted its comments and recommendations to the board. Having received the comments and recommendations of the Audit Committee, management has revised certain disclosures in the financial results and the final version was submitted to the Board for approval.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, not less than 25% of the Company's issued share capital were held by members of the public as at the date of this directors' report as required under the Listing Rules.

EVENTS AFTER THE REPORTING YEAR

(i) On 2 April 2020, Convoy Technologies Limited (now known as TAG Technologies Limited ("Convoy Tech")) entered into a further subscription agreement with Tandem Money Limited ("Tandem Money"), pursuant to which Convoy Tech agrees to subscribe and Tandem Money agrees to issue a certain number of ordinary B shares in Tandem Money for a consideration of £10 million (the "Further Subscription"). Details of the Further Subscription is set out in the announcements of the Company dated 3 April 2020 and 8 April 2020.

(ii) On 22 June 2020, the Board was approached by National Arts Entertainment and Culture Group Limited ("National Arts"), a company listed on the GEM board of the Stock Exchange (Stock Code:8228), about a conditional voluntary share exchange offer by National Arts to acquire all of the issued shares in the share capital of the Company (the "General Offer"), subject to fulfilment of certain conditions. Details of the General Offer is set out in the announcements of the Company dated 29 June 2020, 29 July 2020, 17 August 2020, 24 August 2020, 28 August 2020, 28 September 2020, 28 October 2020, 27 November 2020, 24 December 2020 and 25 January 2021.

(iii) On 25 November 2020, the Company entered into a non-binding Term Sheet with AGBA Acquisition Limited ("AGBA"), a company listed on NASDAQ, pursuant to which the Company conditionally proposes to dispose of its entire platform business and 30% of its independent financial advisory business to AGBA for a total consideration of US$400,000,000 (HK$3,100,000,000) to be satisfied by the payment of US$100,000,000 (HK$775,000,000) in cash and the issue of US$300,000,000 (HK$2,325,000,000) of new AGBA shares at an issue price of US$10 (HK$77.50) per AGBA share, subject to, among other things, satisfactory due diligence by AGBA. Details of this proposed transaction is set out in the announcement of the Company dated 25 November 2020.

(iv) References are made to the announcements of the Company dated 7 December 2017, 8 December 2017 and 21 December 2017 in relation to the enforcement operations conducted by the enforcement authority, involving two former executive Directors. Trading in the shares of the Company on the Stock Exchange was halted from 11:04 a.m. on 7 December 2017 (automatically converted to "being suspended" thereafter), and remains suspended as at the date of this annual report.

On 22 March 2018, the Company received a letter the Stock Exchange setting out the resumption guidance for the Company. On 29 May 2020, the Company received a letter from the Stock Exchange stating the decision of the Listing Committee of the Stock Exchange made on 28 May 2020 to cancel the Company's listing under Rule 6.01A of the Listing Rules (the "Delisting Decision").

Reference is also made to the announcement of the Company dated 1 November 2020 on update regarding resumption conditions. The Company has submitted a written request to the secretary of the Listing Review Committee of the Stock Exchange pursuant to Rule 2B.06(2) of the Listing Rules for a review of the Delisting Decision. In summary, key to the Company's application to resume trading is the fulfilment of the five resumption conditions ("Resumption Conditions"), being:

1. disclosure of details of the irregularities by the previous management and assessment of the impact of such irregularities on the Company's financial and operation position;

2. demonstrating to the Stock Exchange that the Company has put in place adequate internal control systems to meet the obligations under the Listing Rules;

3. demonstrating to the Stock Exchange that there is no reasonable regulatory concern about management integrity;

4. publication of all outstanding financial results and address any audit qualifications; and

5. informing the market of all material information for the shareholders and the investors to appraise the Company's position.

Of the above five Resumption Conditions, as of 1 November 2020 (being the date of the announcement), the Board was of the view that only Resumption Condition 4 — the publication of the financial results for the three years ended 31 December 2017, 2018 and 2019 remained outstanding, and this condition will be fulfilled once the annual results for the three years ended 31 December 2017, 2018 and 2019 are published.

The Company understands that the date of the review hearing with the Listing Review Committee of the Stock Exchange has not yet been fixed as at the date of this annual report.

For the update on the Company's resumption of trading of the shares, please refer to the quarterly update announcements of the Company on the status of resumption.

AUDITORS

Messrs. Ernst & Young ("EY"), the former auditors of the Company, resigned as the auditors of the Company with effect from 31 January 2018. EY has confirmed in writing that there are no circumstances connected to its resignation as the Company's auditors that need to be brought to the attention of the shareholders or creditors of the Company. The Company appointed Messrs. PricewaterhouseCoopers ("PwC") as the auditors of the Company with effect from 1 February 2018 who resigned as such with effect from 12 August 2020. In PwC's letter of resignation, they set out certain matters they considered should be brought to the attention of the Company's shareholders and creditors (the "Matters"). For details of the Matters, please refer to the Company's announcement dated 18 August 2020. Zhonghui Anda CPA Limited was appointed as the auditor of the Company with effect from 31 August 2020 to fill the casual vacancy following the resignation of PwC and to hold office until the conclusion of the forthcoming annual general meeting of the Company.

The consolidated financial statements of the Company for the year ended 31 December 2019 has been audited by Zhonghui Anda CPA Limited. A resolution for the reappointment of Zhonghui Anda CPA Limited as auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board

Johnny Chen
Chairman

Hong Kong, 17 February 2021

Environmental, Social and Governance Report

I. PREAMBLE

This is the environmental, social and governance (the "ESG") report for Convoy Global Holdings Limited (the "Company", together with its subsidiaries, the "Convoy", "Group" or "We"). This report is designed to allow the shareholders, investors (including potential investors) of the Company and the public to have a more comprehensive and profound understanding of the work done on the ESG issues of the Group for its financial year ended 31 December 2019 ("the Year"). Unless otherwise stated, the qualitative and quantitative information disclosed herein cover all subsidiaries and operations of Convoy. This report elaborates the philosophy and practice in respect of social responsibility and the achievements it has made in economic, environment and social aspects. The Group primarily adopts the principles and basis of Environmental, Social and Governance Reporting Guide (the "ESG Guide") set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as its standards, with an aim to establish a sound environmental, social and governance structure. For information on the Group's corporate governance, please refer to the "Corporate Governance Report" in the Company's Annual Report 2019.

II. THE BOARD'S COMMITMENT AND ESG APPROACH

The board of directors (the "Board") of the Company is responsible for monitoring and managing ESG-related risks and the effectiveness of the ESG management system. During the Year, the Company has complied with the "comply or explain" provisions set out in the ESG Guide.

The Board of the Company believes that a sound environmental, social and governance structure is vital for continued sustainability and development of the Group's activities. The Group is willing to take more responsibilities for the society but with a view to balancing the shareholders' interests and the society's benefits.

We will continue to strengthen our efforts in information collection for better performance in the ESG areas and broader disclosure of related information in sustainable development. We welcome any comments and suggestions on this report as well as the Group's performance in sustainability development.

III. STAKEHOLDERS COMMUNICATION AND ENGAGEMENT

For the Group, the stakeholders refer to groups and individuals who have significant impact on the Group's business, or those who are affected by the Group's business. The participation of stakeholders is an important part of the business management of the Group for it to examine potential risks and business opportunities. Communicating with stakeholders enables the Group to understand their views, and it brings business practices of the Group closer to their needs and expectations, so as to properly manage the views of different stakeholders.

The Group constantly communicates with key stakeholders within and outside the Group through various channels. This ensures that they are given an opportunity to understand the development and operating directions of the Group, as well as the opportunities for the Group to listen to their opinions in order to evaluate, prioritize and manage different issues (including risks to Convoy's businesses), and to develop corresponding policies.

Our key stakeholders include shareholders and investors, customers, employees, partners and suppliers, government, regulators, society, natural environment and public media. In accordance with the assessment result regarding significance to the influence from and on the Group, we made a list of key stakeholders and determined the degree and range for their participation in corporate governance, management and decision-making.

Key stakeholders	Expectations	Communication methods	Responses
Shareholders and investors	Sound corporate governance; Improve shareholder returns; Enhance the Company's value; Maintain sustainable development.	Shareholders' general meeting; Regular reports and company announcements; Media release channel; Internal publications of corporate.	Integration of ESG within group strategy and governance; Customer satisfaction; Product suitability, diversity; Training and retention.
Customers	Diversified insurance products; All-round financial services and products; Convenient and high- quality services; Protection of customer rights and interests; Protection of customer privacy.	Official website, public number and other media channels; Customer hotline communication; Customer demand research; Customer feedback; Communicating at business outlets.	Provide convenient, fast financial services; Improve the complaint handling process; Understand customer comments and suggestions; Timely release products and marketing announcements; Provide a wide range of products; Set up convenient business outlets.
Employees	Rights of democratic participation; Occupational health and safety; Favorable career development platform; Harmonious working atmosphere.	Employee representative meeting and internal meeting; Internal network; Email and forum; Internal publications of corporate updates.	Face-to-face and online training; Mutual help and care activities; Family day in work.
Partners and suppliers	Promote health development of the industry; Comply with business ethics; Mutual benefit and win-win and common development.	Cooperation, communication and research between peer companies, industry association, official website, public number and other media communications.	Participate in promoting industry standards and norms; Establish and improve an internal management mechanism; Establish a stable communication and cooperation mechanism.
Government	Responsible business; Role in financial stability; Provide employment opportunity; Drive local and surrounding industrial development; Abide by local laws, regulations and industry standards.	Laws and regulations, policy guidelines, normative documents; On-site investigation, off-site supervision; Visit the government bodies where the operation is located; Government meeting; Official website; Recruitment announcements released by media.	Observe laws and regulations, support government strategies and development of local undertakings by financial instruments, compliance operations, to resolve social and financial risks; Provide employment positions; Pay taxes by law; Regular or irregular recruitment.
Regulators	Healthy business operations; Publicly transparent information disclosure; Improved internal control system and risk management system.	Report at regular communication meetings, regular reports, company announcements, and regulatory notifications.	Improve operation efficiency of corporate; Timely and accurately disclose information; Establish a comprehensive internal control system to enhance corporate governance standard.

Key stakeholders	Expectations	Communication methods	Responses
Society	Support social development; Environmental protection; To carry out charitable activities; Popularize financial knowledge.	On-site visit; Charitable activities; Feedback investigation of beneficiary groups; Investor education activities; Laws and regulations, policy guidelines, normative documents.	Undertaking volunteer activities; Charitable donation and targeted poverty alleviation.
Natural environment	To realize green operation; To protect the environment.	Communication with social ventures or associations.	Energy saving and emission reduction; Green public-service activities.
Public media	Financial performance; Business strength; Commentary on insurance, investment and wealth management topics.	Interviews; Regular meetings; Public articles.	Releases the financial performance; Promptly promote innovative product and services to market; Comments on insurance, investment and wealth management topics.

MATERIAL SUSTAINABILITY ISSUES

We believe the most pertinent sustainability issues include customer privacy, customer satisfaction, community relations, supplier management, employee communication and compliance with local laws and regulations. Additional material sustainability issues include development and training, talent management, anti-corruption, anti-discrimination and occupational health and safety, etc.

IV. ENVIRONMENTAL SUSTAINABILITY

Climate change and the series of impacts it brings are a topic of universal concern today. For the insurance industry, the dangers brought by climate change to the insurance industry include the uncontrollable loss caused by the frequent occurrence of extreme weather events resulted from climate change, which in turn creates a wide range of economic and social pressures, thus reducing the insurability of the insurance subject. We believe that collective action to address climate change will produce positive economic and health-related outcomes. Overall, Asia is becoming more efficient in its use of resources, is increasingly utilizing low carbon technology, and is transitioning towards cleaner and less polluting forms of energy. In the long term, Convoy has an instrumental role to play through our insurance solutions, which are helping our communities achieve resilience against adverse health or weather-related climate outcomes.

Our approach to reducing our own environmental impact is laid out in the energy and emissions sections of this chapter. The impact of climate change continues to be discussed internally at Convoy, and is an area of growing interest and concern to our stakeholders.

A. ENVIRONMENTAL ASPECTS

A1. Emissions

The biggest contributor to the Group's carbon footprint is the indirect greenhouse gas ("GHG") emission from electricity consumption, which is mainly attributed to the use of lighting system, air-conditioning and office equipment.

The Group has established a comprehensive waste management system and plan with policies and guidelines to achieve waste reduction in our operations. The key principles of our waste management are "reduce, reuse, recycle and replace". Our management maintains and reviews our recycling practices and assists in raising the staff awareness of best practices for resource conservation. Recycling programs were designed to reduce paper, clothes, cans and others wastes and implemented paperless systems in our business activities to minimize the disposal of waste to the landfills.

During the year, the Group produced 1,769g of nitrogen oxide, 40g of sulphur oxide and 130g particulate matter. These air emissions were mainly produced from the Group vehicles, which were private cars. GHG including carbon dioxide, nitrous oxide and methane were mainly produced from the group vehicles, consumed papers, purchased electricity and travelling of staffs.

During the year, the Group was not aware of any material non-compliance with relevant environmental laws and regulations.

Greenhouse Gas Emissions

Scope of Greenhouse Gas Emissions	**Emission Sources**	**Total Greenhouse gases (CO_2 and CO_2 equivalent) emissions**	**Intensity (per employee)**
Direct emission	Combustion of fuel in mobile sources	7.44 tonnes	0.017 tonnes
Indirect emission	Purchased electricity	88.00 tonnes	0.204 tonnes
Other indirect emission	Paper waste disposed at landfills	82.77 tonnes	0.192 tonnes
	Travelling	61.00 tonnes	0.141 tonnes
Total		239.21 tonnes	0.55 tonnes

Hazardous/Non-Hazardous Wastes

During the year, there was no hazardous waste produced. The non-hazardous wastes which were construction wastes produced by decoration and renovation were approximately 36 tonnes. The intensity for non-hazardous wastes per employee was 0.08 tonnes.

During decoration and renovation, several types of waste were generated. We strive to save the resources and increase the reuse and recycling of materials, which helps in reducing waste disposal at landfills. We keep track of the amount of our waste generation and recycling regularly and review the situation to enable continuous improvement.

A2. Use of Resources

The Group is committed to promoting environmental protection, in order to improve resources utilization and advocating commercial acts accountability to the environment arising from business development.

The Group encourages employees to save energy and improve efficient utilization of resources through the use of energy saving lightings and recycled papers, minimizing the use of papers, reducing energy consumption by switching off idle lightings, computers and electrical appliances. Moreover, teleconference and internet-meeting practices are also encouraged by the Group to avoid unnecessary travel.

Petrol

A total of 2,747 litres of petrol, with an intensity of 6.36 litres per employee, was used for private cars for employees' travelling.

Electricity

The Group is committed to improving the energy efficiency of operations by supporting the "Indoor Temperature Energy Saving Charter" and the "No Incandescent Light Bulbs ("ILB") Energy Saving Charter". The indoor air temperature of our office is set at a comfortable range, and all incandescent light bulbs have been fully deactivated.

Signs are placed in the Group's office area to remind our staff to save energy continuously. Also, energy-efficient lighting system is installed in office area and electronic lighting sensors are installed in most of the meeting rooms. Contributed by the lighting systems, temperature control and reminding notice, the wasted power is maintained at minimal level.

For equipment purchasing, employees are encouraged to take energy efficiency into consideration when purchasing office equipment such as considering the energy cost of the equipment and its useful life.

The electricity consumption by the Group was 110,926kWh with an energy intensity of 257kWh per employee.

Office Paper

The Group practices paper saving initiatives, such as encouraging employees to use duplex printing for internal documents and adopt environmentally friendly photocopy habit. We also designed a "Follow-you Printing Systems" to reduce paper wastes. The system requires users to the printer to activate the printing in order to prevent the issues that printed paper never be collected. Apart from reducing paper waste at source, paper recycling also contributes to conserving resources such as forests, energy and water.

A total of 17 tonnes of paper with an intensity of 0.04 tonnes per employee has been used for daily office operations. Paper recycling practice is engaged and promoted regularly to raise employees' awareness on conserving paper.

Water

We educate employees on the importance of water conservation and reduce unnecessary water waste. When any leaks occur on any equipment, we perform maintenance procedures immediately to avoid waste.

Our offices operate in leased office premises for which both the water supply and discharge are solely controlled by the building management, therefore, the provision of water withdrawal and discharge data or sub-meter for individual occupants are not feasible.

Corporate Dining Activities

Shark populations around the world are in rapid decline due to the enormous demand for shark fins from Asia with Hong Kong being the centre of this trade. Convoy believes business corporations can play a major role in conserving this species at risk by formulating a responsible corporate consumption policy to stop eating shark fins. Shark fins shall not be consumed at all company activities or business dining which are either organized or paid by Convoy.

Packaging Material

For the Year, the packaging material used in the Group's business operation is immaterial.

A3. Environment and Natural Resources

We have adopted green office practices to reduce consumption and the impact on the environment. For instance, teleconference and internet-meeting practices are encouraged to avoid unnecessary travel and we encourage the employees to take the stairs instead of taking the elevator or escalator.

As the Group is principally engaged in businesses including IFA business, money lending business, proprietary investment business, asset management business, corporate finance advisory business and securities dealing business, there is no direct emission of exhaust gas and greenhouse gas, discharge of wastewater and discharges into land, production of hazardous and non-hazardous waste, etc..

Taking into account the nature of the Group's businesses, the Board believes that its business operations have minimal direct impact on the environment and natural resources.

The Group constantly assesses and monitors the environmental risks in its daily operation, and formulates corresponding mitigation measures promptly when discovering any potential risk to the environment, so as to ensure such risk can be controlled and reduced to an acceptable level. The Group is committed to making the most efficient use of natural resources and reducing waste.

The Group will continue to put more effort on resources saving and strive for better protection of our environment.

Promotion of Environmental Protection

"Green Money" Workshop

On 21 and 28 March 2019, Convoy organized a "Green Money" Workshop. Through the sharing with different organizations, namely, Redress, Urban Spring, The Green Earth, and RunOurCity, staff were enriched with environmental-friendly and sustainability knowledge in the light of "Clothing, Food, Housing, and Transportation".

Green Companion — The Green Earth

Convoy joined hands, as a Green Companion with The Green Earth, a local green NGO that is devoted to addressing the issues of plastic waste, solid waste, and carbon footprint. The Green Earth gave professional advice on green office and staff engagement activities.

"Enough Plastic" Campaign

Convoy supported the "Enough Plastic" Campaign, encouraging staff to live a greener life by using less disposable plastic tableware.

B. SOCIAL

B1. Employment

We believe that each staff contributes directly to the success of this mission. The continued success of Convoy depends to a large extent on the dedication and initiatives of staff. We take staff relations seriously. We want our staff's entire career to be filled with personal and professional growth. For this reason, we have an open-door policy. We hope our staff find working at Convoy challenging and an enjoyable experience. During the year, the Group was not aware of any material non-compliance with relevant employment laws and regulations.

Communication

Corporate culture of open communication is one of the keys to ensure effective operation. The Group encourages employee at all levels to express their views and make suggestions to management. Also, the Group has set up an intranet allowing employees to communicate with each department within the Group and keeping them update with our business development.

Diversity of Recruitment

The recruitment of the Group is fair and open for all candidates, and not prejudiced by age, sex, physical or mental health status, marital status, family status, race, skin color, nationality, religion, political affiliation and sexual orientation and other factors.

To meet our goal in expansion of team member, we target to recruit local college graduate, non-local graduate by government policy — "Immigration Arrangements for Non-local Graduates" and industry practitioner. We believe that the status of Hong Kong as an international financial centre is an advantage to attract overseas graduate to join our family as we are one of the biggest insurance agents with comprehensive financial solution.

As of 31 December 2019, the Group had a total of 432 employees. The proportion of male to female is 41%:59%. The distribution of employees in Hong Kong, China and Malaysia were 63%, 31% and 6% respectively. 69% of employees aged 30–50, 23% of employees were below 30 and 8% were over 50.

The turnover rates for aged below 30, 30–50 and over 50 were 38%, 24% and 27% respectively, for male and female were 29% and 27%, and for Hong Kong, China and Malaysia were 39%, 13% and 27%. Approximately 56% of the Group's employees were general staff, 37% were in mid-level and 7% were senior management.

Equal Opportunities Policy

We comply with all relevant employment and equal opportunities legislation wherever it works and seeks to employ or engage a workforce which reflects the diverse community at large. We comply with equal opportunities legislation and seeks to promote fair employment policies, within the framework of local culture and laws. We seek at all times to engage the best candidate for the job — consideration of gender, marital status, sexual orientation, religious belief, colour, race, nationality or ethnic or national origin, has no place in this decision.

All levels of management are responsible for applying these policies and avoiding any form of discrimination.

All remuneration, benefits, career opportunities, and retirement arrangements must comply with this policy. Staff will be selected and treated on the basis of their abilities according to the requirements of the job, and have equal opportunity to show their ability and to progress within the organization. We aim to promote on merit and ensure that all staff are afforded equal opportunity when consideration is given to learning and development programs. We are committed to maintenance of a neutral working environment, in which no current or prospective staff feels under threat because of their origins, beliefs, gender or marital status.

Any acts of unlawful discrimination will be viewed as gross misconduct. All advertisements and advertising material must be reviewed to ensure they do not imply any intention to discriminate.

Diversified Welfare

Employees are one of the most important assets to Convoy. In order to attract, engage and reward high caliber talents, we offer competitive package, benefits and good career development opportunities for employees. We also adhere to the philosophy of happy working and happy life. We are committed to improving and focusing on the following areas:

- Paid Leave
  All permanent employees are entitled to annual leave, marriage leave, examination leave, maternity leave, baby care leave, charity leave, paternity leave, sick leave and birthday leave.

- Healthcare Benefits
  We aim at providing comprehensive primary protection to our employees. Our healthcare benefits include medical insurance, group life insurance and accidental death and disablement protection for employees and their family.

- Career Development
  Our career development policy is designed to encourage personal growth. Various forms of sponsorship, such as study leave, education allowance and professional membership sponsorship are available to all permanent staff members.

- Work-life Balance
  The Group recognizes the importance of work-life balance. We have regularly organized a wide range of wellness programmes for employees.

Dismissal

In situations which an employee has violated the Group's regulation, or his/her performance is below acceptable level continuously, a set of procedures will be followed to terminate their employment contract. The terms and conditions for dismissal are outlined in the Group policy and procedure.

B2. Health and Safety

Employees' Safety

Safety in work is a must and it is our policy to make our place of work as safe as possible. To achieve this, employees observe all safety regulations and become thoroughly conversant with the safety requirements in work site. Any occurrence of accident at work within Convoy premises must be promptly reported to immediate manager. During the year, the Group was not aware of any material non-compliance with relevant health and safety-related laws and regulations.

In January 2019, we invited Hong Kong Red Cross to organize an inhouse training to our staff on Standard First Aid and Automated External Defibrillation (AED) Certificate Course, on its basic theory, including practical first aid skills and the operations of AED. This course is recognized by the HKSAR Government.

Indoor Air Quality

Good indoor air quality safeguards the employees' health and promotes comfort. In June 2019, Convoy applied Indoor Air Quality (IAQ) Certification and attained "Good Class" for the Headquarter building of 7/F and 39/F, No. 169 Electric Road, North Point.

Office Security

All doors should always be kept closed during office hours. Employees leaving the office should make sure that all entrances are properly locked or otherwise secured, and lighting and non-essential office machinery (e.g. typewriters, printers, desktop computers, photocopiers, etc.) are switched off.

B3. Development and Training

Performance Management and How We Achieve Careers Development

We have a performance management system that fosters and rewards excellent performance.

Features of the system	Areas focused for employee competencies
— Align Company goals, immediate management expectation to employee performance goals	— Achievement and quality orientation
— Assist employees to make continuous contribution	— Problem solving and organizing
— Receive feedback from immediate manager	— Planning
— Ensure employees are on the track with development plans	— Business acumen
— Identify areas for employees' performance improvement	— Customer focus
— Link up employees' reward with their contributions	— Communication
— Create a continuous learning culture and environment	— Change agility
	— Leadership
	— Teamwork

Shared Responsibility of Personal Development

Development is a shared responsibility of our employees, managers and Convoy. Shared Responsibility:

- Our employees should identify their needs and take lead to strengthen their skills and enrich their knowledge.
- Our managers should ensure the subordinate are properly coached and developed.
- Convoy should create a continuous learning culture and provide support for employee development; ensure the allocation of Convoy's resources to employee development fairly and effectively; and encourage employees to upgrade their knowledge and skills to meet current and long-term job requirements for improving performance and productivity.

Continuous Learning

During the Year, we organized 54 training courses and seminars covering various job-related skills such as communication, leadership, management, investment and well-being programs. There are compulsory training programs for new hires such as anti-money laundering, anti-terrorists fundraising and internet security online, etc.

The analysis of training programs is as follow:

Average training hours per employee	11.4 hours
Number of employees attended training courses	329
Total training courses provided during the Year	50 Face-to-face courses 4 Online courses
Type of training courses	Communication skills, leadership skill, management skills, and well-being programs.
Compulsory training for new hires	General new hire training, Anti-money laundering, Anti-terrorists fundraising and Internet security online course.

B4. Labour Standards

Prohibiting Child and Forced Labour

The Group's employment policies in regard to prohibiting child and forced labour are implemented to respond to the local employment laws and regulations. The recruitment process of the Group is strictly abided by the guidelines of the Human Resources Department. There were no child nor forced labor in the Company's operation, and the Group was not aware of laws and regulations relating to preventing child and forced labor during the year.

During the employment process, at least two rounds of interview are organised for applicants. All certified application documents are properly kept. The employment process is arranged and monitored by our Human Resources Department in order to ensure full compliance of relevant laws and regulations that prohibit child and forced labour.

B5. Supply Chain Management

Our supply chain includes:

- Business that provide specialist professional and advisory services and that support our staff and their work environment.
- Financial product providers including insurance, MPF funds, investment funds and other financial products.
- Third-party partners and contractors.

Principle in Selection of Suppliers

Sustainability is a key element of our supply chain management. Observing international conventions and addressing environmental, social and governance risks, we take great importance to sound ESG practices among our suppliers and a general culture of integrity in all matters. We work with those suppliers that demonstrate best practice. Dedicated due diligence processes are also part of our existing supply chain management and monitoring system. This includes conducting supplier and third-party assessments where necessary, as well as requesting information on employment and environmental practices from selected material suppliers. Supplier relationships are also actively managed, with ongoing due diligence and review meetings.

Business Partner and Product Due Diligence

Our business partners include life insurers, general insurers, MPF providers, investment funds and bank services. We scrupulously identify a corporation if our business unit would like to establish a business relationship with them. In order to meet with this purpose, a Due Diligence Questionnaire ("DDQ") is required to be completed and subject to Legal and Compliance Department's (the "LCD") approval. The procedures are expected to reduce the risk derived from our supply chain.

In selecting products from our business partners, we take into account suitability of the products for our consultants and their potential customers. This is done by considering risk in the underlying product, whether it meets needs and the ability of our consultants to advise their customers appropriately. A new Group Product Policy was introduced in October 2019 to strengthen the oversight and governance arrangements over new, modified and withdrawn products.

Contractor Due Diligence

In our contractor selection process, Procurement Department is responsible to conduct procurement activities based on the Procurement Policy before engaging any contractor.

B6. Product Responsibility

Brand Manifesto

When we think twice about making even the smallest daily decisions, our life planning deserves to be considered even more seriously. Every decision lead to a far-reaching impact. It's important to make a wise judgment. But with the large variety of financial products on the market, it's difficult for us to analyze and compare among them.

At Convoy, we value each of customer's financial decisions. Since introducing the concept of 'Financial Adviser' years ago, we have strived to analyze the merits of every product. By providing the best financial solutions, we help our clients make right choices.

We do not represent any financial product providers. All we represent is our client. From our client's perspective, we select the best financial products, to support our client in realizing our client's goals at different stages of life.

As the industry leader we set a benchmark by upholding Passion, Integrity and Professionalism:

- Our passion is to always ready to offer a wide range of product choices.

- Our integrity promises that we only represent our clients.

- Our professionalism is to ensure the excellence of our financial products.

During the year, the Group was not aware of any material non-compliance with the laws and regulations relating to health and safety, advertising, labelling, privacy matters relating to the products and services provided and method of redress.

Communication with Customers

We establish customer satisfaction goals and use a broad range of communication channels and surveys to gauge customer needs and expectations, aiming to use these feedbacks to improve the quality of our products, services and processes.

Promotion of Customer Education by Various Channels

During the Year, we published customer/market education columns regularly on education of financial knowledge.

Fintech Development

Convoy has been actively developing our fintech initiatives over the past few years. By securing a series of strategic fintech investments, we are equipped to achieve our business vision to provide innovative services and experience to both existing and prospective customers.

Responsible and Value-added Advertising

We attach great importance to our advertising activities in order to ensure its compliance and provide value to the customers. All advertising and marketing materials shall be reviewed by our Marketing Department (the "MKT") and the LCD prior to issuance. If applicable, the MKT and LCD will place additional conditions or request further information for approval of the marketing materials.

Complaints Handling Procedure

We have procedures in place to manage complaints from our customers in a timely, robust and professional manner, while at all times doing so in a regulatorily compliant way. Customer can make their complaints through telephone, email or by website.

Our complaints handling procedure aims to:

- Resolve customers' complaints in a fair, timely, transparent and effective manner and to balance the interests of customers, consultants and the Group.

- Align the complaint handling process with our commitments to quality service as well as the corporate image.

Regulated Business

There is comprehensive written policy to guide the employees, control and safeguard the operation flow. Also, we have regular trainings and notifications to employees and management regarding the update of rules and regulations.

Data Privacy and Protection

Trust and confidence are place in Convoy to properly handle personal information of our customers, employees and business partners. As such, comprehensive data privacy policy and guidelines ("the Privacy Policies") are in place. These policies are communicated to all employees when they join the Group and are regularly reinforced.

Our employees are required to comply with the Privacy Policies in addition to all applicable data privacy laws and regulations. Employees are required to safeguard customers' data and are prohibited from disclosing customers' information to unauthorized parties.

Data Handling Procedures

Regarding the handling of data of employees, customers, suppliers and other relevant parties, we have comprehensive policies and procedures which include (i) explanation of definition of data, (ii) procedures in data processing/transferring, (iii) recording and filing policy, (iv) data retention policy, (v) department responsibilities and (vi) handling of incident. These policies and procedures are binding on all employees of the Group.

For information security, we classified the data into four types namely Restricted, Confidential, Internal and Public. Our Chief Digital Officer is responsible for ensuring Convoy at all time complies with the requirements and legislations, both external and internal.

B7. Anti-corruption

Except for the circumstances mentioned in our Group Gift and Entertainment Policy, employees must not accept or solicit any gift or inducement for the benefit of themselves or any of their family members from a customer or counterparty which might be expected to compromise their independence. All employees should actively discourage any customer of the Group or any individual or entity doing or seeking to do business with the Group from offering personal benefits of all kinds provided that (i) there is no reasonable likelihood of improper influence on the performance by them of their duties on behalf of the Group; (ii) the personal benefit concerned is not accepted in connection with a function referred to in the Securities and Futures Commission and Insurance Authority's Code of Conduct.

In general, the following must be observed when giving or receiving gift or entertainment to and from any Customers and Business Partners of the Group:

- the value of the gift or entertainment must commensurate with the circumstances;
- the gift or entertainment must not be given/received with an intent to influence or reward any individual or any entity regarding any business or transaction involving the entity of the Group; and
- the gift or entertainment given/received must not give rise to a conflict of interest that are either actual, potential or appearance thereof.

During the year, the Group was not aware of any material non-compliance with the laws and regulations related to anti-corruption.

Anti-Money Laundering ("AML") and Counter Terrorist Financing ("CTF")

The Group has implemented risk-based AML procedures to help ensure compliance with the applicable AML regulations. Each employee is accountable for ensuring compliance with all laws, regulations, guidelines, and ethical standards impacting his or her role.

AML is an obligation on organizations to prevent "dirty" money from being "laundered" through financial systems in order to take on the appearance of legitimate funds.

CTF is the strategy to cut off the wilful provision or collection of funds with the intention of using the funds to facilitate or carry out terrorist acts.

The online course "AML and CTF Compliance Programme" has been designed for all employees to learn to detect and prevent the types of suspicious activities that might indicate criminal intent to launder money and finance terrorism. All staff and consultants (new and existing) are required to complete this course on the eLearning platform. New joiners are required to complete the program upon joining. Failing to complete may result in disciplinary consequences.

Convoy Initiates Legal Actions to Recover potential Improperly Diverted Funds

Please refer to Note 53: Litigation to the Consolidated Financial Statements.

B8. Community Investment

Being a corporate citizen, we are committed to cultivate good corporate social responsibility and contribute to the society through different initiatives and programs. In our social activities, there are full participation of our Convoy Volunteers, Convoy Runner and management. ConvoySR is the culture, practice and philosophy of Convoy for every management and employees.

Corporate Initiatives

Promoting Fair Trade

Convoy promoted healthy living, fair trade, and social justice by giving out fair trade souvenirs to colleagues and partners.

Blood Donation Day

In October 2019, Convoy and Hong Kong Red Cross co-organized a two-day blood donation drive, which was enthusiastically supported by more than 100 Convoy staff.

"Bring Our Kids To Work Day"

Convoy demonstrated its family-friendly culture by organizing a "Bring Our Kids To Work Day" to encourage colleagues to bring their kids to the office. Convoy interns played the role of 'buddy' and participated in specially organized art and craft workshops together with the visiting children.

Support "Say Yes to Breastfeeding"

Putting the family-friendly policy into action, Convoy joined the "Say Yes to Breastfeeding" Campaign initiated by Hong Kong Committee for UNICEF by setting up and further upgrading breastfeeding facilities to ensure the best care for its working-mother employees.

Support "Enough Plastic" Campaign

Convoy supported the "Enough Plastic" campaign, encouraging colleagues to live a greener life by using less disposable plastic tableware.

Convoy Volunteer Team

"Everyone Volunteers" Mid-Autumn Elderly Visit

The Convoy management team, accompanied by 120 Convoy volunteers, joined hands with Saint James' Settlement to visit the elderly community. On the day of the event, the volunteer team specially prepared blessing bags that full of daily necessities and food for the elderly to celebrate the Mid-Autumn Festival. In addition to giving gifts, the volunteers helped to assess the elderly residents' living environment and health condition for follow up by social workers.

Hong Kong Dog Rescue

In April 2019, a team of Convoy Volunteer visited Hong Kong Dog Rescue, showing love to the abandoned dogs by taking them on walks.

Food Angel

In March 2019, a team of Convoy Volunteer helped at Food Angel, utilizing food resources to minimize wastage.

Donation

During the year, we had donated to the following charitable institutions/activities:

- Elderly
- Convoy Volunteer Team
- Environmental Protection
- The Green Earth

Awards for our Social Responsibility

Hong Kong Corporate Citizenship Award

We have been awarded the 9th "Hong Kong Outstanding Corporate Citizenship Logo". The award is to recognize companies that integrate corporate citizenship concept into management strategies and operations and achieve outstanding results in fulfilling social responsibilities. Also, the award recognizes Convoy effort in organizing and implementing corporate volunteer activities.

Fair Trade Corporate Label

We have been awarded the 2019 Fair Trade Corporate Label (Bronze). The award is to recognize corporations with strong commitment to Fair Trade in their operations for supporting Hong Kong to be a Fair-Trade Town, advocating Fair Trade in the market, and raising awareness of Fair Trade in the company.

中汇
ZHONGHUI

TO THE SHAREHOLDERS OF
Convoy Global Holdings Limited
康宏環球控股有限公司
(Incorporated in the Cayman Islands with limited liability)

QUALIFIED OPINION

We have audited the consolidated financial statements of Convoy Global Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 74 to 174, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR QUALIFIED OPINION

(I) LOANS RECEIVABLE

Included in loans receivable on the consolidated statement of financial position as at 31 December 2019 and 2018 were loans receivable of approximately HK$200,776,000 and HK$345,354,000 respectively which were granted to certain borrowers. We were unable to obtain sufficient appropriate audit evidence and reasonable explanation to substantiate the commercial substance and nature of the relevant transactions and the relationship between the Group and these borrowers.

Included in revenue on the consolidated statement of profit or loss and other comprehensive income for the years ended 31 December 2019 and 2018 amounted to HK$30,038,000 and HK$44,336,000 respectively, representing interest income from loan financing and margin financing, in relation to the abovementioned loans receivable. We were unable to obtain sufficient appropriate audit evidence and reasonable explanation to substantiate the nature of the relevant transactions between the Group and these borrowers.

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of loans receivable of approximately HK$16,460,000 and HK$103,508,000 respectively as at 31 December 2019 and 2018 and whether the impairment loss of HK$87,048,000 and HK$Nil for the years ended 31 December 2019 and 2018 were appropriately recorded.

BASIS FOR QUALIFIED OPINION (CONTINUED)

(II) INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Included in investments at fair value through profit or loss on the consolidated statement of financial position as at 31 December 2019 and 2018 were investment in a convertible note receivable (the "Note") of approximately HK$Nil and HK$Nil respectively. Such Note arose from a restructuring (the "Loan Restructuring") of an unsecured loan (the "Unsecured Loan") during the year ended 31 December 2016. We were unable to obtain sufficient appropriate audit evidence and reasonable explanation to substantiate the commercial substance and nature of the grant of the Unsecured Loan and the subsequent Loan Restructuring during the year ended 31 December 2016.

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the carrying amount of the investment in a convertible note receivable of approximately HK$Nil and HK$Nil respectively as at 31 December 2019 and 2018 and whether the fair value loss of approximately HK$Nil and HK$Nil respectively for the years ended 31 December 2019 and 2018 were appropriately recorded.

Included in investments at fair value through profit or loss on the consolidated statement of financial position as at 31 December 2019 and 2018 were investment in unlisted fund investments of approximately HK$74,603,000 and HK$57,217,000 respectively. We were unable to obtain sufficient appropriate audit evidence and reasonable explanation to substantiate the commercial substance and nature of the relevant transactions.

Included in investments at fair value through profit or loss on the consolidated statement of financial position as at 31 December 2019 and 2018 were investment in unlisted fund investments of approximately HK$129,603,000 and HK$112,217,000 respectively. We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the carrying amount of investment in unlisted fund investments of approximately HK$129,603,000 and HK$112,217,000 as at 31 December 2019 and 2018, and whether the fair value gain of investments at fair value through profit or loss of approximately HK$27,881,000 for the year ended 31 December 2019 and fair value loss of investments at fair value through profit or loss of approximately HK$20,299,000 for the year ended 31 December 2018 were appropriately recorded.

(III) ACQUISITION OF A SUBSIDIARY IN 2016

The Group acquired a subsidiary in 2016 with net book value of approximately HK$89,338,000 at a consideration of approximately HK$89,338,000. No purchase price allocation had been performed on the date of acquisition of the said subsidiary and we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the accuracy and valuation of recognising and measuring goodwill or a gain from a bargain purchase in relation to the acquisition of a subsidiary in 2016 in accordance with HKFRS 3 "Business Combinations" .

(IV) INVESTMENT IN AN ASSOCIATE

Included in investments in associates on the consolidated statement of financial position as at 31 December 2019 and 2018 were investment in an associate of approximately HK$76,424,000 and HK$72,376,000 respectively. We were unable to obtain sufficient appropriate audit evidence and reasonable explanation to substantiate the commercial substance and nature of the relevant transactions and the relationship between the Group and the vendor.

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the carrying amount of the abovementioned investment of approximately HK$76,424,000 and HK$72,376,000 respectively as at 31 December 2019 and 2018, and as to the share of loss of associates of approximately HK$4,899,000 and HK$7,732,000 respectively in relation to the abovementioned investment for the years ended 31 December 2019 and 2018.

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether the Group has control over the abovementioned investment for the years ended 31 December 2019 and 2018.

BASIS FOR QUALIFIED OPINION (CONTINUED)

(V) 2015 PLACING SHARES RESERVE

Included in reserves on the consolidated statement of financial position as at 31 December 2019 and 2018 was a reserve in relation to one placement of the Company's shares which took place on 29 October 2015 (the ''Placement") of approximately HK$2,415,623,000. We were unable to obtain sufficient appropriate audit evidence and reasonable explanation to substantiate the outcome of the litigation as stipulated in note 53(a) to the notes to consolidated financial statements, as well as the accounting treatment on the Placements.

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the accuracy on the calculation of loss per share attributable to owners of the company for the years ended 31 December 2019 and 2018.

(VI) FUND TRANSFER TRANSACTIONS BETWEEN SUBSIDIARIES AND A TRUSTEE OF A SUBSIDIARY (THE "TRUSTEE")

Included in prepayments, deposits and other receivables on the consolidated statement of financial position as at 31 December 2019 and 2018 was other receivable of the Trustee of approximately HK$Nil and HK$Nil respectively, against which an impairment loss of approximately HK$Nil and HK$Nil respectively had been made for the years ended 31 December 2019 and 2018. We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the carrying amount of the other receivable of the Trustee of approximately HK$Nil and HK$Nil respectively as at 31 December 2019 and 2018, and whether the impairment loss related to the other receivable of the Trustee of approximately HK$Nil and HK$Nil respectively for the years ended 31 December 2019 and 2018 were appropriately recorded.

Included in other payables and accruals on the consolidated statement of financial position as at 31 December 2019 and 2018 was other payable of the Trustee of approximately HK$239,498,000 and HK$239,498,000 respectively. We were unable to obtain sufficient appropriate audit evidence to assess the accuracy and completeness of the above liability. There are no other satisfactory alternative procedures that we could perform to satisfy ourselves that this balance as at 31 December 2019 and 2018 was free from material misstatement and the related disclosures have been properly recorded and reflected in the consolidated financial statements of the Company.

(VII) PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Included in prepayments, deposits and other receivables on the consolidated statement of financial position as at 31 December 2019 was other receivable of clawback of approximately HK$4,151,000, against which an impairment loss of approximately HK$31,757,000 had been made for the year ended 31 December 2019. We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of other receivable of clawback of HK$4,151,000 as at 31 December 2019, against which an impairment loss of approximately HK$31,757,000 had been made for the year ended 31 December 2019. There are no other satisfactory audit procedures that we could adopt to determine whether any allowance for non-recovery of the amount should be made in the consolidated financial statements.

BASIS FOR QUALIFIED OPINION (CONTINUED)

(VIII) EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Included in equity investments at fair value through other comprehensive income on the consolidated statement of financial position as at 31 December 2019 were investment in an unlisted equity investment of approximately HK$169,777,000. We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the carrying amount of investment in the unlisted equity investment of approximately HK$169,777,000 as at 31 December 2019, and whether the change in fair value of equity investments at fair value through other comprehensive income of approximately HK$11,798,000 for the year ended 31 December 2019 were appropriately recorded.

Any adjustments to the figures as described above might have a consequential effect on the Group's result and cashflows for the years ended 31 December 2019 and 2018, and the financial positions of the Group as at 31 December 2019 and 2018, and the related disclosures thereof in the consolidated financial statements.

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 qualified opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2 to the consolidated financial statements which mentions that the Group incurred loss attributable to owners of approximately HK$540,434,000 for the year ended 31 December 2019 and as at 31 December 2019 the Group had operating cash outflow of approximately HK$598,762,000. In addition, the cash and cash equivalents and pledged bank deposit of the Group as at 31 December 2019 amounted to approximately HK$716,723,000 and HK$10,325,000 respectively. These conditions indicate a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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. In addition to the matters described in the Basis for Qualified Opinion section and the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

(I) IMPAIRMENT OF LOANS RECEIVABLE

Refer to note 26 to the consolidated financial statements

The Group tested the amount of loans receivable for impairment. This impairment test is significant to our audit because the balance of loans receivable of HK$519,966,000 as at 31 December 2019 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on estimates.

KEY AUDIT MATTERS (CONTINUED)

(I) IMPAIRMENT OF LOANS RECEIVABLE (CONTINUED)

Our audit procedures included, among others:

— Selecting samples based on the significance of the outstanding loan amount and examined their financial performance by reviewing the credit assessment performed by the Group, including recoverable cash flows, repayment history and compared the current market value of collateral;

— Obtaining direct confirmation of selected accounts; and

— Examining the ageing analysis, checked subsequent settlement and considered the credit standing and historical repayment pattern of the counterparties and loss experience for assets with similar credit risk characteristics.

We consider that the Group's impairment test for loans receivable is supported by the available evidence.

(II) VALUATION OF FINANCIAL INSTRUMENTS UNDER LEVEL 3

Refer to note 7 to the consolidated financial statements

The Group has a portfolio of financial instruments, which consisted of equity investments at fair value through other comprehensive income and investments at fair value through profit or loss, which are measured at fair value. As at 31 December 2019, financial instruments amounting to HK$1,066,615,000 were categorised as Level 3 within the fair value hierarchy without qualification, representing 23% of the Group' s total assets. For Level 3 valuation, the Group has applied valuation techniques to determine the fair value of financial instruments that are not quoted in active markets. These valuation techniques, in particular those that included significant unobservable inputs, involved subjective judgements and assumptions. The sensitivity of the assumptions used may have material impact on the valuation of these financial instruments.

Our audit procedures included, among others:

— Assessing the competence, independence and integrity of the external valuer engaged by client and our own engaged valuer;

— Obtaining the external valuation reports and meeting with the external valuer, with the assistance of our own engaged valuer, to discuss and challenge the valuation process, methodologies used and market evidence to support significant judgments and assumptions applied in the valuation model;

— Obtaining an understanding of the Group's valuation policy, valuation approach and selection consideration for unobservable inputs in determining the fair value of financial instruments;

— Focusing on valuation methodologies and assumptions used for the valuation of financial instruments that were categorised as Level 3 within the fair value hierarchy; and

— Evaluating the valuation techniques, inputs and assumptions, such as market comparables, credit spread, liquidity spread, through comparison with the valuation methodologies that are commonly used in the market and checking unobservable inputs used against available market information.

We consider that the Group's fair value measurement of financial instruments is supported by the available evidence.

KEY AUDIT MATTERS (CONTINUED)

(III) REVENUE RECOGNITION OF IFA COMMISSION INCOME UNDER IFA BUSINESS AND VALUATION OF CONTRACT ASSETS

Refer to note 9 and note 28 to the consolidated financial statements

For the year ended 31 December 2019, the Group's revenue recognition of IFA commission income under IFA business approximately HK$907,001,000 represented 95% of the total revenue. As at 31 December 2019, the Group's contract assets of approximately HK$778,630,000 represented 17% of the total assets. Significant judgements were involved in assessing the ultimate expected values of income stream from contracts between the Group and product issuers in relation to IFA segment. Operating assumptions such as mortality, persistency and loss ratio are the key assumptions used to estimate these income stream.

Our audit procedures included, among others:

— Testing the Group's internal controls over the valuation assessment process of the revenue recognition and the contract assets;

— Assessing the competence, independence and integrity of the external actuary engaged by client;

— Understanding the valuation methodologies used, identified changes in methodologies from previous valuation and assessed the reasonableness and impact for material changes identified, by applying our industry knowledge and experience to compare whether the methodologies and changes to those are consistent with recognised actuarial practices and expectation derived from market experience;

— Evaluating assumptions used in the actuarial models for the valuation of revenue recognition and contract assets by reference to relevant company's specific and industry historical data, and for future development by reference to market trends and market volatility, where applicable; and

— Testing the mathematical accuracy of the calculation.

We consider that the Group's revenue recognition of IFA commission income under IFA business and valuation of contract assets are supported by the available evidence.

OTHER INFORMATION

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

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Qualified Opinion section above, we were unable to obtain sufficient appropriate evidence about the loans receivable, investments at fair value through profit or loss, acquisition of a subsidiary in 2016, investment in an associate, 2015 placing shares reserve, fund transfer transactions between subsidiaries and a trustee of a subsidiary, prepayments, deposits and other receivables and equity investments at fair value through other comprehensive income. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to these matters.

RESPONSIBILITIES OF 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.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at: http://www.hkicpa.org.hk/en/standards-and-regulations/standards/auditing-assurance/auditre/

This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Sze Lin Tang
Audit Engagement Director
Practising Certificate Number P03614
Hong Kong, 17 February 2021

Consolidated Statement of
Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
REVENUE	9	**957,708**	802,739
Other income and gains, net	9	**21,257**	53,886
Commission and advisory expenses		**(757,933)**	(561,821)
Staff costs	12	**(254,388)**	(294,775)
Depreciation charge of property, plant and equipment	17	**(3,834)**	(27,663)
Depreciation charge of right-of-use assets	18	**(59,383)**	–
Loss attributable to non-controlling investors of investment funds	39	**1,178**	1,609
Other expenses	12	**(268,223)**	(504,698)
Finance costs	10	**(44,159)**	(46,107)
Impairment of financial assets	12	**(125,307)**	(26,734)
Share of losses of associates		**(4,745)**	(11,064)
Share of loss of a joint venture		**–**	(1,857)
LOSS BEFORE TAX		**(537,829)**	(616,485)
Income tax expenses	11	**(2,524)**	(5,164)
LOSS FOR THE YEAR	12	**(540,353)**	(621,649)
Other comprehensive income after tax:			
Items that will not be reclassified to profit or loss:			
Gains on property revaluation		**12,929**	–
Change in fair value of equity investments at fair value through other comprehensive income		**11,798**	8,014
Items that may be reclassified to profit or loss:			
Exchange differences reclassified to profit or loss on disposal of subsidiaries		**96**	–
Exchange differences on translating foreign operations		**304**	(1,306)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**25,127**	6,708
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(515,226)**	(614,941)
(LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		**(540,434)**	(617,802)
Non-controlling interests		**81**	(3,847)
		(540,353)	(621,649)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		**(514,578)**	(611,094)
Non-controlling interests		**(648)**	(3,847)
		(515,226)	(614,941)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	16		
Basic (HK cents)		**(6.95)**	(7.94)
Diluted (HK cents)		**(6.95)**	(7.94)

Consolidated Statement of Financial Position

As at 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment	17	**13,059**	25,655
Right-of-use assets	18	**38,375**	–
Investment properties	19	**88,100**	65,500
Intangible assets	20	**–**	–
Investments in associates	21	**78,034**	73,832
Investment in a joint venture	22	**–**	–
Deferred tax assets	23	**221**	220
Equity investments at fair value through other comprehensive income	24	**169,777**	157,979
Investments at fair value through profit or loss	25	**1,191,250**	1,035,461
Loans receivable	26	**353,600**	312,000
Prepayments, deposits and other receivables	27	**31,056**	24,226
Contract assets	28	**546,444**	448,125
Restricted cash	29	**6,009**	15,754
		2,515,925	2,158,752
Current assets			
Investments at fair value through profit or loss	25	**368,064**	447,732
Accounts receivable	30	**58,550**	58,784
Contract assets	28	**232,186**	211,136
Loans receivable	26	**182,826**	333,820
Prepayments, deposits and other receivables	27	**246,243**	131,591
Due from an associate	31	**12,504**	11,330
Due from a director	32	**723**	723
Tax recoverable		**40,306**	41,351
Cash held on behalf of clients	33	**248,673**	309,648
Pledged bank deposit	34	**10,325**	10,250
Cash and cash equivalents	34	**716,723**	1,402,246
		2,117,123	2,958,611
Current liabilities			
Accounts payable	35	**573,098**	571,306
Other payables and accruals	36	**448,175**	435,163
Due to related parties	37	**1,082**	353
Net assets attributable to redeemable participation rights	39	**4,214**	5,392
Interest-bearing bank and other borrowings	40	**1,070**	–
Lease liabilities	41	**32,907**	–
Tax payable		**10,450**	12,470
		1,070,996	1,024,684

Consolidated Statement of Financial Position

As at 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Net current assets		**1,046,127**	1,933,927
Total assets less current liabilities		**3,562,052**	4,092,679
Non-current liabilities			
Accounts payable	35	**281,656**	249,833
Other payables and accruals	36	**30,595**	64,922
Issued bonds	38	**492,639**	525,487
Lease liabilities	41	**6,059**	–
Deferred tax liabilities	23	**1,384**	1,392
		812,333	841,634
NET ASSETS		**2,749,719**	3,251,045
Equity attributable to owners of the Company			
Share capital	42	**777,860**	777,860
Reserves	43	**1,996,103**	2,510,669
		2,773,963	3,288,529
Non-controlling interests		**(24,244)**	(37,484)
TOTAL EQUITY		**2,749,719**	3,251,045

Ng Wing Fai
Director

Yap E Hock
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Attributable to owners of the Company																	
	Issued capital	Share premium account	2015 placing shares reserve	Capital reserve	Merger reserve	Warrant reserve	Shares held for share award scheme	Share option reserve	Equity investments at fair value through other comprehensive income reserve	Exchange fluctuation reserve	Reserve funds	Legal reserve	Revaluation reserve	Other reserves	Accumulated losses	Total	Non-controlling interests	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2018	777,860	1,916,453	2,415,623	(64,379)	(1,920)	776	(723)	43,024	–	26,683	686	49	–	(4,222)	(1,205,399)	3,904,511	(39,943)	3,864,568
Loss for the year	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(617,802)	(617,802)	(3,847)	(621,649)
Other comprehensive income/(loss) for the year																		
Change in fair value of equity investments at fair value through other comprehensive income	–	–	–	–	–	–	–	–	8,014	–	–	–	–	–	–	8,014	–	8,014
Exchange differences on translating foreign operations	–	–	–	–	–	–	–	–	–	(1,306)	–	–	–	–	–	(1,306)	–	(1,306)
Total comprehensive income/(loss) for the year	–	–	–	–	–	–	–	–	8,014	(1,306)	–	–	–	–	(617,802)	(611,094)	(3,847)	(614,941)
Reversal of warrant reserve	–	–	–	–	–	(776)	–	–	–	–	–	–	–	–	776	–	–	–
Transfer to reserve funds	–	–	–	–	–	–	–	–	–	–	146	–	–	–	(146)	–	–	–
Acquisition of non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	(4,888)	–	(4,888)	4,888	–
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1,418	1,418
At 31 December 2018	777,860	1,916,453	2,415,623	(64,379)	(1,920)	–	(723)	43,024	8,014	25,377	832	49	–	(9,110)	(1,822,571)	3,288,529	(37,484)	3,251,045
At 1 January 2019	**777,860**	**1,916,453**	**2,415,623**	**(64,379)**	**(1,920)**	**-**	**(723)**	**43,024**	**8,014**	**25,377**	**832**	**49**	**-**	**(9,110)**	**(1,822,571)**	**3,288,529**	**(37,484)**	**3,251,045**
Loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(540,434)**	**(540,434)**	**81**	**(540,353)**
Other comprehensive income/(loss) for the year																		
Gains on property revaluation	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**12,929**	**-**	**-**	**12,929**	**-**	**12,929**
Change in fair value of equity investments at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**11,798**	**-**	**-**	**-**	**-**	**-**	**-**	**11,798**	**-**	**11,798**
Exchange differences reclassified to profit or loss on disposal of subsidiaries	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**96**	**-**	**-**	**-**	**-**	**-**	**96**	**-**	**96**
Exchange differences on translating foreign operations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,033**	**-**	**-**	**-**	**-**	**-**	**1,033**	**(729)**	**304**
Total comprehensive income/(loss) for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**11,798**	**1,129**	**-**	**-**	**12,929**	**-**	**(540,434)**	**(514,578)**	**(648)**	**(515,226)**
Share option lapsed	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(43,024)**	**-**	**-**	**-**	**-**	**-**	**-**	**43,024**	**-**	**-**	**-**
Transfer to reserve funds	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**202**	**-**	**-**	**-**	**(202)**	**-**	**-**	**-**
Acquisition of subsidiaries	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**452**	**452**
Acquisition of non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**12**	**-**	**12**	**(12)**	**-**
Disposal of subsidiaries	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**91**	**(91)**	**-**	**13,448**	**13,448**
At 31 December 2019	**777,860**	**1,916,453**	**2,415,623**	**(64,379)**	**(1,920)**	**-**	**(723)**	**-**	**19,812**	**26,506**	**1,034**	**49**	**12,929**	**(9,007)**	**(2,320,274)**	**2,773,963**	**(24,244)**	**2,749,719**

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	2019 HK$'000	2018 HK$'000
Cash flows from operating activities		
Loss before tax	**(537,829)**	(616,485)
Adjustments for:		
Interest income	**(5,779)**	(5,047)
Change in fair value of investment properties	**3,852**	100
Loss on disposal of items of property, plant and equipment	**2**	978
Loss/(Gain) on disposal of subsidiaries	**8,469**	(38,413)
Loss on disposal of an associate	**–**	5,353
Gain on bargain purchase of subsidiaries	**(10,980)**	–
Written back of other payables and accruals	**–**	(311)
Depreciation	**63,217**	27,663
Impairment of loans receivable	**87,048**	3,545
Impairment of prepayments, deposits and other receivables	**38,259**	21,196
Impairment of accounts receivable	**–**	1,048
Impairment of property, plant and equipment	**308**	11,963
Impairment of amount due from a joint venture	**–**	945
Share of losses of associates	**4,745**	11,064
Share of loss of a joint venture	**–**	1,857
Finance costs	**44,159**	46,107
Gain on early termination of lease	**(1,536)**	–
Operating cash flows before working capital changes	**(306,065)**	(528,437)
Change in accounts receivable	**234**	41,729
Change in contract assets	**(104,141)**	64,138
Change in loans receivable	**(18,034)**	66,051
Change in prepayments, deposits and other receivables	**(152,973)**	(106,134)
Change in financial liabilities at fair value through profit and loss	**–**	(167)
Change in investments at fair value through profit or loss	**(76,121)**	108,300
Change in equity investments at fair value through other comprehensive income	**–**	(149,965)
Change in balance with related parties	**729**	353
Change in amount due from a joint venture	**–**	(301)
Change in amount due from an associate	**(1,174)**	(8,496)
Change in cash held on behalf of clients	**60,975**	99,583
Change in accounts payable	**32,577**	(140,389)
Change in other payables and accruals	**(30,157)**	(92,919)
Change in net assets attributable to redeemable participation rights	**(1,178)**	(1,609)

For the year ended 31 December 2019

	2019 HK$'000	2018 HK$'000
Cash used in operations	**(595,328)**	(648,263)
Hong Kong profit tax (paid)/refunded	**(3,434)**	1,370
Net cash used in operating activities	**(598,762)**	(646,893)
Cash flows from investing activities		
Interest received	**5,779**	5,047
Capital distribution from associates	**–**	18,360
Purchases of property, plant and equipment	**(4,610)**	(2,008)
Proceeds from disposal of property, plant and equipment	**1**	1,318
Proceeds from disposal of subsidiaries	**6,436**	(176)
Proceeds from disposal of an associate	**–**	57,800
Acquisition of subsidiaries	**1,260**	–
Investment in associates	**(8,947)**	–
Deposits paid for purchases of items of property, plant and equipment	**(1,485)**	(1,096)
Decrease/(increase) in restricted cash	**8,969**	(66)
Increase in pledged bank deposit	**(75)**	(81)
Net cash generated from investing activities	**7,328**	79,098
Cash flows from financing activities		
Principal portion of lease payments	**(57,434)**	–
Interest paid	**(36,981)**	(50,328)
Net cash used in financing activities	**(94,415)**	(50,328)
Net decrease in cash and cash equivalents	**(685,849)**	(618,123)
Cash and cash equivalents at 1 January	**1,402,246**	2,021,552
Effect of foreign exchange rate changes, net	**326**	(1,183)
Cash and cash equivalents at 31 December	**716,723**	1,402,246
Analysis of cash and cash equivalents		
Cash and bank balances	**586,723**	1,002,246
Non-pledged time deposits with original maturity of less than three months when acquired	**130,000**	400,000
	716,723	1,402,246

1. CORPORATE AND GROUP INFORMATION

Convoy Global Holdings Limited (the "Company") is a limited liability company incorporated in the Cayman Islands on 12 March 2010. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

During the year, the Group was principally engaged in the IFA business, money lending business, proprietary investment business, asset management business, corporate finance business and securities dealing business.

INFORMATION ABOUT SUBSIDIARIES

Particulars of the Company's principal subsidiaries are as follows:

Name of subsidiary	Notes	Place of incorporation/ registration and business	Issued ordinary/ paid-up share capital	Percentage of equity interest attributable to the Company 2019	2018	Principal activities
Convoy Financial Services Limited ("CFS")		Hong Kong	HK$501,000,000	**100%**	100%	Provision of insurance and MPF scheme brokerage services
深圳康宏信息咨詢有限公司	(b)	PRC	RMB150,500,000	**100%**	100%	Provision of administrative services
CFSH (Macau) Limited		Hong Kong	HK$100	**100%**	100%	Investment holding
Convoy Insurance Brokers (Macau) Limited ("CIBM")	(a)	Macau	MOP100,000	**100%**	100%	Provision of insurance brokerage services
Convoy China Limited		BVI	US$1	**100%**	100%	Investment holding
深圳前海康宏匯資產管理有限公司 ("康宏前海")	(c)/(f)	PRC	RMB20,000,000	**100%**	100%	Provision of asset management services
Convoy China Group Limited		BVI	US$100	**100%**	100%	Investment holding
CIB Holdings Limited		Hong Kong	HK$1	**100%**	100%	Provision of referral services
CCIA Holdings Limited		BVI	US$13,647	**91%**	91%	Investment holding
Convoy China Insurance Agency Co., Limited		Hong Kong	HK$2	**91%**	91%	Investment holding and management of business development
Convoy China Financial Services Holdings Limited		Hong Kong	HK$10	**91%**	91%	Investment holding
康宏碧升保險代理有限公司 ("BIS")	(d)/(e)	PRC	N/A	**0%**	69%	Provision of insurance brokerage services
康宏碧升保險代理有限公司 (四川分公司)("BIC")	(c)	PRC	N/A	**0%**	69%	Provision of insurance brokerage services
江西康宏泛誠保險代理有限公司 ("JXH")	(c)	PRC	N/A	**0%**	69%	Provision of insurance brokerage services
正好網絡諮詢(深圳)有限公司 (formerly known as "康宏保險銷售服務(深圳)有限公司") ("SSZ")	(b)	PRC	RMB10,000,000	**91%**	91%	Provision of insurance brokerage services
康宏財富投資管理(北京)有限公司 ("CBJ")	(b)	PRC	RMB10,000,000	**91%**	91%	Provision of investment advisory and corporate marketing services
康宏財富投資管理(北京)有限公司 — 深圳分公司	(c)	PRC	N/A	**91%**	91%	Provision of investment advisory and corporate marketing services
Convoy China Holdings Limited		Hong Kong	HK$1	**100%**	100%	Investment holding

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

INFORMATION ABOUT SUBSIDIARIES (CONTINUED)

Name of subsidiary	Notes	Place of incorporation/ registration and business	Issued ordinary/ paid-up share capital	Percentage of equity interest attributable to the Company 2019	2018	Principal activities
康宏保險經紀有限公司 ("深圳康宏")	(c)	PRC	RMB50,000,000	**100%**	100%	Provision of insurance brokerage services
康宏保險經紀有限公司 一成都分公司	(c)	PRC	N/A	**100%**	100%	Provision of insurance brokerage services
Convoy Collateral Limited ("CCL")		Hong Kong	HK$100,000	**100%**	100%	Provision of money lending services and proprietary investment
Hero Castle Holdings Limited		Hong Kong	HK$1	**100%**	100%	Investment holding
康宏匯(深圳)股權投資基金管理有限公司	(b)	PRC	US$2,000,000	**100%**	100%	Provision of equity investment management services
深圳市康宏匯健股權投資企業 (有限合夥)	(d)	PRC	RMB92,000,000	**100%**	100%	Equity investment
OnePlatform Asset Management Limited (formerly known as "Convoy Asset Management Limited")		Hong Kong	HK$272,000,000	**100%**	100%	Provision of investment advisory, funds dealing, bond placing, introducing broker and asset management services
Kerberos (Nominee) Limited ("Kerberos")		Hong Kong	HK$1	**100%**	100%	Provision of nominee services
Convoy Fund Management Limited ("CFM")		Cayman Islands	US$1	**100%**	100%	Provision of capital investment and advisory services
DRL Capital ("DRL")	(g)	Cayman Islands	US$100	**100%**	100%	Investment Fund
OnePlatform International Property Limited (formerly known as "Convoy International Property Consulting Company Limited")		Hong Kong	HK$1,200	**100%**	100%	Provision of overseas real estate brokerage services
Wonderful Job Limited		BVI	US$10	**100%**	100%	Investment holding
Convoy Capital Hong Kong Limited ("CCHK")		Hong Kong	HK$25,000,000	**100%**	100%	Provision of corporate finance advisory services
True Surplus International Investment Limited ("True Surplus")		BVI	US$100	**100%**	100%	Holding of an investment fund
Convoy (BVI) Limited		BVI	HK$10,000	**100%**	100%	Investment holding
TAG Financial Holdings Limited (formerly known as "Convoy Financial Holdings Limited")		Hong Kong	HK$1	**100%**	100%	Management of business
Clever Path Holdings Limited		BVI	US$1	**100%**	100%	Investment holding
TAG Asia Capital Limited (formerly known as "Convoy Capital Limited")		Hong Kong	HK$5,000,000	**100%**	100%	Proprietary investment
Capital Dragon Holdings Limited		BVI	US$1	**100%**	100%	Investment holding
Convoy International Holdings Limited		BVI	US$1	**100%**	100%	Investment holding
Investor Choice Holdings Limited		BVI/Hong Kong	US$1	**100%**	100%	Proprietary investment
Favour Sino Holdings Limited		BVI	US$1	**100%**	100%	Investment holding
Convoy Financial Solutions Limited ("Convoy Solutions")		Hong Kong	HK$20,500,000	**100%**	100%	Provision of insurance brokerage services
Convoy Wealth Management Limited ("CWM")		Hong Kong	HK$1,000,000	**100%**	100%	Provision of insurance brokerage services
Tandem Asia Group Limited (formerly known as "Focused Developments Limited")		BVI/Hong Kong	US$1	**100%**	100%	Investment holding

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

INFORMATION ABOUT SUBSIDIARIES (CONTINUED)

Name of subsidiary	Notes	Place of incorporation/ registration and business	Issued ordinary/ paid-up share capital	Percentage of equity interest attributable to the Company		Principal activities
				2019	2018	
Great Reap Holdings Limited		BVI	US$1	**100%**	100%	Investment holding
Convoy Platform Limited		Hong Kong	HK$1	**100%**	100%	Provision of insurance brokerage services
Prosper Ocean Investments Limited		BVI	US$1	**100%**	100%	Investment holding
OnePlatform Securities Limited (formerly known as "CSL Securities Limited")		Hong Kong	HK$763,000,000	**100%**	100%	Provision of securities dealing services
TAG Asia Capital Holdings Limited (formerly known as "Convoy Capital Holdings Limited")		BVI	US$1	**100%**	100%	Investment holding
TAG Investment Limited (formerly known as "Convoy Investments Limited")		BVI	US$1	**100%**	100%	Investment holding
TAG Asia Limited (formerly known as "Convoy Finance Limited")		BVI	US$1	**100%**	100%	Investment holding
TAG Technologies Limited (formerly known as "Convoy Technologies Limited")		BVI	US$1	**100%**	100%	Proprietary investment
Convoy Ventures Limited ("CVL")		BVI	US$1	**100%**	100%	Investment holding
Simply Vitality Holdings Limited (formerly known as "Door 2 China Capital Limited")		BVI	US$100	**100%**	100%	Investment holding
Forthwise International Limited ("FIL")		BVI	US$1	**100%**	100%	Proprietary investment
ESI Property Fund	(g)	Cayman Islands	US$100	**100%**	100%	Investment Fund
NSD Capital ("NSD")	(g)	Cayman Islands	US$100	**69%**	56%	Investment Fund
Trendy Reach Holdings Limited		BVI	US$1	**100%**	100%	Investment Fund
Profit Vision Limited		Hong Kong	HK$1	**100%**	100%	Property investment
Convoy Group Limited		BVI	US$80	**100%**	100%	Dormant
N22 Holdings Limited (formerly known as "D2C Capital Hong Kong Limited")		Hong Kong	HK$1	**100%**	100%	Investment Fund
Maxthree Limited		BVI	US$1	**100%**	100%	Investment Fund
Artley Finance (HK) Limited		Hong Kong	HK$169,107,379	**100%**	100%	Provision of money lending services
Hong Kong Credit Corporation Limited ("HKCC")		Hong Kong	HK$139,007,381	**100%**	100%	Provision of money lending services
Star Advance Holdings Limited		BVI	US$1	**100%**	100%	Investment Fund
TAG Creative and Art Limited (formerly known as "Convoy Creative And Art Limited")		Hong Kong	HK$1	**100%**	100%	Dormant
Zeed Asia Technology Limited		Hong Kong	HK$100	**100%**	100%	Provision of internet financial platform and solutions
Guardian Limited		Bermuda	US$1	**100%**	100%	Dormant
Perform Financial Planning Services Limited (formerly known as "Convoy Resources Limited")		Hong Kong	HK$1	**100%**	100%	Provision of talent sourcing services
OnePlatform Holdings Limited (formerly known as "Nutmeg Asia Limited")		Hong Kong	HK$100	**100%**	100%	Dormant
TAG Resources and Technologies (Malaysia) Sdn Bhd (formerly known as "Convoy (Malaysia) Sdn Bhd")		Malaysia	RM 250,000	**100%**	100%	Shared services center

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

INFORMATION ABOUT SUBSIDIARIES (CONTINUED)

Name of subsidiary	Notes	Place of incorporation/ registration and business	Issued ordinary/ paid-up share capital	Percentage of equity interest attributable to the Company		Principal activities
				2019	2018	
N22 Limited		Hong Kong	HK$1	**100%**	100%	Dormant
OnePlatform Wealth Management Limited (formerly known as "GET Mdream Wealth Management Limited")		Hong Kong	HK$7,451,789.76	**96%**	0%	Provision of insurance brokerage services
GMD Holding Group Limited		BVI	USD 10	**100%**	0%	Investment holding
拓新管理咨詢(深圳)有限公司	(b)	PRC	RMB 20,000,000	**100%**	100%	Dormant
康宏保險經紀有限公司 一深圳分公司	(c)	PRC	N/A	**100%**	0%	Provision of investment advisory and corporate marketing services
康宏保險經紀有限公司 一北京分公司	(c)	PRC	N/A	**100%**	0%	Provision of investment advisory and corporate marketing services

Notes:

(a) Share capital of MOP10,000 is held in trust by two directors of CIBM.

(b) Registered as wholly-foreign-owned enterprises under PRC law.

(c) Registered as domestic enterprises under PRC law.

(d) Registered as a non-wholly-foreign-owned enterprise under PRC law.

(e) Share capital of RMB38,000,000 (2018: RMB38,000,000), representing 76% of the equity interest, is held in trust by a member of senior management of the subsidiary.

(f) Share capital of RMB20,000,000 (2018: RMB20,000,000), representing the entire equity interest, is held in trust by a business partner of the Company.

(g) The Group considers that it has ability to control through its representatives on the board of these investment funds and acting as a fund manager. In each of these cases, the Group controls and consolidates 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. The "paid-up share capital" disclosed above represents the net asset value of each of the respective investment funds at the end of the reporting period. During the year, there were no contractual arrangements between the Group to provide financial support to these consolidated structured entities and the Group did not provide financial or other support to these consolidated structured entities and has no intention of providing financial or other support.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, are the major subsidiaries engaged in the principal activities of the Group as described above and include all the licensed corporations that operate in Hong Kong, Macau and PRC. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

2. GOING CONCERN BASIS

The Group incurred loss attributable to owners of approximately HK$540,434,000 for the year ended 31 December 2019 and as at 31 December 2019 the Group had net operating cash outflow of approximately HK$598,762,000. In addition, the cash and cash equivalents and pledged bank deposit of the Group as at 31 December 2019 amounted to approximately HK$716,723,000 and HK$10,325,000 respectively. These conditions indicate a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern.

2. GOING CONCERN BASIS (CONTINUED)

Management considers that the Group has held various investments amounted to approximately HK$1,729,091,000 as at 31 December 2019, which are readily to be realized into cash to repay the Group's liabilities as and when they fall due. Management is also actively discussing with the bondholders of the Group to extend the maturity of the issued bonds on maturity.

In addition, although management is uncertain on the outcome of the litigation as stipulated in note 53(a) to the consolidated financial statements, management is of the view that given the complexity, progress, as well as the uncertainty of the outcome of the litigation, management does not expect a material cash outflow in relation to the litigation in the coming 18 months from the date of this report.

Provided that these measures can successfully improve the liquidity position of the Group, the Directors of the Company are satisfied that the Group will be able to meet its financial obligations as and when they fall due for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 January 2019. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRSs"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years except as stated below.

HKFRS 16 "LEASES"

The impact of the adoption of HKFRS 16 "Leases" ("HKFRS 16") on the Group's financial information and the new accounting policies that have been applied from 1 January 2019, where they are different to those applied in prior periods. The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position on 1 January 2019.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

HKFRS 16 "LEASES" (CONTINUED)

(a) *Adjustments recognised on adoption of HKFRS 16*

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3.45% to 9.84%.

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

The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included.

		Adoption of HKFRS 16		
Consolidated statement of financial position (extract)	**31 December 2018 As originally presented**	**Recognition of leases**	**Recognition of impairment losses**	**1 January 2019 Restated**
	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets				
Right-of-use assets	–	74,445	–	74,445
Non-current liabilities				
Lease liabilities	–	27,679	–	27,679
Current liabilities				
Lease liabilities	–	46,766	–	46,766

The reconciliation of operating lease commitment to lease liabilities is set out below:

	HK$'000
Operating lease commitments disclosed as at 31 December 2018	87,868
Discounted using the lessee's incremental borrowing rate at the date of initial application	83,304
Less: short-term leases recognised on a straight-line basis as expense	(8,859)
Lease liabilities recognised as at 1 January 2019	74,445
Of which are:	
Current liabilities	46,766
Non-current liabilities	27,679
	74,445

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

HKFRS 16 "LEASES" (CONTINUED)

(a) *Adjustments recognised on adoption of HKFRS 16 (continued)*

Practical expedients applied

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

— the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;

— reliance on previous assessments on whether leases are onerous;

— the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short -term leases;

— the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and

— the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17.

(b) *The group's leasing activities and how these are accounted for*

Rental contracts are typically made for fixed periods but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment and prepaid land lease payments were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as right-of-use assets and corresponding liabilities at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

HKFRS 16 "LEASES" (CONTINUED)

(b) *The Group's leasing activities and how these are accounted for (continued)*

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

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

— variable lease payment that are based on an index or a rate;

— amounts expected to be payable by the lessee under residual value guarantees;

— the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and

— payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

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

— the amount of the initial measurement of lease liability;

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

— any initial direct costs; and

— restoration costs.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The application of these new HKFRSs will not have material impact on the consolidated financial statements of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations.

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, equity investments at fair value through other comprehensive income and investments at fair value through profit or loss which are carried at their fair values.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these consolidated financial statements, are disclosed in note 5 to the consolidated financial statements.

The significant accounting policies applied in the preparation of the consolidated financial statements are set out below.

CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. 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. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated exchange fluctuation reserve.

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

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONSOLIDATION (CONTINUED)

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

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

In the Company's statement of financial position the investments in subsidiaries are stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

BUSINESS COMBINATION AND GOODWILL

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the cost of acquisition to calculate the goodwill.

If the changes in the value of the previously held equity interest in the subsidiary were recognised in other comprehensive income (for example, equity investments at fair value through other comprehensive income), the amount that was recognised in other comprehensive income is recognised on the same basis as would be required if the previously held equity interest were disposed of.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of "impairment of assets" as stated in the accounting policy below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units ("CGU") that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ASSOCIATES

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of an associate's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's share of the net assets of that associate plus any remaining goodwill relating to that associate and any related accumulated foreign currency translation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

JOINT ARRANGEMENTS

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Relevant activities are activities that significantly affect the returns of the arrangement. When assessing joint control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has joint control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

A joint arrangement is either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

JOINT ARRANGEMENTS (CONTINUED)

In relation to its interest in a joint operation, the Group recognises in its consolidated financial statements, its assets, including its share of any assets held jointly; its liabilities, including its share of any liabilities incurred jointly; its revenue from the sale of its share of the output arising from the joint operation; its share of the revenue from the sale of the output by the joint operation; and its expenses, including its share of any expenses incurred jointly, in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

Investment in a joint venture is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the joint venture in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of a joint venture's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of a joint venture that results in a loss of joint control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that joint venture and (ii) the Group's share of the net assets of that joint venture plus any remaining goodwill relating to that joint venture and any related accumulated foreign currency translation reserve. If an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

FOREIGN CURRENCY TRANSLATION

(a) *Functional and presentation currency*

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FOREIGN CURRENCY TRANSLATION (CONTINUED)

(b) *Transactions and balances in financial statements*

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(c) *Translation on consolidation*

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

(iii) All resulting exchange differences are recognised in the exchange fluctuation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

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

PROPERTY, PLANT AND EQUIPMENT

Buildings comprise mainly offices. Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The estimated useful lives and residual values are as follows:

Buildings	2%
Leasehold improvements	Over the lease terms
Furniture, fixtures and equipment	20%
Computer equipment	30%
Motor vehicles	30%

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

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

INVESTMENT PROPERTIES

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value based on valuation by an external independent valuer. Gains or losses arising from changes in fair value of the investment property are recognised in profit or loss for the period in which they arise.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference between the carrying amount and the fair value of this item at the date of transfer is recognised as a revaluation of property, plant and equipment.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

LEASES (PRIOR TO 1 JANUARY 2019)

The Group as lessee

(i) Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight -line basis over the lease term.

The Group as lessor

(i) Operating leases

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LEASES (UPON APPLICATION OF HKFRS 16 IN ACCORDANCE WITH TRANSITIONS IN NOTE 2)

The Group as lessee

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset's useful life and the lease term on a straight-line basis. The principal annual rates are as follows:

Category	Annual rate
Land and buildings	16%–80%

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below US$5,000.

The Group as lessor

(i) Operating leases

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

INTANGIBLE ASSETS (OTHER THAN GOODWILL)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives. The principal estimated useful lives of intangible assets are as follows:

Category	Estimated useful life
Customers' contracts	3.33 to 4 years

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECOGNITION AND DERECOGNITION OF FINANCIAL INSTRUMENTS

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

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

FINANCIAL ASSETS

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Group are classified under the following categories:

— Financial assets at amortised cost;

— Equity investments at fair value through other comprehensive income; and

— Investments at fair value through profit or loss.

(i) *Financial assets at amortised cost*

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

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

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

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL ASSETS (CONTINUED)

(ii) Equity investments at fair value through other comprehensive income

On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments that are not held for trading as at fair value through other comprehensive income.

Equity investments at fair value through other comprehensive income are subsequently measured at fair value with gains and losses arising from changes in fair values recognised in other comprehensive income and accumulated in the equity investment revaluation reserve. On derecognition of an investment, the cumulative gains or losses previously accumulated in the equity investment revaluation reserve are not reclassified to profit or loss.

Dividends on these investments are recognised in profit or loss, unless the dividends clearly represent a recovery of part of the cost of the investment.

(iii) Investments at fair value through profit or loss

Financial assets are classified under this category if they do not meet the conditions to be measured at amortised cost and the conditions of debt investments at fair value through other comprehensive income unless the Group designates an equity investment that is not held for trading as at fair value through other comprehensive income on initial recognition.

Investments at fair value through profit or loss are subsequently measured at fair value with any gains or losses arising from changes in fair values recognised in profit or loss. The fair value gains or losses recognised in profit or loss are net of any interest income and dividend income. Interest income and dividend income are recognised in profit or loss.

LOSS ALLOWANCES FOR EXPECTED CREDIT LOSSES

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost and contract assets. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument ("lifetime expected credit losses") for trade receivables and contract assets, or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables and contract assets) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

BORROWINGS

Borrowings are initially recognised at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

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

TRADE AND OTHER PAYABLES

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

EQUITY INSTRUMENTS

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

REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

— the customer simultaneously receives and consumes the benefits provided by the Group's performance;

— the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

OTHER REVENUE

Interest income is recognised 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.

Rental income is recognised on a straight-line basis over the lease term.

Net fair value changes on financial assets at fair value through profit or loss and those held for trading, including realised gains/losses which are recognised on the transaction dates when the relevant contract notes are exchanged and unrealised fair value changes which are recognised in the period in which they arise.

Dividend income is recognised when the shareholders' right to receive payment has been established.

EMPLOYEE BENEFITS

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(ii) Termination benefits

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

SHARE-BASED PAYMENTS

The Group issues equity-settled and cash-settled share-based payments to certain employees. Equity-settled share-based payments are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

The Group issues equity-settled share-based payments to certain directors, employees and consultants.

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Equity-settled share-based payments to consultants are measured at the fair value of the services rendered or if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as an expense.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

SHARE-BASED PAYMENTS (CONTINUED)

For cash-settled share-based payments, the Group measures the goods or services acquired and the liability incurred at the fair value of the liability. At the end of each reporting period, the liability is remeasured at its fair value until the liability is settled, with any changes in fair value recognised in profit or loss.

The Group also provides employees with the ability to purchase the Company's ordinary shares at a discount to the current market value. The Group records an expense, based on the fair value of the discount related to shares expected to vest (taking in account the post vesting transfer restrictions), on a straight-line basis over the vesting period.

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

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

TAXATION

Income tax represents the sum of the current tax and deferred tax.

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

TAXATION (CONTINUED)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

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

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured based on the expected manner as to how the properties will be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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 Group's most senior executive management for the purpose of allocating resources and assessing the performance of the Group's various lines of business.

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 productions 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RELATED PARTIES

A related party is a person or entity that is related to the Group.

(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 Company or of a parent of the Company.

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

   (i) The entity and the entities comprising 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. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IMPAIRMENT OF ASSETS

Intangible assets that have an indefinite useful life or not yet available for use are reviewed annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and other intangible assets, except goodwill, investment properties, deferred tax assets, investments and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present 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 expenditures 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 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 is remote.

EVENTS AFTER THE REPORTING PERIOD

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

(A) INCOME TAX PROVISIONS

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

(B) ASSESSMENT OF FUND INVESTMENTS AS STRUCTURED ENTITIES

Management has assessed whether the funds in which it invests should be classified as structured entities. Management has considered the voting rights and other similar rights afforded to investors in these funds, including the rights to remove the fund manager or redeem holdings. Judgement is made on an individual investment in each fund where the Group has ownership interest or acts as fund manager or both. Management has evaluated whether these rights of investors are the dominant factor in controlling the funds, or whether the contractual agreement with the fund manager is the dominant factor in controlling these funds. As at 31 December 2019, having considered the fact patterns surrounding each of investment funds in which the Group has interest or acts as a fund manager, the Group considers that it controls three (2018: three) investment funds.

KEY SOURCES OF ESTIMATION UNCERTAINTY

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

(A) IMPAIRMENT OF LOANS AND RECEIVABLES

The Group assesses at the end of the reporting period whether there is any objective evidence that a loan and receivable is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

The Group maintains an allowance for estimated impairment of receivables arising from the inability of its debtors to make the required payments. The Group makes its estimates based on the ageing of its receivable balances, debtors creditworthiness, past repayment history and historical write-off experience and value of collateral held. If the financial condition of its debtors was to deteriorate so that the actual impairment loss might be higher than expected, the Group would be required to revise the basis of making the allowance.

(B) FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair values are measured using valuation techniques including the use of comparable recent arm's length transactions, discounted cash flow model and other valuation techniques commonly used by other market participants. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONTINUED)

KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(C) VALUATION OF REVENUE RECOGNITION AND CONTRACT ASSETS

The valuation of revenue recognition and contract assets at the end of each reporting period was based on a valuation estimated by the directors and an independent firm of professionally qualified actuary which involve making assumptions on certain market conditions.

(D) ESTIMATION OF FAIR VALUE OF INVESTMENT PROPERTIES

Investment properties are stated at their fair values. The fair value at the end of each reporting period was based on a valuation on these properties estimated by the Directors or conducted by an independent firm of professionally qualified valuers using property valuation techniques which involve making assumptions on certain market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to the gain or loss recognised in the consolidated statement of profit or loss.

(E) DEFERRED TAX ASSETS

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

6. FINANCIAL RISK MANAGEMENT

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

(A) FOREIGN CURRENCY RISK

The Group mainly operates in Hong Kong and Mainland China with most of the Group's monetary assets, liabilities and transactions principally denominated in Hong Kong dollars and Renminbi, respectively. Majority of the commission revenue and expenditure incurred by the operating units of the Group was denominated in the units' functional currencies and as a result, the Group does not anticipate significant transactional currency exposures. The Group has not used any derivative to hedge its exposure to foreign currency risk.

(B) PRICE RISK

The Group is exposed to equity price risk because of some of the investments held by the Group are classified as investments at fair value through profit or loss in the consolidated statement of financial position. The directors of the Company manage the exposure by closely monitoring the portfolio of investments.

The sensitivity analysis below has been determined based on the exposure to equity price risks at the reporting date. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 10% (2018: 10%) change is used when reporting equity price risk internally to key management personnel and represents management's assessment of the reasonably possible change in equity price.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(B) PRICE RISK (CONTINUED)

As at 31 December 2019

		When the carrying amount of investments increases 10%		When the carrying amount of investments decreases 10%	
	Carrying amount of investments HK$'000	**Decrease in loss before tax HK$'000**	**Increase in equity HK$'000**	**Increase in loss before tax HK$'000**	**Decrease in equity HK$'000**
Financial assets					
Equity investments at fair value through other comprehensive income					
Unlisted equity investments	**169,777**	**–**	**16,978**	**–**	**16,978**
	169,777	**–**	**16,978**	**–**	**16,978**
Investments at fair value through profit or loss					
Listed equity investments	**347,096**	**34,710**	**–**	**34,710**	**–**
Unlisted equity investments	**808,434**	**80,843**	**–**	**80,843**	**–**
Unlisted fund investments	**371,009**	**37,101**	**–**	**37,101**	**–**
Convertible note receivables	**16,775**	**1,678**	**–**	**1,678**	**–**
Club debentures	**16,000**	**1,600**	**–**	**1,600**	**–**
	1,559,314	**155,932**	**–**	**155,932**	**–**

As at 31 December 2018

		When the carrying amount of investments decreases 10%		When the carrying amount of investments increases 10%	
	Carrying amount of investments HK$'000	Decrease in loss before tax HK$'000	Increase in equity HK$'000	Increase in loss before tax HK$'000	Decrease in equity HK$'000
Financial assets					
Equity investments at fair value through other comprehensive income					
Unlisted equity investments	157,979	–	15,798	–	15,798
	157,979	–	15,798	–	15,798
Investments at fair value through profit or loss					
Listed equity investments	526,975	52,698	–	52,698	–
Unlisted equity investments	552,605	55,261	–	55,261	–
Unlisted fund investments	365,603	36,560	–	36,560	–
Convertible note receivables	21,510	2,151	–	2,151	–
Club debentures	16,500	1,650	–	1,650	–
	1,483,193	148,320	–	148,320	–

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(C) CREDIT RISK

The Group conducts business with and creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's financial assets, which comprise loans receivable, accounts receivable, deposits and other receivables, investments, cash held on behalf of clients, restricted cash, pledged bank deposits and cash and cash equivalents, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

At the end of the reporting period, the Group had certain concentrations of credit risk of accounts receivable as 34% (2018: 18%) and 61% (2018: 47%) of the Group's accounts receivable were due from the Group's largest product issuer and the five largest product issuers, respectively. In addition, 22% (2018: 27%) and 66% (2018: 59%) of the Group's revenue from IFA business were derived from the Group's largest product issuer and the five largest product issuers, respectively.

At the end of the reporting period, the Group had certain concentrations of credit risk of loans receivable as 13% (2018: 13%) and 33% (2018: 26%) of the Group's loans receivable were due from the Group's largest loan borrower and the five largest loan borrowers, respectively. The Group minimises risk exposure by performing credit analysis and overseeing and monitoring of the performance regularly.

All cash held on behalf of clients are located in Hong Kong and deposited with a financial institution. Since the corporate finance team regularly reviews the cash position and the financial institution is financially solid, in the opinion of the Directors, the concentration risk of cash held on behalf of clients is manageable.

Further quantitative data in respect of the Group's exposure to credit risk arising from loans receivable, deposits and other receivables and accounts receivable are disclosed in notes 26, 27 and 30 to the consolidated financial statements, respectively.

The Group considers whether there has been a significant increase in credit risk of financial assets on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following information is used:

— internal credit rating;

— external credit rating (if available);

— actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;

— actual or expected significant changes in the operating results of the borrower;

— significant increases in credit risk on other financial instruments of the same borrower;

— significant changes in the value of the collateral or in the quality of guarantees or credit enhancements; and

— significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(C) CREDIT RISK (CONTINUED)

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group normally categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than 360 days past due. Where loans or receivables have been written off, the Group, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

The Group uses two categories for non-trade receivables which reflect their credit risk and how the loss provision is determined for each of the categories. In calculating the expected credit loss rates, the Group considers historical loss rates for each category and adjusts for forward looking data.

Category	**Definition**	**Loss provision**
Performing	Low risk of default and strong capacity to pay	12 month expected losses
Non-performing	Significant increase in credit risk	Lifetime expected losses

(D) LIQUIDITY RISK

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis, based on undiscounted cash flows, of the Group's financial liabilities is as follows:

As at 31 December 2019

	Less than 1 year HK$'000	**1 to 5 years HK$'000**	**Over 5 years HK$'000**	**Total HK$'000**
Accounts payable	**573,098**	**135,693**	**145,963**	**854,754**
Financial liabilities included in other payables and accruals	**422,014**	**25,638**	**–**	**447,652**
Due to related parties	**1,082**	**–**	**–**	**1,082**
Interest-bearing bank and other borrowings	**1,135**	**–**	**–**	**1,135**
Issued bonds	**31,411**	**554,390**	**–**	**585,801**
	1,028,740	**715,721**	**145,963**	**1,890,424**

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(D) LIQUIDITY RISK (CONTINUED)

As at 31 December 2018

	Less than 1 year HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Accounts payable	571,306	140,592	109,241	821,139
Financial liabilities included in other payables and accruals	401,302	64,922	–	466,224
Due to related parties	353	–	–	353
Issued bonds	31,411	585,886	–	617,297
	1,004,372	791,400	109,241	1,905,013

(E) INTEREST RATE RISK

The Group's interest rate risk arises from its loans receivable carried at amortised costs, interest-bearing bank and other borrowings with floating interest rates, restricted cash, cash held on behalf of clients, pledged bank deposit and cash and cash equivalents. Except for, bank and other borrowings and loans receivable with floating rates, which are entitled to interest at variable rates, and expose the Group to cash flow interest rate risk, cash and cash equivalents, loan receivables at fixed rate, restricted cash, cash held on behalf of clients, pledged bank deposits, bond payables and interest-bearing bank and other borrowings are at fixed rates.

As at 31 December 2019, if market interest rates had been 1% higher/lower with all other variables held constant, post-tax loss for the year would have been HK$1,489,000 lower/higher (2018: HK$1,755,000).

(F) CATEGORIES OF FINANCIAL INSTRUMENTS AT 31 DECEMBER

	2019 HK$'000	2018 HK$'000
Financial assets		
Investments at fair value through profit or loss:		
Mandatorily measured	**1,559,314**	1,483,193
Equity investments at fair value through other comprehensive income	**169,777**	157,979
Financial assets at amortised cost (including cash and cash equivalents)	**1,843,923**	2,598,401
Financial liabilities		
Financial liabilities at amortised cost	**1,797,197**	1,813,203

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(G) CAPITAL MANAGEMENT

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain a healthy capital ratio in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group is not subject to any externally imposed capital requirements except for (i) a subsidiary registered under the Insurance Companies Ordinance of Hong Kong which is subject to the relevant minimum capital requirement; and (ii) three subsidiaries, namely CAM, CCHK and CSL, which are regulated entities under the SFO of Hong Kong and subject to the relevant minimum capital and minimum liquid capital requirements. Liquid capital requirement is defined as the amounts by which liquid assets exceed ranking liabilities as stated in the Hong Kong Securities and Futures (Financial Resources) Rules.

During the year, all subsidiaries at all times complied with the externally imposed capital requirement, including (i) maintaining both minimum paid-up share capital and minimum net assets of HK$100,000 by CFS, Convoy Solutions and CWM; and (ii) maintaining minimum paid-up share capital amounts of CAM, CCHK and CSL of HK$5,000,000, HK$10,000,000 and HK$10,000,000 respectively and reviewing the excess of liquid assets over ranking liabilities against its required liquid capital on a daily basis.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 2018.

Capital of the Group comprises all components of shareholders' equity.

7. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

7. FAIR VALUE MEASUREMENTS (CONTINUED)

(A) Disclosures of level in fair value hierarchy at 31 December 2019:

Description	Fair value measurements using: Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Recurring fair value measurements:				
Investments at fair value through profit or loss				
Listed equity investments — Hong Kong	**347,096**	**–**	**–**	**347,096**
Unlisted equity investments	**–**	**–**	**808,434**	**808,434**
Unlisted fund investments	**–**	**–**	**371,009**	**371,009**
Unlisted convertible note receivables	**–**	**–**	**16,775**	**16,775**
Club debentures	**16,000**	**–**	**–**	**16,000**
Equity investments at fair value through other comprehensive income				
Unlisted equity investments	**–**	**–**	**169,777**	**169,777**
Investment properties				
Commercial — Hong Kong	**–**	**88,100**	**–**	**88,100**
Total recurring fair value measurements	**363,096**	**88,100**	**1,365,995**	**1,817,191**

Disclosures of level in fair value hierarchy at 31 December 2018:

Description	Fair value measurements using: Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Recurring fair value measurements:				
Investments at fair value through profit or loss				
Listed equity investments — Hong Kong	526,975	–	–	526,975
Unlisted equity investments	–	–	552,605	552,605
Unlisted fund investments	–	–	365,603	365,603
Unlisted convertible note receivables	–	–	21,510	21,510
Club debentures	16,500	–	–	16,500
Equity investments at fair value through other comprehensive income				
Unlisted equity investments	–	–	157,979	157,979
Investment properties				
Commercial — Hong Kong	–	65,500	–	65,500
Total recurring fair value measurements	543,475	65,500	1,097,697	1,706,672

7. FAIR VALUE MEASUREMENTS (CONTINUED)

(B) Reconciliation of assets measured at fair value based on level 3:

Description	Equity investments at fair value through other comprehensive income	Investments at fair value through profit or loss	Total
	Equity investments HK$'000	Equity investments HK$'000	HK$'000
At 1 January 2019	**157,979**	**939,718**	**1,097,697**
Addition	**–**	**269,427**	**269,427**
Total gains or losses recognised			
in profit or loss*	**–**	**17,753**	**17,753**
in other comprehensive income	**11,798**	**–**	**11,798**
Redemption during the year	**–**	**(30,680)**	**(30,680)**
At 31 December 2019	**169,777**	**1,196,218**	**1,365,995**
*Include gains or losses for assets held at end of reporting period	**–**	**17,753**	**17,753**

Description	Equity investments at fair value through other comprehensive income	Investments at fair value through profit or loss	Available for-sale financial assets	Total
	Equity investments HK$'000	Equity investments HK$'000	Equity investments HK$'000	HK$'000
At 1 January 2018	–	130,564	723,010	853,574
Effect of adoption of HKFRS 9	–	723,010	(723,010)	–
Addition	149,965	327,750	–	477,715
Total gains or losses recognised				
in profit or loss*	–	17,747	–	17,747
in other comprehensive income	8,014	–	–	8,014
Transfer to loans receivable during the year	–	(87,048)	–	(87,048)
Redemption during the year	–	(172,305)	–	(172,305)
At 31 December 2018	157,979	939,718	–	1,097,697
*Include gains or losses for assets held at end of reporting period	–	17,747	–	17,747

7. FAIR VALUE MEASUREMENTS (CONTINUED)

(C) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements:

The Group's financial controller is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The financial controller reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the financial controller and the Board of Directors at least twice a year.

For level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

Level 2 fair value measurements

Description	**Valuation technique**	**Key input**	**Fair value 2019 HK$'000**
Commercial investment properties — Hong Kong	Current prices in an active market for similar properties	Price per square foot	**88,100**

Description	Valuation technique	Key input	Fair value 2018 HK$'000
Commercial investment properties — Hong Kong	Current prices in an active market for similar properties	Price per square foot	65,500

Level 3 fair value measurements

Description	**Valuation technique**	**Unobservable inputs**	**Range**	**Effect on fair value for increase of inputs**	**Fair value 2019 HK$'000**
Unlisted equity investments classified as investments at fair value through profit or loss	Back-solve Method	Probability of IPO	50.0%	Increase	**808,434**
		Probability of liquidation	50.0%	Decrease	
		Discount for Lack of Marketability	15.8–20.0%	Decrease	
	Market approach	Enterprise value/Sales ratio	3.5 x	Increase	
Unlisted fund investments classified as investments at fair value through profit or loss	Net asset value	N/A	N/A	N/A	**371,009**

7. FAIR VALUE MEASUREMENTS (CONTINUED)

(C) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements: (CONTINUED)

Level 3 fair value measurements (continued)

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2019 HK$'000
Unlisted convertible note receivables classified as investments at fair value through profit or loss	Binomial Pricing Model	Volatility	39.4%–60.4%	Increase	**16,775**
		Discount rate	7.3%–26.6%	Decrease	
Unlisted equity investments classified as equity investments at fair value through other comprehensive income	Dividend Discount Model	Terminal growth rate	3.0%	Increase	**169,777**
		Discount rate	15.5%	Decrease	
		Discount for Lack of Marketability	15.0%	Decrease	
		Discount for Lack of Control	16.9%	Decrease	

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2018 HK$'000
Unlisted equity investments classified as investments at fair value through profit or loss	Back-solve Method	Equity Value	GBP 272M	Increase	552,605
		Probability of IPO	50.00%	Increase	
		Probability of liquidation	50.00%	Decrease	
		Discount for Lack of Marketability	20.00%	Decrease	
	Market approach	Price per share	USD 7.14	Increase	
Unlisted fund investments classified as investments at fair value through profit or loss	Net asset value	N/A	N/A	N/A	365,603

7. FAIR VALUE MEASUREMENTS (CONTINUED)

(C) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements: (CONTINUED)

Level 3 fair value measurements (continued)

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2018 HK$'000
Unlisted convertible note receivables classified as investments at fair value through profit or loss	Binomial Pricing Model	Volatility Discount rate	44.1%–76.0% 7.4%–24.8%	Increase Decrease	21,510
Unlisted equity investments classified as equity investments at fair value through other comprehensive income	Dividend Discount Model	Terminal growth rate Discount rate Discount for Lack of Marketability Discount for Lack of Control	3.00% 14.70% 15.00% 15.40%	Increase Decrease Decrease Decrease	157,979

8. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services and has the following reportable operating segments:

(a) the IFA segment engages in insurance brokerage business and the provision of IFA services;

(b) the money lending segment engages in the provision of loan financing in Hong Kong;

(c) the proprietary investment segment engages in investing listed and unlisted investments;

(d) the asset management segment engages in the provision of asset management services;

(e) the corporate finance segment engages in the provision of corporate finance and related advisory services; and

(f) the securities dealing segment engages in the provision of securities brokerage, share placing and margin financing services.

8. OPERATING SEGMENT INFORMATION (CONTINUED)

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's loss before tax except that unallocated other income and gains, net, as well as head office and corporate expenses are excluded from such measurement.

Inter-segment transactions, if any, are conducted with reference to the prices charged to third parties.

REVENUE AND RESULTS

Year ended 31 December 2019

	IFA segment HK$'000	Money lending segment HK$'000	Proprietary investment segment HK$'000	Asset management segment HK$'000	Corporate finance segment HK$'000	Securities dealing segment HK$'000	Elimination HK$'000	Total HK$'000
Revenue								
External	954,751	53,970	(75,023)	22,668	–	1,342	–	957,708
Inter-segment	–	–	–	528	–	–	(528)	–
Segment revenue	954,751	53,970	(75,023)	23,196	–	1,342	(528)	957,708
Results								
Segment results	(40,101)	(91,868)	(144,623)	18,566	88	(20,380)	–	(278,318)
Unallocated income								
Other income and gains, net								5,451
Unallocated corporate expenses								
Staff costs								(79,334)
Other expenses								(185,393)
Others								(235)
Loss before tax								(537,829)
Income tax expenses								(2,524)
Loss for the year								(540,353)

8. OPERATING SEGMENT INFORMATION (CONTINUED)

REVENUE AND RESULTS (CONTINUED)

Year ended 31 December 2018

	IFA segment HK$'000	Money lending segment HK$'000	Proprietary investment segment HK$'000	Asset management segment HK$'000	Corporate finance segment HK$'000	Securities dealing segment HK$'000	Elimination HK$'000	Total HK$'000
Revenue								
External	691,821	53,893	48,547	5,233	400	2,845	–	802,739
Inter-segment	–	–	–	364	–	–	(364)	–
Segment revenue	691,821	53,893	48,547	5,597	400	2,845	(364)	802,739
Results								
Segment results	(228,489)	(38,562)	(56,177)	(18,761)	1,324	(17,589)	–	(358,254)
Unallocated income								
Other income and gains, net								7,826
Unallocated corporate expenses								
Staff costs								(71,023)
Other expenses								(195,034)
Loss before tax								(616,485)
Income tax expenses								(5,164)
Loss for the year								(621,649)

8. OPERATING SEGMENT INFORMATION (CONTINUED)

SEGMENT ASSETS AND LIABILITIES

As at 31 December

	2019 HK$'000	2018 HK$'000
Segment assets		
IFA segment	**937,956**	769,228
Money lending segment	**532,475**	516,875
Proprietary investment segment	**1,975,028**	1,964,759
Asset management segment	**238,338**	304,700
Corporate finance segment	**4,289**	2,150
Securities dealing segment	**51,105**	45,568
Total segment assets	**3,739,191**	3,603,280
Unallocated assets		
Cash and cash equivalents	**716,723**	1,402,246
Other receivables	**6,992**	3,748
Investment properties	**88,100**	65,500
Tax recoverable	**40,306**	41,351
Deferred tax assets	**221**	220
Right-of-use assets	**38,375**	–
Others	**3,140**	1,018
Total assets	**4,633,048**	5,117,363
Segment liabilities		
IFA segment	**965,768**	908,556
Money lending segment	**453,916**	486,024
Proprietary investment segment	**85,677**	86,756
Asset management segment	**221,719**	292,597
Corporate finance segment	**164**	177
Securities dealing segment	**37,296**	26,646
Total segment liabilities		
Unallocated liabilities	**1,764,540**	1,800,756
Other payables and accruals	**67,989**	51,700
Tax payable	**10,450**	12,470
Deferred tax liabilities	**1,384**	1,392
Lease liabilities	**38,966**	–
Total liabilities	**1,883,329**	1,866,318

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

(a) All assets other than investment properties, cash and cash equivalents, tax recoverable, deferred tax assets, right-of-use assets and other head office and corporate assets are allocated to operating segments as these assets are managed on a group basis; and

(b) All liabilities other than tax payable, deferred tax liabilities and other head office and corporate liabilities are allocated to operating segments as these liabilities are managed on a group basis.

8. OPERATING SEGMENT INFORMATION (CONTINUED)

OTHER SEGMENT INFORMATION

Year ended 31 December 2019

	IFA segment HK$'000	Money lending segment HK$'000	Proprietary investment segment HK$'000	Asset management segment HK$'000	Corporate finance segment HK$'000	Securities dealing segment HK$'000	Elimination HK$'000	All other segment HK$'000	Total HK$'000
Capital expenditure (other than goodwill)*	2,338	–	–	–	–	815	–	2,010	5,163
Depreciation of property, plant and equipment	1,417	854	158	–	–	166	–	1,239	3,834
Depreciation of right-of-use assets	54,915	–	–	–	–	4,468	–	–	59,383
Interest revenue	–	53,970	–	–	–	76	–	5,779	59,825
Interest expense	3,055	40,653	3,811	–	–	216	(3,811)	235	44,159
Impairment loss recognised in profit or loss	34,988	87,048	3,220	51	–	–	–	308	125,615
Share of losses of associates	–	–	4,745	–	–	–	–	–	4,745
Investments in associates	–	–	78,034	–	–	–	–	–	78,034

Year ended 31 December 2018

	IFA segment HK$'000	Money lending segment HK$'000	Proprietary investment segment HK$'000	Asset management segment HK$'000	Corporate finance segment HK$'000	Securities dealing segment HK$'000	Elimination HK$'000	All other segment HK$'000	Total HK$'000
Capital expenditure (other than goodwill)*	2,627	116	863	–	–	–	–	376	3,982
Depreciation of property, plant and equipment	20,077	1,116	5,700	51	–	152	–	567	27,663
Interest revenue	–	53,893	969	–	–	1,163	–	5,047	61,072
Interest expense	–	45,983	80	–	–	153	(110)	1	46,107
Impairment loss recognised in profit or loss	12,727	3,545	21,850	175	400	–	–	–	38,697
Share of losses of associates	–	–	11,064	–	–	–	–	–	11,064
Share of loss of a joint venture	–	–	1,857	–	–	–	–	–	1,857
Investments in associates	–	–	73,832	–	–	–	–	–	73,832

* Capital expenditure represents additions to property, plant and equipment, including assets acquired through acquisitions of subsidiaries during the year, investment properties and deposits paid for purchase of items of property, plant and equipment and an investment property.

8. OPERATING SEGMENT INFORMATION (CONTINUED)

GEOGRAPHICAL INFORMATION

(a) Revenue from external customers

	2019 HK$'000	2018 HK$'000
Hong Kong	**1,025,871**	711,337
PRC	**5,433**	41,434
Macau	**1,427**	1,421
	1,032,731	754,192

The revenue information above is based on the location of the operations. For the purpose of identifying major external customers, revenue derived from the proprietary investment segment is excluded.

(b) Non-current assets

	2019 HK$'000	2018 HK$'000
Hong Kong	**716,167**	561,767
PRC	**843**	1,680
Macau	**24**	59
	717,034	563,506

The non-current asset information above is based on the locations of the assets and excludes investments in associates, investment in a joint venture, loans receivable, equity investments at fair value through other comprehensive income, investments at fair value through profit or loss, restricted cash and deferred tax assets.

INFORMATION ABOUT PRODUCT ISSUERS/FUND HOUSES/CUSTOMERS

Revenue from major product issuers/fund houses/customers, each of them contributing to 10% or more of the Group's revenue derived from the IFA segment, money lending segment, asset management segment, corporate finance segment and securities dealing segment, is set out below:

	2019 HK$'000	2018 HK$'000
IFA segment		
Product issuer A	**N/A#**	108,877
Product issuer B	**188,188**	199,064
Product issuer C	**122,481**	91,124
Product issuer D	**172,760**	N/A*

For the purpose of identifying major external customers, revenue derived from the proprietary investment segment is excluded.

* Revenue from product issuer D for the year ended 31 December 2018 was less than 10% of the Group's revenue.

\# Revenue from product issuer A for the year ended 31 December 2019 was less than 10% of the Group's revenue.

9. REVENUE, OTHER INCOME AND GAINS, NET

Revenue represents the aggregate of (i) commission income, management fee income and service income from IFA, securities dealing and corporate finance services; (ii) interest income from loan and margin financing; (iii) net fair value changes on investments at and designated at fair value through profit or loss, interest income, dividend income from the proprietary investment business; and (iv) the value of services rendered from asset management and corporate finance businesses, earned during the year.

	2019 HK$'000	2018 HK$'000
Revenue		
Revenue from contracts with customers:		
IFA segment		
IFA commission income	**907,001**	589,012
Management fee income	**47,750**	102,809
	954,751	691,821
Asset management segment		
Asset management service income	**22,668**	5,233
Corporate finance segment		
Corporate finance service income	**–**	400
Securities dealing segment		
Securities dealing commission income	**1,266**	1,682
Total revenue from contracts with customers	**978,685**	699,136
Other revenue:		
Money lending segment		
Interest income from loan financing	**53,970**	53,893
Proprietary investment segment		
Fair value changes on investments at fair value through profit or loss, net	**(86,717)**	(38,090)
Gain on disposal of investments at fair value through profit or loss	**–**	61,094
Interest income from debt investments	**–**	969
Dividend income	**11,694**	24,574
	(75,023)	48,547
Securities dealing segment		
Interest income from margin financing	**76**	1,163
Total revenue	**957,708**	802,739

9. REVENUE, OTHER INCOME AND GAINS, NET (CONTINUED)

	Notes	2019 HK$'000	2018 HK$'000
Other income and gains, net			
Bank interest income		**5,740**	5,008
Other interest income		**39**	39
Service fee income		**915**	4,862
Gross rental income		**1,863**	2,049
(Loss)/gain on disposal of subsidiaries	46(b), (c), (d)	**(8,469)**	38,413
Written back of other payables and accruals		**–**	311
Gain on early termination of lease		**1,536**	–
Gain on bargain purchase on acquisition	46(a)	**10,980**	–
Others		**8,653**	3,204
		21,257	53,886

Disaggregation of revenue from contracts with customers:

Segments	IFA segment HK$'000	Asset management segment HK$'000	Corporate finance segment HK$'000	Securities dealing segment HK$'000	2019 Total HK$'000
Geographical markets					
Hong Kong	**947,891**	**22,668**	**–**	**1,266**	**971,825**
Macau	**5,433**	**–**	**–**	**–**	**5,433**
China	**1,427**	**–**	**–**	**–**	**1,427**
Total	**954,751**	**22,668**	**–**	**1,266**	**978,685**
Major products/service					
IFA commission income	**907,001**	**–**	**–**	**–**	**907,001**
Service income	**47,750**	**22,668**	**–**	**–**	**70,418**
Commission income	**–**	**–**	**–**	**1,266**	**1,266**
	954,751	**22,668**	**–**	**1,266**	**978,685**
Timing of revenue recognition					
At a point in time	**954,751**	**22,668**	**–**	**1,266**	**978,685**
Over time	**–**	**–**	**–**	**–**	**–**
Total	**954,751**	**22,668**	**–**	**1,266**	**978,685**

9. REVENUE, OTHER INCOME AND GAINS, NET (CONTINUED)

Segments	IFA segment	Asset management segment	Corporate finance segment	Securities dealing segment	2018 Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Geographical markets					
Hong Kong	648,966	5,233	400	1,682	656,281
Macau	41,434	–	–	–	41,434
China	1,421	–	–	–	1,421
Total	691,821	5,233	400	1,682	699,136
Major products/service					
IFA commission income	589,012	–	–	–	589,012
Service income	102,809	5,233	–	–	108,042
Corporate finance fee income	–	–	400	–	400
Commission income	–	–	–	1,682	1,682
	691,821	5,233	400	1,682	699,136
Timing of revenue recognition					
At a point in time	691,821	5,233	400	1,682	699,136
Over time	–	–	–	–	–
Total	691,821	5,233	400	1,682	699,136

IFA COMMISSION INCOME

The Group provide IFA services to the customers. IFA commission income is recognised on an accrual basis when the relevant services are rendered and in accordance with the terms of the underlying agreements or based on the commissioning of the respective insurance policies and pension schemes.

Referral and commission income from the provision of relevant services are recognised on an accrual basis in accordance with the terms of the underlying agreements. A contract assets is recognised for the expected commission receivable from customers in relation to the services rendered.

CORPORATE FINANCE FEE INCOME

The Group provide corporate finance services to the customers. Corporate finance fee income from placing and underwriting of securities and bonds is recognised on execution of each significant act based on the terms and conditions of the relevant agreement or deal mandate.

9. REVENUE, OTHER INCOME AND GAINS, NET (CONTINUED)

COMMISSION INCOME FROM SECURITIES BROKERAGE

The Group provide the securities dealing services and share placing services to the customers. Commission income from securities brokerage is recognised on the transaction dates when the relevant contract notes are exchanged.

SERVICE INCOME

The Group provide IFA advisory services and asset management services to the customers. Service income is recognised on an accrual basis when services have been rendered.

A receivable is recognised when the services are rendered to the customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

10. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interest on:		
Issued bonds	**40,653**	45,983
Bank borrowings	**44**	–
Other borrowings	**44**	124
Lease liabilities	**3,418**	–
	44,159	46,107

11. INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries (or jurisdictions) in which the Group operates.

	2019 HK$'000	2018 HK$'000
Current tax — Hong Kong Profits Tax		
Provision for the year	**1,967**	3,859
Under-provision in prior years	**328**	587
Current tax — Overseas		
Provision for the year	**238**	719
Deferred tax (Note 23)	**(9)**	(1)
	2,524	5,164

11. INCOME TAX EXPENSES (CONTINUED)

Reconciliation between tax expense and accounting profit at the applicable tax rate:

A reconciliation of the tax expense applicable to loss before tax at the Hong Kong statutory tax rate in which the Group's major operating subsidiaries are domiciled to the tax charge at the Group's effective tax rate is as follows:

	2019 HK$'000	2018 HK$'000
Loss before tax	**(537,829)**	(616,485)
Tax at the weighted average tax rate	**(92,462)**	(90,937)
Profits and losses attributable to joint ventures and associates	**–**	(10,337)
Income not subject to tax	**(31,017)**	(55,968)
Tax effect of non-deductible expenses	**123,074**	133,858
Tax losses and temporary difference not recognised	**3,921**	40,523
Under-provision in prior years	**328**	587
Tax losses utilised from previous periods	**(1,320)**	(12,562)
Total income tax expenses	**2,524**	5,164

12. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging/(crediting) the following:

	Notes	2019 HK$'000	2018 HK$'000
Depreciation charge of property, plant and equipment	17	**3,834**	27,663
Auditor's remuneration			
— Audit services		**4,000**	3,500
Loss on disposal of property, plant and equipment		**2**	978
Loss on disposal of an associate		**–**	5,353
Loss/(gain) on disposals of subsidiaries	46(b), (c), (d)	**8,469**	(38,413)
Fair value loss on investment properties	19	**3,852**	100
Operating lease charges			
— Land and buildings		**–**	68,472
Legal and professional fee		**116,913**	240,517
Marketing expenses		**26,731**	69,357
Office and administrative expenses		**38,731**	44,850
Consultant training and welfare		**24,634**	24,106
Impairment of property, plant and equipment	17	**308**	11,963
Impairment of financial assets			
Impairment of loans receivable	26	**87,048**	3,545
Impairment of accounts receivable	30	**–**	1,048
Impairment of prepayments, deposits and other receivables	27	**38,259**	21,196
Impairment of amount due from a joint venture	22	**–**	945
		125,307	26,734
Staff costs including directors' emoluments			
— Salaries, allowances, bonuses and benefits in kind		**240,511**	282,642
— Pension scheme contributions		**13,877**	12,133
		254,388	294,775

13. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2019 HK$'000	2018 HK$'000
Fee	**3,240**	3,375
Other emoluments:		
Salaries, allowances and benefits in kind	**25,387**	29,810
Discretionary bonuses	**3,247**	8,029
Pension scheme contributions	**1,841**	1,985
	30,475	39,824
Total	**33,715**	43,199

Details of the remuneration paid and payable to the directors of the Company are as follows:

31 December 2019	Notes	**Fees HK$'000**	**Salaries, allowances and benefits in kind HK$'000**	**Discretionary bonuses HK$'000**	**Pension scheme contributions HK$'000**	**Total HK$'000**
Executive directors						
Mr. Johnny Chen	(xii)	–	4,203	280	252	4,735
Mr. Ng Wing Fai		–	10,004	1,667	751	12,422
Mr. Yap E Hock		–	7,803	1,300	585	9,688
Mr. Shin Kin Man	(i)	–	3,377	–	253	3,630
Mr. Wong Lee Man (suspended)	(ii)	–	–	–	–	–
Ms. Fong Sut Sum (suspended)	(x)	–	–	–	–	–
Ms. Chan Lai Yee (suspended)	(ii)	–	–	–	–	–
Ms. Wong Suet Fai	(vi),(xiii)	–	–	–	–	–
Mr. Lee Jin Yi	(xi)	–	–	–	–	–
Mr. Chung Kwok Wai, Kelvin	(xiii)	–	–	–	–	–
		–	25,387	3,247	1,841	30,475
Non-executive director						
Mr. Chen Shih-pin		360	–	–	–	360
		360	–	–	–	360
Independent non-executive directors						
Mr. Pun Tit Shan		720	–	–	–	720
Mr. Pak Wai Keung, Martin		720	–	–	–	720
Mr. Yan Tat Wah		720	–	–	–	720
Mrs. Fu Kwong Wing Ting, Francine		720	–	–	–	720
Mr. Lam Kwok Cheong	(xi)	–	–	–	–	–
Ms. Ho Carrie Bernadette	(xiii)	–	–	–	–	–
		2,880	–	–	–	2,880
		3,240	25,387	3,247	1,841	33,715

13. DIRECTORS' REMUNERATION (CONTINUED)

31 December 2018	Notes	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Pension scheme contributions HK$'000	Total HK$'000
Executive directors						
Mr. Johnny Chen	(xii)	–	3,850	1,450	231	5,531
Mr. Ng Wing Fai		–	10,000	2,500	750	13,250
Mr. Yap E Hock		–	7,801	1,625	585	10,011
Mr. Shin Kin Man	(i)	–	3,071	1,618	230	4,919
Mr. Wong Lee Man (suspended)	(ii)	–	1,049	–	11	1,060
Ms. Fong Sut Sum (suspended)	(x)	–	1,271	–	11	1,282
Ms. Chan Lai Yee (suspended)	(ii)	–	519	26	7	552
Mr. Tan Ye Kai, Byron	(iii)	–	43	–	3	46
Ms. Ip Yee Kwan	(iv)	–	124	–	2	126
Dr. Cho Kwai Chee (removed)	(v)	–	–	–	–	–
Ms. Wong Suet Fai	(vi),(xiii)	–	2,082	810	155	3,047
Mr. Lee Jin Yi	(xi)	–	–	–	–	–
Mr. Chung Kwok Wai, Kelvin	(xiii)	–	–	–	–	–
		–	29,810	8,029	1,985	39,824
Non-executive directors						
Mr. Chen Shih-pin		360	–	–	–	360
Mr. Wang John Hong-Chiun	(vii)	23	–	–	–	23
		383	–	–	–	383
Independent non-executive directors						
Mr. Pun Tit Shan		630	–	–	–	630
Mr. Pak Wai Keung, Martin		630	–	–	–	630
Mr. Yan Tat Wah		630	–	–	–	630
Mrs. Fu Kwong Wing Ting, Francine		630	–	–	–	630
Mr. Ma Yiu Ho, Peter	(viii)	185	–	–	–	185
Dr. Huan Guocang	(ix)	287	–	–	–	287
Mr. Lam Kwok Cheong	(xi)	–	–	–	–	–
Ms. Ho Carrie Bernadette	(xiii)	–	–	–	–	–
		2,992	–	–	–	2,992
		3,375	29,810	8,029	1,985	43,199

13. DIRECTORS' REMUNERATION (CONTINUED)

Notes:

(i) Appointed on 15 January 2018.

(ii) Duties suspended with effect from 8 December 2017 and removed on 7 January 2021.

(iii) Resigned on 6 January 2018.

(iv) Resigned on 23 January 2018.

(v) Removed on 17 August 2018.

(vi) Appointed on 15 January 2018 and resigned on 22 October 2018.

(vii) Resigned on 25 January 2018.

(viii) Resigned on 5 July 2018.

(ix) Appointed on 15 January 2018 and resigned on 22 October 2018.

(x) Duties suspended with effect from 8 December 2017 and resigned on 16 November 2020.

(xi) Appointed on 19 November 2020.

(xii) Redesignated as a non-executive director on 1 January 2021.

(xiii) Appointed on 1 January 2021.

There were no other emoluments payable to the independent non-executive directors of the Company during the year (2018: Nil).

There was no arrangement under which a director of the Company waived or agreed to waive any remuneration during the year (2018: Nil).

The above directors' remuneration only included remuneration during the tenure of each director as executive director, non-executive director or independent non-executive director of the Company.

14. FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose remuneration were the highest in the Group for the year include three (2018: four) directors whose remuneration are reflected in the analysis shown in note 13.

The remuneration payable to the remaining two (2018: one) non-director individuals during the year are as follows:

	2019 HK$'000	2018 HK$'000
Salaries, allowances and benefits in kind	**7,799**	2,649
Discretionary bonuses	**788**	–
Pension scheme contributions	**464**	184
	9,051	2,833

The emoluments fell within the following band:

	Number of individuals	
	2019	2018
HK$2,500,001 to HK$3,000,000	**–**	1
HK$4,000,001 to HK$4,500,000	**1**	–
HK$4,500,001 to HK$5,000,000	**1**	–

15. DIVIDENDS

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: Nil).

16. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic loss per share amount is based on the loss for the year attributable to owners of the Company, and the weighted average number of ordinary shares of 7,778,596,000 (2018: 7,778,596,000) in issue during the year.

No adjustment had been made to the basic loss per share amount presented for the years ended 31 December 2019 and 2018 in respect of a dilution as the impact of the warrants and share options of the Company outstanding had an anti-dilutive effect on the basic loss per share amount presented.

The calculations of the basic and diluted earnings per share are based on:

	2019 HK$'000	2018 HK$'000
Loss:		
Loss for the year attributable to owners of the Company used in the basic and diluted loss per share calculation	**(540,434)**	(617,802)

	Number of shares	
	2019	2018
Shares:		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation	**7,778,596,000**	7,778,596,000

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Buildings HK$'000	Furniture, fixtures and equipment HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost						
At 1 January 2019	26,860	22,600	10,223	59,485	5,273	124,441
Additions	1,766	–	567	2,277	–	4,610
Disposals	–	–	–	(62)	–	(62)
Transfer to investment property	–	(14,724)	–	–	–	(14,724)
Write off	(5,647)	–	(5,960)	(51,744)	(4,086)	(67,437)
Acquisition of subsidiaries (Note 46(a))	453	–	21	79	–	553
Disposal of subsidiaries (Note 46(b))	(180)	–	(286)	(490)	(336)	(1,292)
Exchange realignment	(22)	–	(14)	(37)	–	(73)
At 31 December 2019	23,230	7,876	4,551	9,508	851	46,016
Accumulated depreciation and impairment						
At 1 January 2019	26,731	1,389	9,132	56,554	4,980	98,786
Charge for the year	502	419	728	1,931	254	3,834
Disposals	–	–	–	(59)	–	(59)
Transfer to investment property	–	(1,201)	–	–	–	(1,201)
Write off	(5,647)	–	(5,960)	(51,744)	(4,086)	(67,437)
Disposal of subsidiaries (Note 46(b))	(140)	–	(270)	(493)	(320)	(1,223)
Impairment	–	–	8	300	–	308
Exchange realignment	(19)	–	(9)	(23)	–	(51)
At 31 December 2019	21,427	607	3,629	6,466	828	32,957
Carrying amount						
At 31 December 2019	1,803	7,269	922	3,042	23	13,059

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Leasehold improvements HK$'000	Buildings HK$'000	Furniture, fixtures and equipment HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost						
At 1 January 2018	28,090	22,600	10,207	76,875	6,374	144,146
Additions	79	–	331	3,572	–	3,982
Disposals	(1,309)	–	(271)	(19,552)	(1,101)	(22,233)
Disposal of subsidiaries (Note 46(c))	–	–	(44)	(451)	–	(495)
Exchange realignment	–	–	–	(959)	–	(959)
At 31 December 2018	26,860	22,600	10,223	59,485	5,273	124,441
Accumulated depreciation and impairment						
At 1 January 2018	15,811	917	6,597	51,014	5,786	80,125
Charge for the year	10,258	472	1,434	15,244	255	27,663
Disposals	(1,059)	–	(264)	(17,553)	(1,061)	(19,937)
Disposal of subsidiaries (Note 46(c))	–	–	(7)	(185)	–	(192)
Impairment	1,721	–	1,372	8,870	–	11,963
Exchange realignment	–	–	–	(836)	–	(836)
At 31 December 2018	26,731	1,389	9,132	56,554	4,980	98,786
Carrying amount						
At 31 December 2018	129	21,211	1,091	2,931	293	25,655

The Group carried out reviews of the recoverable amount of its property, plant and equipment in 2019 and 2018 as a result of the deterioration of the markets of the Group. These assets are used in the Group's other segment (2018: IFA segment). The reviews led to the recognition of an impairment loss of HK$308,000 (2018: HK$11,963,000), that has been recognised in consolidated statement of profit or loss and other comprehensive income.

18. LEASES AND RIGHT-OF-USE ASSETS

Disclosures of lease-related items:

	2019 HK$'000
At 31 December:	
Right-of-use assets	
Land and buildings	**38,375**
The maturity analysis, based on undiscounted cash flows, of the Group's lease liabilities is as follows:	
Less than 1 year	**34,100**
Between 1 and 2 years	**6,164**
	40,264

	2019 HK$'000
Year ended 31 December:	
Depreciation charge of right-of-use assets	
Land and buildings	**59,383**
Lease interests	**3,418**
Total cash outflow for leases	**60,852**
Additions to right-of-use assets	**19,546**

The Group leases various land and buildings. Lease agreements are typically made for fixed periods of 0.5 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and the leased assets may not be used as security for borrowing purposes.

19. INVESTMENT PROPERTIES

	2019 HK$'000	2018 HK$'000
At 1 January	**65,500**	65,600
Transfer from property, plant and equipment	**13,523**	–
Gains on property revaluation due to transferal from property, plant and equipment	**12,929**	–
Fair value losses	**(3,852)**	(100)
At 31 December	**88,100**	65,500

At 31 December 2019 and 2018, the Group's Investment properties consists of two (2018: one) commercial properties in Hong Kong. The Directors have determined that the investment properties consists of one class of asset, i.e. commercial property, based on the nature, characteristics and risks of each property.

At 31 December 2019 and 2018, the Group's investment properties were not pledged.

Investment properties were revalued at 31 December 2019 and 2018 on the open market value basis by reference to market evidence of recent transactions for similar properties by Ascent Partners Valuation Service Limited, an independent firm of chartered surveyors.

20. INTANGIBLE ASSETS

	Customers' contracts HK$'000	Total HK$'000
Cost		
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	2,173	2,173
Amortisation		
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	2,173	2,173
Carrying amount		
At 31 December 2018 and 31 December 2019	–	–

The intangible assets represent customers' contracts with definite useful lives and are amortised on straight-line basis over 4 years.

21. INVESTMENTS IN ASSOCIATES

	2019 HK$'000	2018 HK$'000
Unlisted investments:		
Share of net assets	**78,034**	73,832

Particulars of the Group's associates are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group		Principal activities
			2019	2018	
JFA Capital (i)	Participating shares	Cayman Islands	**63.0%**	60.2%	Investment fund
Fubon Convoy Asset Management (HK) Limited ("FCAM") (ii)	Ordinary shares	Hong Kong	**51.0%**	51.0%	Inactive

21. INVESTMENTS IN ASSOCIATES (CONTINUED)

Notes:

(i) On 22 February 2016, the Group appointed 1 out of 3 directors to the board of directors of JFA Capital. JFA Capital has also appointed an independent party as the fund manager. Pursuant to the memorandum of association of JFA Capital, the participating shares have no voting rights but entitled the holder to dividends declared and residual interests of the investment fund upon winding up. In the opinion of the Directors, the Group does not obtain control but has significant influence over JFA Capital.

As at 3 May 2018, the Group has been appointed as the fund manager. In the opinion of the directors, the Group, however, does not obtain control but has significant influence over JFA Capital and classifies JFA Capital as an associate of the Group for the years ended 31 December 2019 and 2018.

(ii) FCAM was incorporated on 23 February 2017. The Group, through its wholly-owned subsidiary, holds 51% equity interest in FCAM while the remaining equity interest is held by another shareholder (the "Other Shareholder"). Pursuant to the shareholders' agreement of FCAM, each shareholder (as long as each not hold less than 25%) shall have the right to nominate and remove two directors while the Other Shareholder has the right to appoint one of the directors as chairman of the board. All decision making shall be by a simple majority or two-third vote of the directors. The chairman of the board of FCAM (who is not the representative appointed by the Group) has the casting vote in cases when the votes are equally divided. As at the end of the reporting period, the board comprised four directors where two directors were appointed by the Group and the other two directors, including the chairman, were appointed by the Other Shareholder. In the opinion of the Directors, the Group has only significant influence over FCAM.

There was no commitment and contingent liability in respect of associates as at 31 December 2019 and 2018.

The following table shows information of associates that are material to the Group. These associates are accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on the HKFRS financial statements of the associates.

Name	**JFA Capital**	
	2019	2018
Principal place of business/country of incorporation	Cayman Islands	
Principal activities	Investment fund	
% of ownership interests	63.0%	60.2%
	HK$'000	HK$'000
At 31 December:		
Non-current assets	**–**	–
Current assets	**134,004**	132,170
Non-current liabilities	**–**	–
Current liabilities	**(12,729)**	(12,013)
Net assets	**121,275**	120,157
Group's share of net assets	**76,424**	72,376
Goodwill	**–**	–
Group's share of carrying amount of interests	**76,424**	72,376

21. INVESTMENTS IN ASSOCIATES (CONTINUED)

	2019 HK$'000	2018 HK$'000
Year ended 31 December:		
Revenue	–	–
Loss from operations	(7,829)	(12,837)
Loss after tax	(7,829)	(12,837)
Other comprehensive income	–	–
Total comprehensive loss	(7,829)	(12,837)
Dividends received from associates	–	–

In addition to the interests in associates disclosed above, the Group also has interests in a number of individually immaterial associates that are accounted for using the equity method.

	2019 HK$'000	2018 HK$'000
At 31 December:		
Carrying amount of the Group's investment in the associate	1,610	1,456
Year ended 31 December:		
Share of the associate's profit/(loss) and total comprehensive income/(loss) for the year	154	(3,332)

22. INVESTMENT IN A JOINT VENTURE

	2019 HK$'000	2018 HK$'000
Unlisted investment		
Share of net assets	–	–
Goodwill on acquisition	162	162
	162	162
Impairment losses	(162)	(162)
	–	–

Particulars of the Group's joint venture at 31 December 2019 and 2018 are as follows:

Name	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group		Principal activities
		2019	2018	
BLVD Cayman Limited ("BLVD")(i)	Cayman Islands/Singapore	26%	26%	Provision of food and catering

Note:

(i) The Group, through its wholly-owned subsidiary, held 26% (2018: 26%) equity interest in BLVD. Moreover, the Group also held 14.96% (2018 14.96%) equity interest through a consolidated investment entity. The Group elected to account for its 14.96% (2018: 14.96%) equity investment through a consolidated investment entity at fair value through profit or loss in accordance with HKAS 39 Financial Instruments: Recognition and Measurement. The Group accounted for remaining 26% using the equity method of accounting in accordance with HKAS 28 (2011) Investment in Associates and Joint Ventures. Pursuant to the shareholders' agreement of BLVD. The Group's subsidiary and another shareholder (as long as each not hold less than 25%) shall have the right to each nominate and remove one director. All decision making shall be by a simple majority vote of the directors. The number of directors shall not be more than three. As at the end of the reporting periods, the board comprised two directors. In the opinion of the Directors, the Group, together with the other shareholder, has joint control over BLVD.

There was no commitment and contingent liability in respect of joint venture as at 31 December 2019.

The Group has not recognised loss for the year amounting to approximately HK$2,405,000 for BLVD. The accumulated losses not recognised were approximately HK$2,405,000.

23. DEFERRED TAX

DEFERRED TAX ASSETS

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

	Depreciation in excess of related depreciation allowance/ (depreciation allowance in excess of related depreciation) HK$'000
At 1 January 2018	231
Deferred tax (charged)/credited to the consolidated statement of profit or loss during the year	(11)
At 31 December 2018	220
Deferred tax (charged)/credited to the consolidated statement of profit or loss during the year	1
At 31 December 2019	221

DEFERRED TAX LIABILITIES

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

	Fair value adjustment on buildings HK$'000	**Depreciation allowance in excess of related depreciation** HK$'000	**Total** HK$'000
At 1 January 2018	1,303	101	1,404
Deferred tax (credited)/charged to the consolidated statement of profit or loss during the year	-	(12)	(12)
At 31 December 2018	1,303	89	1,392
Deferred tax (credited)/charged to the consolidated statement of profit or loss during the year	-	(8)	(8)
At 31 December 2019	1,303	81	1,384

The Group has estimated tax losses arising in Hong Kong of approximately HK$619,846,000 (2018: HK$603,225,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The unused tax losses were incurred by certain subsidiaries that are not likely to generate taxable income in the foreseeable future. The losses may be carried forward indefinitely for offsetting against future taxable profits.

The Group also has estimated tax losses arising in PRC of approximately HK$156,166,000 (2018: HK$122,071,000) for which no deferred tax assets has been recognised. The unused tax losses were incurred by certain subsidiaries that are not likely to generate taxable income in the foreseeable future. The losses will expire in one to five years for offsetting against future taxable profits.

24. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019 HK$'000	2018 HK$'000
Unlisted equity securities		
— unlisted equity investments	**169,777**	157,979

The above investments are intended to be held for the medium to long-term. Designation of these investments as equity investments at fair value through other comprehensive income can avoid the volatility of the fair value changes of these investments to the consolidated profit or loss.

25. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	2019 HK$'000	2018 HK$'000
Equity securities, at fair value			
— listed equity investments		**347,096**	526,975
— club debentures		**16,000**	16,500
		363,096	543,475
Unlisted equity securities			
— unlisted equity investments		**808,434**	552,605
— unlisted fund investments	(i)	**371,009**	365,603
		1,179,443	918,208
Convertible note receivables	(ii)	**16,775**	21,510
		16,775	21,510
Total		**1,559,314**	1,483,193
Analysed as:			
Current assets		**368,064**	447,732
Non-current assets		**1,191,250**	1,035,461
		1,559,314	1,483,193

25. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Notes:

(i) The unlisted funds investments of HK$371,009,000 (2018: HK$365,603,000) represent investments in unconsolidated structured entities. The maximum exposure to loss is HK$371,009,000 (2018: HK$365,603,000) which represents the fair value as at 31 December 2019. During the year, the Group did not provide financial support to these unconsolidated structured entities and has no intention of providing financial or other support.

(ii) Included in the balance is a convertible note issued by China Green (Holdings) Limited ("China Green"), of which its shares are listed on the Stock Exchange, amounted of HK$Nil (2018: HK$Nil) in 2019. On 18 November 2015, the Group advanced a loan of HK$190,000,000 to China Green with original maturity on 18 May 2016, bearing interest of 13.9% ("China Green Loan") and was classified as loans receivable as at 31 December 2015. During the year ended 31 December 2016, China Green issued a convertible loan note of HK$190,000,000 with coupon rate of 12% per annum and matured on 22 August 2017 ("China Green Convertible Note") to the Group. Upon maturity, the Group may subscribe a maximum of 1,418,666,666 shares at HK$0.15 per share, representing 16.97% of enlarged capital of China Green based on the existing capital structure as at 31 December 2016. Accordingly, the Group derecognised the China Green Loan with a carrying value of HK$190,000,000 from loans receivable and recognised the China Green Convertible Note with a fair value of HK$305,270,000 as financial assets designated as at fair value through profit and loss on the issue date of the China Green Convertible Note on 22 August 2016, resulting a gain of HK$115,270,000 which has recognised in the profit or loss for the year ended 31 December 2016.

On 15 December 2016, the Group entered into a modification deed with China Green to extend the China Green Convertible Note to 22 August 2019 with zero coupon and the conversion price is changed from HK$0.15 per share to HK$0.10 per share. The effective date of the modified terms is 17 February 2017.

At maturity of the China Green Convertible Note on 22 August 2019, the management of China Green defaulted by failing to repay any of the principal amount of HK$190,000,000. The Management of the Group endeavored to negotiate a resolution to the situation with the management of China Green, but in vain by having constant refusal for communication in any form. The Management of the Group is in the view that neither the principal amount nor any default interest will be recovered and decides to fully impair all outstanding amount of the convertible note in year of 2017.

26. LOANS RECEIVABLE

	2019 **HK$'000**	2018 HK$'000
Loans receivable from:		
Money lending business	**704,992**	724,376
Securities dealing business — margin financing	**654**	5,496
	705,646	729,872
Less: impairment losses	**(169,220)**	(84,052)
	536,426	645,820
Analysed as:		
Current assets	**182,826**	333,820
Non-current assets	**353,600**	312,000
	536,426	645,820

26. LOANS RECEIVABLE (CONTINUED)

Loans receivable arising from the money lending business of the Group bear interest at rates ranging from 0% to 20% per annum (2018: 0% to 20% per annum). The grants of these loans were approved and monitored by the management of the relevant subsidiaries of the Group. As at 31 December 2019, certain loans receivable with an aggregate carrying amount of HK$293,429,000 (2018: HK$142,178,000) were secured by the pledge of collaterals.

Loans receivable arising from the margin financing business in the securities dealing segment are secured by the pledge of customers' securities as collateral. As at 31 December 2019, the total value of securities pledged as collateral in respect of the margin receivables was approximately HK$1,653,000 (2018: HK$38,648,000) based on the market value of the securities at the end of the reporting period.

As at 31 December 2019, loans receivable of approximately HK$2,610,000 (2018: HK$3,070,000) are due from a director, Mr. Shin Kin Man. The loans receivable are unsecured, interest bearing and have fixed repayment terms.

The Group applies the simplified approach under HKFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

	Current	Past due within 1 month	1 to 2 months past due	2 to 3 months past due	Over 3 months past due	Total
At 31 December 2019						
Weighted average expected loss rate	**14.88%**	**0.00%**	**0.00%**	**0.00%**	**97.52%**	
Receivable amount (HK$'000)	**626,880**	**420**	**–**	**473**	**77,873**	**705,646**
Loss allowance (HK$'000)	**(93,277)**	**–**	**–**	**–**	**(75,943)**	**(169,220)**
At 31 December 2018						
Weighted average expected loss rate	1.48%	0.00%	0.00%	0.00%	100.00%	
Receivable amount (HK$'000)	653,124	2,348	–	–	74,400	729,872
Loss allowance (HK$'000)	(9,652)	–	–	–	(74,400)	(84,052)

Loans receivable of HK$2,823,000 (2018: HK$2,348,000) that were past due but not impaired relate to a number of independent borrowers that have a good track record. Based on past experience, the Directors are of the opinion that no impairment 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 movement in impairment of loans receivable are as follows:

	2019 HK$'000	2018 HK$'000
At 1 January	**84,052**	80,507
Impairment of loans receivable	**87,048**	3,545
Impairment written off as uncollectible	**(1,880)**	–
At 31 December	**169,220**	84,052

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	2019 HK$'000	2018 HK$'000
Deposits paid for purchase of items of property, plant and equipment		**1,485**	1,096
Deposit paid for purchase of investment property		**–**	50,000
Rental and other deposits		**57,948**	33,313
Deposit paid for virtual bank business		**47,653**	–
Other receivables		**23,063**	18,401
Other receivables of clawback	(ii)	**35,908**	–
Receivables from independent financial advisors		**96,798**	3,172
Prepaid expenses		**21,824**	10,875
Other receivable in relation to the disposal of an investment		**89,626**	104,502
Other receivable from a trustee of a subsidiary	(iii)	**262,084**	262,084
		636,389	483,443
Impairment	(i)	**(359,090)**	(327,626)
		277,299	155,817
Analysed as:			
Current assets		**246,243**	131,591
Non-current assets		**31,056**	24,226
		277,299	155,817

Notes:

(i) The movement in the impairment is as follows:

	2019 HK$'000	2018 HK$'000
At 1 January	**327,626**	316,080
Impairment losses recognised	**38,259**	21,196
Impairment written off as uncollectible	**(6,795)**	(9,650)
At 31 December	**359,090**	327,626

Included in the above provision for impairment of other receivables is a provision of HK$359,090,000 (2018: HK$327,626,000) for individually impaired other receivables with an aggregate carrying amount before provision of HK$359,090,000 (2018: HK$327,626,000). This provision was determined after taking into account the age of the respective receivable balances, the creditworthiness of the debtors, their repayment history and their historical write-off experience. The Group does not hold any collateral or other credit enhancements over these balances.

(ii) Pursuant to the sale and purchase agreement entered into between the Company and two independent third parties (the "GMD Vendors"), whereby the Company conditionally agreed to acquire the entire share capital of GMD Holding Group Limited ("GMD") for a cash consideration of HK$45,000,000, which is subject to adjustment depending upon the achievement of several financial targets by GMD and its subsidiary, GET Mdream Wealth Management Limited ("GET"), in 2019 and subsequent two years (the "GMD Acquisition"). As GMD and GET were not able to achieve those financial targets in 2019, the final consideration was adjusted to HK$92,000. As of 31 December 2019, HK$36,000,000 was paid to the GMD Vendors for the GMD Acquisition and accordingly an amount of HK$35,908,000, being the difference between the amount paid and the final consideration, shall be clawed back from the GMD Vendors.

(iii) As at 31 December 2019, it represents a total sum of several fund transferal transactions of approximately HK$262,084,000 (2018: HK$262,084,000) transferred from a wholly-owned subsidiary of the Group to a trustee of a PRC wholly-owned subsidiary of the Group (the "Trustee"). The Group initiated these transactions by giving instructions without signing any fund transfer agreement with the Trustee.

28. CONTRACT ASSETS

Disclosures of revenue-related items:

	As at 31 December 2019 HK$'000	As at 31 December 2018 HK$'000	As at 1 January 2018 HK$'000
Contract assets — IFA income	**778,630**	659,261	723,399
Analysed as:			
Current assets	**232,186**	211,136	
Non-current assets	**546,444**	448,125	
	778,630	659,261	

Significant changes in contract assets during the year:

	2019 HK$'000	2018 HK$'000
Increase due to operations in the year	**165,230**	85,613
Increase due to acquisition in the year	**15,228**	–
Transfer of contract assets to receivables	**(202,134)**	(99,051)

A contract asset represents the revenue recognised before being unconditionally entitled to the consideration under the terms set out in the contract under IFA business.

29. RESTRICTED CASH

At the end of the reporting period, the Group had bank balances of approximately HK$6,009,000 (2018: HK$15,754,000) in relation to the insurance brokerage business which were restricted as to its use. Restricted cash of HK$6,009,000 (2018: HK$15,754,000) was placed in a bank in PRC to comply with the requirements of PRC authority for insurance brokerage operation. The Group expected the insurance brokerage business in PRC to remain as continuing operation and hence the Group expected this restricted cash to be released after more than 12 months from the end of the reporting period. Accordingly, the entire restricted cash was classified under non-current assets.

30. ACCOUNTS RECEIVABLE

	Note	2019 HK$'000	2018 HK$'000
Accounts receivable from:			
Product issuers		**46,572**	50,779
Customers		**10,278**	6,377
Cash clients		**2,229**	198
Brokers and dealers		**561**	2,520
		59,640	59,874
Less: Provision for impairment	(i)	**(1,090)**	(1,090)
		58,550	58,784

The normal settlement terms of accounts receivable from product issuers arising from provision of brokerage services are within 45 days upon the execution of the insurance policies, investment product subscription agreements and/or receipt of statements from product issuers. Product issuers represent mainly non-bank financial institutions which provide products for the Group's IFA business.

Credit terms with customers of investment advisory, funds dealing, asset management and corporate finance services are mainly 30 to 60 days or a credit period mutually agreed between the contracting parties.

The normal settlement terms of accounts receivable arising from the provision of securities dealing business are within 2 days after trade date, which these accounts receivable are from cash clients, brokers and clearing houses.

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its accounts receivable balances. Accounts receivable are non-interest-bearing.

An aging analysis of the accounts receivable as at the end of the reporting period, based on the date of recognition of revenue, is as follows:

	2019 HK$'000	2018 HK$'000
Within 1 month	**57,641**	54,033
1 to 2 months	**231**	721
2 to 3 months	**35**	1,329
Over 3 months	**643**	2,701
	58,550	58,784

30. ACCOUNTS RECEIVABLE (CONTINUED)

The Group applies the simplified approach under HKFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

	Current	Past due within 1 month	1 to 2 months past due	2 to 3 months past due	Over 3 months past due	Total
At 31 December 2019						
Weighted average expected loss rate	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**64.08%**	
Receivable amount (HK$'000)	**55,384**	**2,227**	**233**	**95**	**1,701**	**59,640**
Loss allowance (HK$'000)	**–**	**–**	**–**	**–**	**(1,090)**	**(1,090)**
At 31 December 2018						
Weighted average expected loss rate	0.00%	2.84%	0.00%	0.00%	34.90%	
Receivable amount (HK$'000)	53,510	2,008	1,034	362	2,960	59,874
Loss allowance (HK$'000)	–	(57)	–	–	(1,033)	(1,090)

Accounts receivable that were neither past due nor impaired relate to a number of reputable product issuers, brokers and clients. Based on past experience, there was no recent history of significant losses in respect of these balances.

Accounts receivable that were past due but not impaired relate to product issuers and customers that have a good track record with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment 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.

Note:

(i) The movement in the impairment of accounts receivable are as follows:

	2019 HK$'000	2018 HK$'000
At 1 January	**1,090**	1,827
Impairment losses recognised	**–**	1,048
Impairment written off as uncollectible	**–**	(1,785)
At 31 December	**1,090**	1,090

31. DUE FROM AN ASSOCIATE

As at 31 December 2019 and 2018, the amount due from an associate is unsecured, interest-free and has no fixed repayment terms.

32. DUE FROM A DIRECTOR

Amount due from a director pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance is as follows:

Name	**2019**	2018	**Maximum amount outstanding during the year**
	HK$'000	HK$'000	HK$'000
Mr. Shin Kin Man	**723**	723	723

The amount due from a director is unsecured, interest-free and has no fixed repayment terms.

33. CASH HELD ON BEHALF OF CLIENTS/ACCOUNTS PAYABLE TO CLIENTS

The Group maintains segregated trust accounts with authorized institutions to hold clients' monies arising from its normal course of asset management and securities dealing businesses. The Group has classified the clients' monies as cash held on behalf of clients under the current assets section of the consolidated statement of financial position and recognised the corresponding accounts payable to respective clients on grounds that it is liable for any loss or misappropriation of clients' monies. The Group is not allowed to use the clients' monies to settle its own obligations.

34. PLEDGED BANK DEPOSIT AND CASH AND CASH EQUIVALENTS

	2019	2018
	HK$'000	HK$'000
Cash and bank balances	**586,723**	1,002,246
Time deposits	**140,325**	410,250
	727,048	1,412,496
Less: Pledged bank deposit for bank overdraft facilities	**(10,325)**	(10,250)
Cash and cash equivalents	**716,723**	1,402,246

At the end of the reporting period, certain bank deposits with original maturity over three months amounted to HK$10,325,000 (2018: HK$10,250,000) were pledged to secure overdraft facility granted to a subsidiary of the Company.

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK$13,656,000 (2018: HK$17,647,000). The RMB is not freely convertible into other currencies, however, under PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods between one month and one year depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposits rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

35. ACCOUNTS PAYABLE

	2019 HK$'000	2018 HK$'000
Accounts payable to:		
Consultants	**113,871**	54,579
Consultants in related to contract assets	**489,722**	449,673
Cash held on behalf of clients from securities dealing business	**33,519**	23,347
Cash held on behalf of clients from asset management business	**216,823**	292,219
Cash held on behalf of clients from insurance brokerage business	**819**	1,321
	854,754	821,139
Analysed as:		
Current liabilities	**573,098**	571,306
Non-current liabilities	**281,656**	249,833
	854,754	821,139

Accounts payable to consultants arising from provision of IFA services and asset management services are generally settled within 30 days to 120 days upon receipt of payments from product issuers/fund houses by the Group.

Accounts payable to clearing house, brokers, clients arising from the securities dealing businesses and asset management businesses are repayable on settlement date. The normal settlement terms of the said accounts payable are, in general, within 2 days after the trade date.

An aging analysis of accounts payable (excluding accounts payable to consultants in relation to contract assets) at the end of reporting period is as follows:

	2019 HK$'000	2018 HK$'000
Cash held on behalf of clients		
Repayable on demand	**251,161**	316,887
Accounts payable:		
Within 1 month/repayable on demand	**104,386**	28,939
1 to 2 months	**558**	1,032
2 to 3 months	**1,026**	634
3 to 6 months	**7,564**	14,370
6 to 12 months	**337**	112
1 to 2 years	**–**	9,492
	365,032	371,466

Accounts payable are non-interest-bearing.

Included in the accounts payable were commission payables totaling HK$659,000 (2018: HK$352,000) to the spouse, a brother and a cousin of a director of the Company (the director was appointed on 15 January 2018 and prior to the appointment, the director is also a director of the Group's major operating subsidiary) who are consultants of the Group, which are payable on terms similar to those offered to other consultants of the Group.

36. OTHER PAYABLES AND ACCRUALS

	Notes	2019 HK$'000	2018 HK$'000
Other payables	(i)	**37,199**	31,639
Accruals		**69,945**	60,270
Accruals in relation to legal and professional fee		**58,427**	41,201
Provision for reinstatement cost	(ii)	**13,829**	14,031
Payable in relation to the buy-back of investment brokerage products	(iii)	**8,596**	36,532
Payables in relation to the buy-back of investment in private equity funds	(iv)	**51,276**	76,914
Other payables of a trustee of a subsidiary	(v)	**239,498**	239,498
		478,770	500,085
Analysed as:			
Current liabilities		**448,175**	435,163
Non-current liabilities		**30,595**	64,922
		478,770	500,085

Notes:

(i) Other payables are unsecured and non-interest bearing.

(ii) A subsidiary of the Group is required to remove any leasehold improvements and restore the leased premises to their original condition at the end of the respective lease terms. A provision has been recognised for the present value of the estimated expenditure required. These costs have been capitalised as part of the cost of leasehold improvements and are amortised over the shorter of the term of the lease or the useful life of the assets.

(iii) In prior years, the Group's IFA business introduced certain investment brokerage products issued by other third party companies in the PRC. Due to various reasons, the Group committed to buy back certain investment brokerage products subsequent to introduction of sales. The consideration was mutually agreed with individual customers in accordance to the terms of the underlying agreements.

The directors assessed that these products are issued by third party companies which are either liquidated or under significant risk of being liquidated. Hence, the directors determined that these investment products are of no value as at 31 December 2019 and 2018.

As at 31 December 2017, other payable of approximately HK$134,446,000 were recognised for unsettled amounts due to individual customers in relation to the buy-back of investment brokerage products for which the transfer contracts were signed subsequently.

The payable of approximately HK$27,936,000 (2018: HK$97,914,000) was settled in 2019 and the carrying amount of the payable was approximately HK$8,596,000 (2018: HK$36,532,000) as at 31 December 2019.

36. OTHER PAYABLES AND ACCRUALS (CONTINUED)

Notes: (continued)

(iv) In 2015, the Ex-Management of the Group effected the subscription of the shares of Promising Social Media Private Equity Fund ("Promising Fund"), whose voting rights were wholly-owned by a subsidiary of the Group, by the Group itself and certain external investors ("External Investors"). In early 2018, the Management of the Group noted that there were potential wrong doings from the Ex-Management and such incident was exposed to potential litigation from the External Investors. After public exposure of this incident and subsequent internal investigations to the quality of the assets managed by the Fund, the Management of the Group was advised by legal counsels that the best solution was to arrange compensation to the External Investors of Promising Fund. The total amount of such compensation was HK$76,914,000, based on Promising Fund's audited net asset value as at 31 December 2017. Compensation agreements were agreed and confirmed by the External Investors in 2019. The Management of the Group is in the view that the aforesaid amount shall be made payable in 2017, due to the fact that the wrong doings were mostly conducted by the Ex-Management in 2017 and the amount of compensation was based on the audited net asset value of Promising Fund as at 31 December 2017.

The payable of approximately HK$25,638,000 (2018: HK$Nil) was settled in 2019 and the carrying amount of the payable was approximately HK$51,276,000 (2018: HK$76,914,000) as at 31 December 2019.

(v) As at 31 December 2019 and 2018, it represents a total sum of several fund transferal transactions of approximately HK$239,498,000 transferred from a trustee of a PRC wholly-owned subsidiary of the Group (the "Trustee") to a PRC wholly-owned subsidiary of the Group. The Group initiated these transactions by giving instructions without signing any fund transfer agreement with the Trustee.

37. DUE TO RELATED PARTIES

The amounts due to related parties are unsecured, interest -free and have no fixed repayment terms.

38. ISSUED BONDS

	2019 **HK$'000**	2018 HK$'000
Unsecured unlisted bonds, at nominal value		
Repayable after one year but within five years	**523,500**	565,500
Discount and issue costs	**(30,861)**	(40,013)
	492,639	525,487
Analysed as:		
Non-current liabilities	**492,639**	525,487

38. ISSUED BONDS (CONTINUED)

At the end of the reporting period, the particulars of bonds issued by the Company are as follows:

Straight bond	Placing period	Maturity from issue date	Coupon rate	Effective interest rate	Principal outstanding	
					2019	2018
					HK$'000	HK$'000
A	8 July 2014–7 July 2015	7th anniversary	6%	7.53%	**40,000**	40,000
B	16 September 2014–15 September 2015	7th anniversary	6%	7.53%	**280,000**	290,000
E	21 January 2015–20 January 2016	7th anniversary	6%	7.53%	**203,500**	235,500
					523,500	565,500

All bonds are unsecured and contain no conversion feature.

39. NET ASSETS ATTRIBUTABLE TO REDEEMABLE PARTICIPATION RIGHTS

	2019	2018
	HK$'000	HK$'000
At beginning of the reporting period	**5,392**	7,001
Loss attributable to non-controlling investors of investment funds	**(1,178)**	(1,609)
	4,214	5,392

Net assets attributable to redeemable participation rights represents the non-controlling interest of an investment fund which is consolidated by the Group as a subsidiary. The non-controlling investors in the investment funds have the right to put the participation rights back to the investment fund at any time and therefore the economic substance of the non-controlling interest is that of a liability. The non-controlling investment is classified as a current liability in the Group's consolidated statement of financial position.

40. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2019	2018
	HK$'000	HK$'000
Bank loans-secured	**1,070**	–

The borrowings are repayable as follows:

	2019	2018
	HK$'000	HK$'000
On demand or within one year	**1,070**	–
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(1,070)**	–
Amount due for settlement after 12 months	**–**	–

40. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

The range of effective interest rates and maturity year at 31 December were as follows:

	2019			2018		
	Effective interest rate(%)	**Maturity**	**HK$'000**	Effective interest rate (%)	Maturity	HK$'000
Bank loans-secured	**3.00%**	**31 December 2022**	**1,070**	N/A	N/A	–

All borrowings are in denominated in Hong Kong dollars.

At 31 December 2019, the Group's bank loans were secured by unlimited personal guarantee given by two ex-directors of a wholly-owned subsidiary of the Company.

41. LEASE LIABILITIES

	Lease payments 2019 HK$'000	**Present value of lease payments 2019** HK$'000
Within one year	34,100	32,907
In the second to fifth years, inclusive	6,164	6,059
	40,264	
Less: Future finance charges	(1,298)	
Present value of lease liabilities	38,966	38,966
Less: Amount due for settlement within 12 months (shown under current liabilities)		(32,907)
Amount due for settlement after 12 months		6,059

At 31 December 2019, the average effective borrowing rate was 3.45% to 9.84%. Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk.

42. SHARE CAPITAL

SHARES

	2019 HK$'000	2018 HK$'000
Authorised:		
20,000,000,000 (2018: 20,000,000,000) ordinary shares of HK$0.10 each	**2,000,000**	2,000,000
Issued and fully paid:		
7,778,596,000 (2018: 7,778,596,000) ordinary shares of HK$0.10 each	**777,860**	777,860

During the years ended 31 December 2019 and 2018, no movement in the Company's authorised and issued share capital was noted.

According to the audited financial statements of the Company for the year ended 31 December 2016 as contained in the 2016 Annual Report, the issued and fully paid share capital of the Company as at 31 December 2016 was stated to be 14,938,896,000 ordinary shares ("Original Share Capital"). For the purpose of these financial statements, a total of 7,160,300,000 ordinary shares (representing approximately 47.93% of the Original Share Capital) shall be null and void and/or invalid and/or rescinded, and such ordinary shares shall be recognised and stated as reserve (rather than share capital) as a matter of financial reporting.

Out of the Original Share Capital, an aggregate of 7,508,300,000 ordinary shares ("Amended Specific Mandate Placing Shares") (representing approximately 50.26% of the Original Share Capital) were issued by the Company under the Amended Specific Mandate Placing Agreement (as referred to in the Company's announcement dated 29 October 2015), the completion of which took place on 29 October 2015. According to the Company's announcement dated 29 October 2015, it was said that the Amended Specific Mandate Placing Shares had been placed to not less than six Amended Specific Mandate Placees (as referred to in the Company's announcement dated 29 October 2015).

On 18 December 2017, the Company together with two of its subsidiaries commenced legal proceedings in the High Court of Hong Kong in High Court Action No. 2922 of 2017 ("the Principal Action"). The Company's case in the Principal Action is that, out of the Amended Specific Mandate Placing Shares, 7,160,300,000 shares (representing approximately 47.93% of the Original Share Capital) were actually wrongfully allotted ("Wrongfully Allotted Shares") which had been issued to non-independent placees ("Alleged Independent Placees") who held the Wrongfully Allotted Shares subject to the control, influence and/or interest of one Cho Kwai Chee Roy, and that the share subscription of many of the Alleged Independent Placees were enabled and/or assisted by circular financing arrangement.

Between July and October 2017, in order to disguise the wrongful nature of the initial allotment and subscription, a large number of the Wrongfully Allotted Shares allotted to the Alleged Independent Placees were transferred by the Alleged Independent Placees directly or indirectly to Mr. Kwok Hiu Kwan ("Mr. Kwok"), Mr. Chen Peixiong ("Mr. Chen") and Madam Wang Pengying ("Madam Wang") respectively. During the relevant period, Mr. Kwok, Mr. Chen and Madam Wang acquired about respectively 29.91%, 7.47% and 2.3% of the Company's shareholding (or in total about 39.68% of the Company's shareholding) through a premeditated scheme and series of coordinated transactions avoiding the detection of the regulators.

Under the laws of Cayman Islands as per the expert evidence filed by the Company, improper allotment of shares by a company render those shares void ab initio. The Company is seeking in the Principal Action, among other things, (1) a declaration and order as against the Alleged Independent Placees that the allotment of the Wrongfully Allotted Shares is null and void, or has been rescinded and set aside; and (2) a declaration and order as against Mr. Kwok, Mr. Chen and Madam Wang that the transfer of the Wrongfully Allotted Shares to Mr. Kwok, Mr. Chen, and Madam Wang is null and void and/or invalid and/or rescinded. Please refer to the Company's announcement dated 3 January 2021.

42. SHARE CAPITAL (CONTINUED)

SHARES (CONTINUED)

In making a judgement on the accounting treatment for the Wrongfully Allotted Shares, the Company is conscious that financial information must faithfully represent the substance of the economic phenomena, rather than merely representing the legal form. Representing a legal form that differs from the economic substance of the underlying economic phenomenon could not result in a faithful representation.

The Company is also conscious that financial statements portray the financial effects of transactions and other events by grouping them into broad classes according to their economic characteristics. Elements of financial statements should be classified by their nature and function in the business of the entity in order to display information in the manner most useful to users for purposes of making economic decisions.

By nature, the Wrongfully Allotted Shares, being null and void and/or invalid and/or rescinded, are not shares (ordinary or otherwise) of the Company and therefore the share capital represented by the Wrongfully Allotted Shares ("Wrongful Share Capital") is not share capital.

The Wrongful Share Capital on one hand and the remainder of the Original Share Capital ("Non-Wrongful Share Capital") on the other hand do not share similar economic characteristics, with the former being null and void and/or invalid and/or rescinded and the latter being ordinary shares of the Company. The two should not be grouped into the same broad class because of their different economic characteristics.

43. RESERVES

(A) GROUP

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

(B) COMPANY

A summary of the Company's reserves is as follows:

	Share premium account HK$'000	2015 placing shares reserve HK$'000	Warrant reserve HK$'000	Shares held for share award scheme HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total reserves HK$'000
At 1 January 2018	1,916,453	2,415,623	776	(723)	43,024	(1,600,974)	2,774,179
Loss and total comprehensive loss for the year	–	–	–	–	–	(306,109)	(306,109)
Reversal of warrant reserve	–	–	(776)	–	–	776	–
At 31 December 2018	1,916,453	2,415,623	–	(723)	43,024	(1,906,307)	2,468,070
At 1 January 2019	1,916,453	2,415,623	–	(723)	43,024	(1,906,307)	2,468,070
Loss and total comprehensive loss for the year	–	–	–	–	–	(496,882)	(496,882)
Share option lapsed	–	–	–	–	(43,024)	43,024	–
At 31 December 2019	1,916,453	2,415,623	–	(723)	–	(2,360,165)	1,971,188

(C) NATURE AND PURPOSE OF RESERVES

(i) Share premium account

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) 2015 placing shares reserve

2015 placing shares reserve represents certain of the net proceed of placing shares in 2015 in relation to High Court Action No. 2922 of 2017 ("HCA 2922/2017"). Details of HCA 2922/2017 are disclosed in note 53(a).

(iii) Capital reserve

The Group's capital reserve represents (i) the issued paid-up capital of a subsidiary of the Company; and (ii) the excess of the nominal value of the shares of a subsidiary acquired pursuant to the reorganisation in the prior year, over the investment cost of the Company's shares issued in exchange therefor.

(iv) Merger reserve

Merger reserve relates to business combination under common control and represents the difference in the fair value of the consideration paid and the share capital of subsidiaries acquired during the year ended 31 December 2011 and 2013.

43. RESERVES (CONTINUED)

(C) NATURE AND PURPOSE OF RESERVES (CONTINUED)

(v) Share option reserve

The share option reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Company recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 3 to the consolidated financial statements.

(vi) Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 3 to the consolidated financial statements.

(vii) Reserve funds

Pursuant to the relevant laws and regulations in PRC, the Group's subsidiaries established in PRC are required to transfer part of their net profit after tax to reserve funds, which are non-distributable and restricted as to their use.

(viii) Legal reserve

Pursuant to the provisions of the Macao Commercial Code, the Group's subsidiaries established in Macau are required to transfer a minimum of 25% of the annual profit after tax to a legal reserve until the reserve equals half of the share capital. Such a transfer has to be approved by the shareholders of those subsidiaries. This reserve is not distributable to shareholders of those subsidiaries.

(ix) Other reserves

Other reserves represents (i) the net gain or loss on the disposal of interests in subsidiaries while retaining the control; (ii) the net gain or loss on acquisition of additional interests in subsidiaries; and (iii) the wavier of amounts due to CFG, the then immediate holding company of the Company, in prior years.

44. SHARE AWARD SCHEME

On 25 January 2011, the Company adopted a share award scheme (the "Award Scheme") under which shares of the Company (the "Awarded Shares") might be awarded to selected participants, including employees, consultants and business associates of the Group (the "Selected Participants") in accordance with the provisions of the Award Scheme and an irrevocable trust (the "Trust") was also established by the Company for the purpose of the Award Scheme. The Award Scheme became effective on the adoption date and, unless otherwise terminated or amended, will remain in force for 10 years from that date. Further details of the Award Scheme are also set out in an announcement of the Company dated 25 January 2011.

The aggregate number of Awarded Shares currently permitted to be awarded under the Award Scheme throughout the duration of the Award Scheme is limited to 10% of the issued share capital of the Company as at 25 January 2011, i.e., 40,000,000 shares.

44. SHARE AWARD SCHEME (CONTINUED)

Pursuant to the rules governing the operation of the Award Scheme (the "Scheme Rules"), the board of Directors of the Company shall select the Selected Participants and determine the number of Awarded Shares to be awarded. The board of Directors of the Company shall cause to pay the trustee of the Trust (the "Trustee") the purchase price and the related expenses from the Company's resources for the shares of the Company to be purchased by the Trustee. The Trustee is an Independent Third Party appointed by the board of Directors of the Company for the administration of the Award Scheme. The Trustee shall purchase from the market such number of shares of the Company awarded as specified by the board of Directors of the Company and shall hold such shares until they are vested in accordance with the Scheme Rules and the trust deed.

When a Selected Participant has satisfied all vesting conditions, which might include service and/or performance conditions, specified by the board of Directors of the Company at the time of making the award and become entitled to the shares of the Company forming the subject of the award, the Trustee shall transfer the relevant vested Awarded Shares to that employee at no cost.

The Trustee shall not exercise the voting rights in respect of any shares of the Company held under the Trust, including, inter alia, the Awarded Shares and further shares of the Company acquired out of the income derived therefrom.

During the years ended 31 December 2019 and 2018, no Awarded Shares were awarded to any consultants nor employees of the Group and the Trustee did not acquire any ordinary shares of the Company under the Award Scheme.

No Awarded Shares were outstanding as at 31 December 2019 and 2018.

45. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include Employee, Business Associate and the trustee (whether family, discretion any or otherwise) whose beneficiaries or objects include any Employee. For the purpose of this section, Employee means (i) any full-time employee and director (including executive Director, non-executor Director and independent non-executive Director or proposed executive Director, non-executive Director and independent non-executive Director) of any member of the Group; and (ii) any part-time employee with weekly working hours of 10 hours or above of the Group; and Business Associate means (a) any advisor, consultant or agent (in the areas of legal, technical, financial or corporate managerial) to the Group; (b) any provider of goods and/or services to the Group; or (c) any other person who, at the sole discretion of the Board, has contributed or may contribute to the Group (the assessment criterion of which are (i) such person's contribution to the development and performance of the Group; (ii) the quality of work performed by such person for the Group; (iii) the initiative and commitment of such person in performing his or her duties; and (iv) the length of service or contribution of such person to the Group).

The Scheme became effective on 23 June 2010 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares which may be issued upon the exercise of all options to be granted under the Scheme is 10% of the number of shares of the Company in issue as at the date of approval of the refreshment of the 10% mandate of the Scheme by the shareholders of the Company in the extraordinary general meeting held on 22 December 2016. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

45. SHARE OPTION SCHEME (CONTINUED)

Share options granted to a connected person (as defined in the Listing Rules) of the Company, are subject to approval in advance by the independent non-executive Directors. In addition, any share options granted to a substantial shareholder (as defined in the Listing Rules) or an independent non-executive Director of the Company, or to any of their associates (as defined in the Listing Rules), in excess of 0.1% of the shares of the Company in issue or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5,000,000, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period and the vesting period of the share options granted are at the Board's absolute discretion and determinable by the Directors, save that such period shall not be more than 10 years from the date of grant of the share options.

The exercise price of share options is determinable by the Directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of grant of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of grant.

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

The exercise price of the share options outstanding as at 31 December 2018 is HK$0.2332. The exercise period is from 24 June 2017 to 23 December 2019. The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

The expected life of the options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, all outstanding share options under the Scheme was lapsed.

46. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(A) ACQUISITION OF GMD HOLDING GROUP LIMITED

On 27 February 2019, the Group completed the acquisition of the entire interests in GMD Holding Group Limited ("GMD") from an independent third party at an aggregate consideration of HK$45,000,000.

GMD was primarily engaged in the provision of insurance brokerage. The acquisition was made as part of the Group's strategy to develop the existing corporate finance and advisory services business through the provision of insurance brokerage.

The fair value of the identifiable assets and liabilities of GMD acquired as at its date of acquisition is as follows:

	2019 HK$'000
Property, plant and equipment	**553**
Right-of-use assets	**6,269**
Contract assets	**15,228**
Prepayment, deposits and other receivables	**6,845**
Cash and bank balances	**1,352**
Accounts payable	**(1,333)**
Other payables and accruals	**(9,519)**
Lease liabilities	**(6,447)**
Interest-bearing bank borrowing	**(1,424)**
	11,524
Non-controlling interests	**(452)**
Gain on bargain purchase on acquisition (Note 9)	**(10,980)**
	92
Satisfied by:	
Cash consideration	**36,000**
Other payable	**9,000**
Clawback amount*	**(35,908)**
Termination of scheme	**(9,000)**
	92
Net cash outflow/(inflow) arising on acquisition:	
Cash consideration paid	**92**
Cash and cash equivalents acquired	**(1,352)**
	(1,260)

*Note: Pursuant to the sale and purchase agreement entered into between the Company and two independent third parties (the "GMD Vendors"), whereby the Company conditionally agreed to acquire the entire share capital of GMD for a cash consideration of HK$45,000,000, which is subject to adjustment depending upon the achievement of several financial targets by GMD and its subsidiary, GET, in 2019 and subsequent two years (the "GMD Acquisition"). As GMD and GET were not able to achieve those financial targets in 2019, the final consideration was adjusted to approximately HK$92,000. As of 31 December 2019, HK$36,000,000 was paid to the GMD Vendors for the GMD Acquisition and accordingly an amount of approximately HK$35,908,000, being the difference between the amount paid and the final consideration, shall be clawed back from the GMD Vendors (the "Clawback amount").

46. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(A) ACQUISITION OF GMD HOLDING GROUP LIMITED (CONTINUED)

Since the acquisition, GMD contributed HK$24,872,000 to the Group's revenue and loss of HK$2,887,000 to the consolidated loss for the year ended 31 December 2019.

If the acquisition had been completed on 1 January 2019, total Group revenue for the year would have been HK$982,580,000, and loss for the year would have been HK$543,240,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2019, nor is intended to be a projection of future results.

(B) DISPOSAL OF SUBSIDIARIES

On 1 April 2019, the Group disposed of its entire equity interest in 康宏碧升保險代理有限公司 (the "BIS") and its subsidiaries including 江西康宏泛誠保險代理有限公司 (the "JXH") and 康宏碧升保險代理有限公司(四川分公司) (the "BIC") to an Independent Third Party for a cash consideration of RMB15,400,000 (equivalent to approximately HK$18,495,000), resulting in a loss on disposal of approximately HK$8,469,000 for the year.

Net assets at the date of disposal were as follows:

	2019 **HK$'000**
Property, plant and equipment	**69**
Prepayments, deposits and other receivables	**1,562**
Restricted cash	**776**
Cash and cash equivalents	**9,747**
Accounts payable	**(295)**
Accruals and other payables	**(677)**
Tax payables	**(74)**
Net assets disposed of	**11,108**
Non-controlling interests	**13,448**
Release of exchange fluctuation reserve	**96**
Direct cost to the disposal	**2,312**
Loss on disposal of subsidiaries	**(8,469)**
Total consideration settled by cash	**18,495**
Net cash inflow arising on disposal:	
Cash consideration received	**18,495**
Cash paid for direct cost	**(2,312)**
Cash and cash equivalents disposed of	**(9,747)**
	6,436

46. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(C) DISPOSAL OF A SUBSIDIARY

On 21 December 2018, the Group disposed of its entire equity interest in Convoy Payments Limited ("PYL") to an independent third party for a consideration of stock exchange of 2,090,297 C1 shares of Currency Fair Limited (worth of approximately HK$38,861,000), resulting in a gain on disposal of HK$37,910,000 for the year.

The net assets at the date of disposal were as follows:

	2018 HK$'000
Property, plant and equipment	303
Prepayments, deposits and other receivables	151
Cash and cash equivalent	510
Other payables	(1,431)
Net liabilities disposed of	(467)
Non-controlling interests	1,418
Gain on disposal of a subsidiary	37,910
Total consideration settled by shares of Currency Fair Limited	38,861
Net cash outflow arising on disposal:	
Cash and cash equivalents disposed of	(510)
	(510)

(D) DISPOSAL OF A SUBSIDIARY

On 2 May 2018, the Group disposed of its entire equity interest in Triton Investment Services Pty Limited ("TIS") to an independent third party for a cash consideration of AUD244,000 (equivalent to approximately HK$1,447,000), resulting in a gain on disposal of HK$503,000 for the year.

The net assets at the date of disposal were as follows:

	2018 HK$'000
Prepayments, deposits and other receivables	55
Cash and cash equivalents	1,113
Other payables	(224)
Net assets disposed of	944
Gain on disposal of a subsidiary	503
Total consideration settled by cash	1,447
Net cash inflow arising on disposal:	
Cash consideration received	1,447
Cash and cash equivalents disposed of	(1,113)
	334

46. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(E) CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Lease liabilities	Interest-bearing bank and other borrowings	Issued bonds	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2018	–	–	595,508	595,508
Changes in cash flows	–	–	(50,204)	(50,204)
Non-cash changes				
— interest charged	–	–	45,983	45,983
— set-off with loans receivable	–	–	(65,800)	(65,800)
— disposal of a subsidiary	–	–	–	–
As 31 December 2018	–	–	525,487	525,487
Changes in cash flows	(60,852)	(442)	(33,121)	(94,415)
Effect on HKFRS 16	74,445	–	–	74,445
Non-cash changes				
— interest charged	3,418	88	40,653	44,159
— set-off with loans receivable	–	–	(40,380)	(40,380)
— addition	19,546	–	–	19,546
— early termination of lease	(4,038)	–	–	(4,038)
— acquisition of subsidiaries	6,447	1,424	–	7,871
At 31 December 2019	38,966	1,070	492,639	532,675

47. CONTINGENT LIABILITIES

The Group has been served a number of claims and counterclaims by various independent parties. These claims and counterclaims are in relation to the normal commercial activities of the Group. No material provision was made against these claims and counterclaims because the directors believe that the Group has meritorious defenses against the claimants or the amounts involved in these claims are not expected to be material.

48. OPERATING LEASE COMMITMENTS

(A) AS LESSOR

The Group leases its investment property to a third party under an operating lease arrangement, with a term of two years. Under the arrangement, the tenant was also required to pay a security deposit and provide for periodic adjustments according to the prevailing market conditions.

At the end of reporting period, the Group had total future minimum lease receivable under non-cancellable operating lease with its tenant falling due as follows:

	2019 **HK$'000**	2018 HK$'000
Within one year	**2,468**	1,808
In the second to fifth years inclusive	**2,546**	3,089
	5,014	4,897

(B) AS LESSEE

The Group leases its office properties, warehouse, staff quarters, and certain equipment under operating lease arrangements, with leases negotiated for terms ranging from six months to five years.

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

	2018 HK$'000
Within one year	58,279
In the second to fifth years inclusive	29,589
	87,868

49. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these consolidated financial statements, the Group had the following material transactions with related parties during the year:

(A) TRANSACTIONS WITH RELATED PARTIES IN THE ORDINARY COURSE OF BUSINESS:

	Notes	**2019** **HK$'000**	2018 HK$'000
Commission expenses paid by CFS to:			
Spouse of Mr. Shin Kin Man	(i)	**3,839**	2,149
Brother of Mr. Shin Kin Man	(i)	**3,388**	1,685
Cousin of Mr. Shin Kin Man	(i)	**2**	1
Commission expenses paid by CAM to:			
Spouse of Mr. Shin Kin Man	(i)	**316**	391
Brother of Mr. Shin Kin Man	(i)	**102**	146
Asset management fee income received from BLVD	(ii)	**300**	300
Service fee income received from FCAM	(iii)	**109**	557

(B) OUTSTANDING BALANCES ARISING FROM THE ORDINARY COURSE OF BUSINESS

The following balances are outstanding at the end of the reporting period with related parties in relation to transactions:

	Note	**2019** **HK$'000**	2018 HK$'000
Amount due from a related party (other balance)			
Mr. Shin Kin Man	(i)	**723**	723
Accounts payable (commission expenses)			
Spouse of Mr. Shin Kin Man	(i)	**351**	141
Brother of Mr. Shin Kin Man	(i)	**308**	211
Accounts receivable (service fee income)			
FCAM		**–**	557

49. RELATED PARTY TRANSACTIONS (CONTINUED)

(C) COMPENSATION OF KEY MANAGEMENT PERSONNEL OF THE GROUP:

	2019 HK$'000	2018 HK$'000
Fees, salaries, allowances, bonuses and benefits in kind	**31,874**	41,214
Pension scheme contributions	**1,841**	1,985
Total compensation paid to key management personnel	**33,715**	43,199

Further details of Directors' remuneration are included in note 13 to the consolidated financial statements.

Notes:

(i) The commission expenses were paid to three close family members of Mr. Shin Kin Man, who are related parties of the Company and also the consultants of CFS and licensed representatives of CAM, two operating subsidiaries of the Group. The commission expenses were determined based on the volume of transactions of various services executed by them for the account of CFS and CAM. The commission offered are charged pursuant to the terms in the agreements signed between the Group and the three close family members of Mr. Shin Kin Man.

(ii) The asset management fee income was received from BLVD. CFM acted as manager of BLVD to provide analytics and advisory services in respect of investment decisions and day-to-day asset management services. The charge is based on the terms on management fee agreement signed between DRL Capital Investment Management Limited and BLVD.

(iii) The service fee income was received from FCAM for the provision of operations services (including human resources, administration, information technology, legal and compliance, finance and accounts, and others). The charge is based on the terms on management agreements signed between Convoy Resources Limited and FCAM.

50. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2019 HK$'000	2018 HK$'000
Non-current assets		
Property, plant and equipment	**763**	–
Investments in subsidiaries	**14,500**	14,500
Investments at fair value through profit or loss	**16,000**	16,500
Loans receivable	**174,810**	210,528
	206,073	241,528
Current assets		
Due from subsidiaries	**3,295,396**	3,637,885
Loans receivable	**9,506**	16,403
Prepayments, deposits and other receivables	**4,032**	2,022
Cash and cash equivalents	**3,975**	5,657
	3,312,909	3,661,967
Current liabilities		
Other payables and accruals	**82,840**	67,675
Due to subsidiaries	**194,455**	64,403
	277,295	132,078
Net current assets	**3,035,614**	3,529,889
Total assets less current liabilities	**3,241,687**	3,771,417
Non-current liabilities		
Issued bonds	**492,639**	525,487
	492,639	525,487
NET ASSETS	**2,749,048**	3,245,930
EQUITY		
Share capital	**777,860**	777,860
Reserves	**1,971,188**	2,468,070
TOTAL EQUITY	**2,749,048**	3,245,930

51. EVENTS AFTER THE REPORTING PERIOD

On 25 November 2020, the Company entered into a non-binding Term Sheet with AGBA Acquisition Limited ("AGBA"), a company listed on NASDAQ, pursuant to which the Company conditionally proposes to dispose of its entire platform business and 30% of its independent financial advisory business to AGBA for a total consideration of US$400,000,000 (HK$3,100,000,000) to be satisfied by the payment of US$100,000,000 (HK$775,000,000) in cash and the issue of US$300,000,000 (HK$2,325,000,000) of new AGBA shares at an issue price of US$10 (HK$77.50) per AGBA share, subject to, among other things, satisfactory due diligence by AGBA.

On 22 June 2020, the Board was approached by National Arts Entertainment and Culture Group Limited ("National Arts"), a company listed on the GEM board of the Stock Exchange (Stock Code: 8228), about a conditional voluntary share exchange offer by National Arts to acquire all of the issued shares in the share capital of the Company (the "General Offer"), subject to fulfilment of certain conditions.

52. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 17 February 2021.

53. LITIGATION

MATERIAL LITIGATION CASES INVOLVING THE COMPANY

Reference is made to the announcements of the Company made through the Stock Exchange of Hong Kong Limited ("**Stock Exchange**") dated 21 December 2017, 27 December 2017, 3 January 2018, 4 January 2018, 9 January 2018, 16 January 2018, 12 February 2018, 5 March 2018, 8 March 2018, 13 April 2018, 19 June 2018, 4 July 2018, 18 July 2018, 24 September 2018, 4 November, 2019, 20 December 2019, 3 February 2020, 5 June 2020, 19 June 2020, 31 July 2020, 27 August 2020, 30 September 2020, 19 October 2020, 30 October 2020, 17 November 2020, 24 November 2020 and 3 January 2021. Since late 2017, the Company has been involved in not less than 17 material litigations of which ten were initiated and filed by the Company to protect the Company's interests and not less than 7 material proceedings against the Company:

Material Litigations filed by the Company:

	Action Number	**Filing date**	**Status**
(a)	High Court Action No. 2922 of 2017	18 December 2017	Live
(b)	High Court Action No. 3001 of 2017	22 December 2017	Live
(c)	FSD 286 of 2017 (Grand Court of the Cayman Islands)	29 December 2017	Live
(g)	High Court Action No. 399 of 2018	14 February 2018	Live
(h)	BVIHC (COM) 0019 of 2018 (filed in the British Virgin Islands)	6 February 2018	On appeal to the Privy Council heard on 16 and 17 February 2021.
(i)	High Court Miscellaneous Proceedings No. 1350 of 2018	29 August 2018	Live
(k)	High Court Action No 2000 of 2018	24 August 2018	On appeal to the Court of Appeal.
(l)	High Court Action No 1228 of 2019	9 July 2019	Live
(m)	High Court Action No 2416 of 2019	30 December 2019	Live
(n)	High Court Action No 1435 of 2020	25 August 2020	Live

Material Litigation against the Company:

	Action Number	**Filing date**	**Status**
(d)	High Court Miscellaneous Proceedings No. 2773 of 2017	29 December 2017	Stayed pending the resolutions of HCA 2922/2017
(e)	Hong Kong Miscellaneous Proceedings No. 41 of 2018	11 January 2018	Dismissed with reasons handed down on 4 March 2020. The appeal was dismissed on 24 November 2020.
(f)	High Court Action No. 187 of 2018	22 January 2018	Dismissed on 31 July 2018
(f)	High Court Action No. 258 of 2018	30 January 2018	Dismissed on 31 July 2018
(i)	High Court Action No. 702 of 2018	27 March 2018	Live. The Company filed a counterclaim on 23 August 2018.
(j)	High Court Miscellaneous Proceedings No. 900 of 2018	15 June 2018	Interim Injunction dismissed on 26 June 2018
(o)	High Court Miscellaneous Proceedings No. 1578 of 2020	20 October 2020	Interim Injunction dismissed on 13 November 2020

53. LITIGATION (CONTINUED)

Details of the litigation cases are set out as follows:

(a) HCA 2922/2017

On 18 December 2017, the Company together with two of its subsidiaries (namely Convoy Collateral Limited ("**CCL**") and CSL Securities Limited (now known as OnePlatform Securities Limited) ("**OPSL**") commenced legal proceedings against 28 Defendants in High Court Action No. 2922 of 2017 ("**HCA 2922/2017**"), and these defendants include: (1) Dr. Cho Kwai Chee, a former Executive Director of the Company ("**Cho**"); (2) Mr. Wong Lee Man Quincy ("**Wong**"), a former Executive Director of the Company; (3) Mr. Mak Kwong Yiu Mark ("**Mak**"), a former Executive Director of the Company; (4) Mr. Tan Ye Kai Byron Tan, a former Executive Director of the Company; (5) Ms. Fong Sut Sam Rosetta, a former Executive Director of the Company; (6) Ms. Chan Lai Yee ("**Chan**"), a former Executive Director of the Company; (7) Mr. Kwok Hiu Kwan ("**Kwok**"), a purported registered shareholder (through himself or his nominee) of 4,468,182,000 ordinary shares of the Company; and (8) Mr. Chen Pei Xiong ("**Chen**"), a purported registered shareholder (through himself or his nominee) of 1,085,280,000 ordinary shares of the Company.

The Company's claims against the defendants arise from a placement of the Company's shares which took place on 29 October 2015 whereby a substantial number of shares (the "**Wrongfully Allotted Shares**") were allotted to certain placees holding out as independent placees (the "**Alleged Independent Placees**"). It is the Company's case that the Wrongfully Allotted Shares had then been wrongfully transferred to Kwok and Chen respectively. Among other things, the Company sought the following relief:

(i) an order as against the Alleged Independent Placees that the allotment of the Wrongfully Allotted Shares be set aside;

(ii) a declaration as against Kwok and Chen that the transfer of the Wrongfully Allotted Shares to Kwok and Chen is null and void and/or invalid and/or rescinded;

(iii) a declaration that Cho and others acted in breach of fiduciary, common law and/or statutory duties owed to the Company by procuring the allotment of the Wrongfully Allotted Shares to the Alleged Independent Placees; and

(iv) an injunction as against Kwok and Chen, that they be restrained from exercising the voting rights of, or transferring or otherwise dealing with their interest in, the Wrongfully Allotted Shares.[1]

On 28 December 2017, the Company commenced legal proceedings in the Grand Court of the Cayman Islands (Cause No. FSD 282 of 2017) against the same 28 defendants of HCA 2922/2017 for, among other things, recognition by way of common law of any judgment made in HCA 2922/2017 in the Cayman Islands.

On 28 June 2018, Mr. Justice Harris granted leave for the Company to amend the Writ of Summons filed on 18 December 2017 to include 11 more defendants, after further findings and evidence relevant to the legal proceedings were unearthed.

On 24 August 2018, Mr. Choi Chee Ming ("**Choi**") applied to the High Court of Hong Kong to seek leave to be joined as a party to the legal proceedings. Choi was added as the 40th Defendant on 1 November 2018.[2]

On 6 May 2019, the Company filed a Summons to further amend the Amended Statement of Claim. The amendment is mainly on the inclusion of one Ms. Wang Pengying ("**Wang**") as the 41st Defendant being a purported registered shareholder of about 2.3% of the Company's shareholding who was (according to the Company's case) acting in concert with Kwok and Chen. On 12 July 2019, Mr. Justice Harris approved the addition of Wang as the 41st Defendant.[3]

1 Announcements 21/12/2017& 09/01/2018
2 Announcement 24/09/2018
3 Announcement 04/11/2019

53. LITIGATION (CONTINUED)

(b) HCA 3001/2017

On 22 December 2017, the Company and two of its subsidiaries, namely Convoy Financial Services Limited ("**CFS**") and OPSL, have commenced legal proceedings in the High Court of Hong Kong in High Court Action No. 3001 of 2017 against four defendants, namely (1) Wong, (2) Mak, (3) Convoy Investment Services Limited (which is not a subsidiary of the Group) and (4) Gransing Securities Co., Limited, in respect of, among others, breach of fiduciary duty and passing off, which had caused losses and damages to the Company.[4]

(c) FSD 286 OF 2017

During the extraordinary general meeting of the Company held on 29 December 2017 (the "**2017 December EGM**"), resolution no. 14 as set out in the notice of 2017 December EGM dated 20 November 2017 was withdrawn from consideration at the 2017 December EGM subject to the decision of the Cayman Islands courts on the question of validity of resolution no. 14 under the Cayman Islands laws. In this regard, on 29 December 2017, the Company issued an originating summons in the Grand Court of the Cayman Islands (FSD 286 of 2017) to seek, among others, a declaration that the abovementioned resolution no. 14 is unlawful, invalid, and/or insufficiently specific to enable the shareholders of the Company to make informed decisions and/or should otherwise not be put to the members at the 2017 December EGM.[5]

On 28 May 2018, the Grand Courts of the Cayman Islands approved the application that Kwok be joined as a defendant in FSD 286 of 2017.[6]

(d) HCMP 2773/2017

On 29 December 2017, the Company received a petition ("**Zhu Petition**") issued on 29 December 2017 in High Court Miscellaneous Proceedings No. 2773 of 2017 ("**HCMP 2773/2017**") filed by an individual named Zhu Xiao Yan in the High Court of Hong Kong against 33 respondents, including Cho, Wong, Kwok, Chen, the Company and four of its subsidiaries, namely, CCL, OPSL, CFS and Convoy Wealth Management Limited. Zhu Xiao Yan sought in the Zhu Petition, among others, against the Company (i) a declaration that the placing of 3,989,987,999 Shares (the "**Placing Shares**") on 29 October 2015 to six of the respondents named in the Zhu Petition (the "**Placees**") and/or the Placing Shares are void ab initio and of no legal effect or, alternatively, be set aside; (ii) a declaration that the transfer of the Placing Shares from the Placees to Kwok and Chen and/or the Placing Shares are void ab initio and of no legal effect or, alternatively, be set aside; and (iii) a declaration that any votes on the Placing Shares, whether at the 2017 December EGM or otherwise, be disregarded for the purposes of counting votes for the passing of shareholders' resolutions of the Company.[7]

On 6 March 2018, Mr. Justice Harris sitting as a Judge in the High Court of Hong Kong ordered that HCMP 2773/2017 be stayed pending the resolutions of HCA 2922/2017.[8]

4 Announcements 27/12/2017 & 04/11/2019
5 Announcement 03/01/2018
6 Announcement 04/11/2019
7 Announcements 03/01/2018 & 04/01/2018
8 Announcement 8/3/2018

53. LITIGATION (CONTINUED)

(e) HCMP 41/2018

On 11 January 2018, The Company received an originating summons dated 11 January 2018 in Hong Kong Miscellaneous Proceedings No. 41 of 2018 ("**HCMP 41/2018**") issued in the Court of First Instance of the High Court of Hong Kong by Kwok against the Company, the Company's Chairman of the 2017 December EGM ("**the Chairman**") and three of the executive directors of the Company ("**the defendant directors**") for, among others, (i) a declaration that the decision of the Chairman at the 2017 December EGM for not counting the voting rights in respect of 4,468,182,000 ordinary shares in the Company held by Kwok was unlawful, void and/or of no legal effect; (ii) the Company, the Chairman and the defendant directors be restrained from refusing to count the votes attaching to the Kwok's shares at any general meeting of the Company, or in any way to disregard, diminish or qualify the Kwok's rights as a shareholder of the Company; (iii) a declaration that the Kwok's shares be counted towards the ordinary resolutions 1-5 and 7 at the 2017 December EGM and that they were duly passed; (iv) a declaration that the decision at the 2017 December EGM to put ordinary resolutions 15 and 16 to vote was unlawful, void and/or of no legal effect; (v) a declaration that ordinary resolutions 9 and 11 ought to have been put to vote in the 2017 December EGM; (vi) a declaration that the withdrawal of ordinary resolutions 9 and 11 in the 2017 December EGM was wrongfully made, void and/or had no legal effect; (vii) a declaration that the withdrawal of ordinary resolution 14 in the 2017 December EGM was wrongfully made, void and/or had no legal effect; and (viii) an Order that the 2017 December EGM be re-convened in which ordinary resolutions 9, 11 and 14 be put to vote, duly counting Kwok's shares in the voting.[9]

The first hearing of HCMP 41/2018 took place on 6 March 2018.[10] Upon the application taken out by the defendant directors to strike out the action as against each of them, Kwok withdrew HCMP 41/2018 against all the defendant directors.

The substantive hearing of HCMP 41/2018 was heard before the Honourable Mr. Justice Harris sitting as a High Court Judge in Hong Kong during 27 August 2018 to 29 August 2018. On 29 August 2018, Mr. Justice Harris ruled on a preliminary issue of law ("**Preliminary Issue**"), the written reasons for which were handed down on 13 September 2018. In respect of the Preliminary Issue, the learned Judge ruled that:

(i) The Chairman had the power under Article 74 of the Amended and Restated Articles of Association of the Company ("**Article 74**") to determine that the voting rights in respect of the 4,468,182,000 ordinary shares in the Company purportedly registered in the name of Kwok (or his nominee) should not be counted at the 2017 December EGM; and

(ii) The Chairman's decision at the 2017 December EGM exercised under Article 74 was final and conclusive. It can only be challenged in Court if Kwok can demonstrate either it was reached in bad faith or it is demonstrated that the Court should intervene on other common law grounds.

In view of the ruling of the Court, Mr. Justice Harris set down HCMP 41/2018 for trial commencing on 19 March 2019.[11]

On 12 September 2018, Kwok filed a summons to seek leave to appeal against Mr. Justice Harris' decision on the Preliminary Issue.

On 31 March 2019, Mr. Justice Harris dismissed Kwok's originating summons in its entirety with written reasons handed down on 4 March 2020.

Upon Kwok's appeal against the judgment of Mr. Justice Harris, the Court of Appeal dismissed Kwok's appeal on 24 November 2020. After the dismissal of the Kwok's appeal, Kwok has applied for leave to appeal to the Court of Final Appeal.

[9] Announcement 16/01/2018
[10] Announcement 12/02/2018
[11] Announcement 24/09/2018

53. LITIGATION (CONTINUED)

(f) HCA 187/2018 AND HCA 258/2018

On 22 January 2018, Enhance Pacific Limited and Best Year Enterprises Limited commenced High Court Action No. 187 of 2018 ("**HCA 187/2018**") against two subsidiaries of the Company, namely CCL and OPSL, and their respective then directors.

On 30 January 2018, Mr. Sin Kwok Lam commenced legal proceedings against CCL in High Court Action No. 258 of 2018 ("**HCA 258/2018**").

On or about 31 July 2018, both of HCA 187/2018 and HCA 258/2018 were dismissed.[12]

(g) HCA 399/2018

On 14 February 2018, CCL issued a Writ of Summons in High Court Action No. 399 of 2018 ("**HCA 399/2018**") in the High Court of Hong Kong against 13 defendants, including, Cho and Chan. Pursuant to HCA 399/2018, CCL claims against the defendants for, among others, damages or equitable compensation for the loss and damage suffered arising from various transactions in which all or some of the defendants were involved respectively, in the approximate amount of HK$715 million according to the Writ of Summons filed in HCA 399/2018. According to the Writ of Summons filed in HCA 399/2018, such loss and damage have arisen from:

(i) the wrongful acquisition of shares in First Credit Finance Group Limited ("**First Credit**"), a company listed on GEM of the Stock Exchange (stock code: 8215), and manipulation of the share price of such company, causing the then loss and damage to CCL in approximately the amount of HK$259.9 million;

(ii) the manipulation of share price of China Green (Holdings) Limited ("**China Green**"), a company listed on the Main Board of the Stock Exchange (stock code: 904), and dishonesty and conspiracy in failing to convert convertible notes entered into between CCL and China Green at a profit, causing loss and damage to CCL up to the amount of approximately HK$298 million;

(iii) the wrongful acquisition of True Surplus International Investment Limited for the consideration of HK$89.4 million, which CCL is seeking rescission or alternatively damages or equitable compensation;

(iv) the grant of unsecured loan to Athena Power Limited on uncommercial, irrational and/or serious disadvantageous terms, causing loss and damage to CCL in approximately the amount of HK$34.6 million; and

(v) the misappropriation of funds transferred to Checkmate Finance Hong Kong Limited, causing loss and damage to CCL in approximately the amount of HK$33.2 million.[13]

On 26 June 2019, CCL filed a Mareva injunction against Cho and Broad Idea International Limited ("**Broad Idea**"), a company incorporated in the British Virgin Islands, registered or held in the name of Cho, in HCA 399/2018.

By a Court Order on 16 June 2020, the Court of Appeal granted a Worldwide Mareva Injunction against Cho up to and including the trial of HCA 399/2018 or further order of the Court that Cho must not:

(i) remove from Hong Kong any of his assets which are within Hong Kong, whether in his own name or not, and whether solely or jointly owned, up to the value of HK$769,581,153.66; or

(ii) in any way dispose of or deal with or diminish the value of any of his assets, whether within or outside Hong Kong, whether in his own name or not, and whether solely or jointly owned up to the value of HK$769,581,153.66. This prohibition includes (but is not limited to) in particular the shares in Broad Idea, or their net sale money.

12 Announcement 04/11/2019
13 Announcements 05/03/2018 & 04/11/2019

53. LITIGATION (CONTINUED)

(h) BVIHK 0019 OF 2018 AND ITS APPEAL

In tandem with the proceedings under HCA 399/2018, CCL obtained a freezing order (the "**Freezing Order**") made by Mr. Justice Chivers QC in the Eastern Caribbean Supreme Court in the High Court of Justice of the British Virgin Islands (the "**BVI Court**") on 7 February 2018 in BVIHK 0019 of 2018, until further order of the BVI Court, against Cho and Broad Idea, that:

(i) Broad Idea be restrained from, among others, (i) in any way disposing of, dealing with or diminishing the value of any shares in Town Health International Medical Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 3886), up to a value of US$75,583,490.03; (ii) registering or causing to be registered any change in the legal ownership of Cho's shares in Broad Idea ("**Cho's Shares**") in any way; (iii) in any way recognising or causing to be recognised in the register of shares of Broad Idea any such purported change in or transfer of all or any part of the legal ownership of Cho's Shares; (iv) in any way recognising or recording or causing to be recognised or recorded on the register of shares of Broad Idea any change or transfer of the ownership of all or part of the equitable interest in Cho's Shares; (v) removing, or allowing or instructing or causing to be removed, or instructing the removal of, the share certificates pertaining to Cho's Shares from the territory of the British Virgin Islands; and (vi) cancelling Cho's Shares and/or reissuing such shares or causing or instructing the same; and

(ii) Cho be restrained from, among others, (i) in any way disposing of, dealing with or diminishing the value of his assets within the British Virgin Islands up to a value of US$75,583,490.03; (ii) in any way disposing of, diminishing, or dealing with the value of Cho's Shares, whether they are in or outside the British Virgin Islands, whether in his or its name or not, and whether owned jointly, beneficially, legally, or otherwise; and (iii) effecting or allowing to be created or effected any changes, variations or amendments to any agreement, trust and/or any other similar arrangement in relation to which Cho's Shares are held.[14]

On 3 April 2019, Judge Adderley of the BVI Court discharged the Freezing Order as against Cho on jurisdictional ground without adjudicating the merits of CCL's case. CCL has filed a notice of appeal against Judge Adderley's decision. On 25 June 2019, the BVI Court of Appeal stayed the discharge of the Freezing Order pending the appeal. On 18 October 2019, the BVI Court of Appeal heard the appeal and subsequently dismissed the appeal on 30 March 2020.

On 31 July 2019, Judge Adderley of the BVI Court after an inter parte hearing granted the Freezing Injunction against Broad Idea in favor of CCL.[15]

On 29 May 2020, the BVI Court of Appeal allowed the appeal brought by Broad Idea against the decision of Judge Adderley of the BVI Court of 31 July 2019 in relation to the Freezing Injunction against Broad Idea. The BVI Court of Appeal allowed the appeal and set aside the Freezing Injunction against Broad Idea.

CCL has applied for leave to appeal to the Privy Council in relation to the BVI Court of Appeal decisions concerning the Freezing Injunctions against Broad Idea and Cho on 18 June 2020 and 29 June 2020.[16]

On 30 September 2020, the Judicial Committee of the Privy Council granted the application made by CCL to stay the order of the BVI Court of Appeal dated 29 May 2020 as against Broad Idea pending CCL's appeal to the Privy Council concerning the Freezing Injunction against Broad Idea. CCL's appeal against the BVI Court of Appeal decision concerning the Freezing Injunction against Broad Idea and the Freezing Injunction against Cho will take place in the Privy Council on 16 and 17 February 2021.[17]

14 Announcements 05/03/2018 & 24/09/2018
15 Announcement 04/11/2019
16 Announcement 31/07/2020
17 Announcement 30/10/2020

53. LITIGATION (CONTINUED)

(i) HCA 702/2018 AND HCMP 1350/2018

On 27 March 2018, Convoy (Trademarks) Limited as plaintiff, which is not a subsidiary of the Company, ("**CTL**") commenced legal proceedings in the High Court of Hong Kong against the Company and seven of its subsidiaries as defendants. CTL claimed that the Company and other defendants have infringed of a number of registered trademarks (the "**Marks**") registered in the name of CTL.[18]

On 23 August 2018, the Company and its subsidiaries filed a Defence and Counterclaim. Among other grounds of defence, the Company's defence is that its subsidiary, CFS, was and still is at all times the beneficial owner of the Marks. The Company and CFS also counterclaimed against Wong and Mak for breach of their fiduciary duties by causing the Marks to be transferred to CTL, a company of which both of them are interested, at nominal value.

On 29 August 2018, CFS commenced legal proceedings in HCMP 1350/2018 against CTL, Wong and Mak to claim for the beneficial ownership of three further trademarks.[19]

(j) HCMP 900/2018

On 15 June 2018, Kwok commenced legal proceedings by way of originating summons issued in the Court of First Instance of the High Court ("**HCMP 900/2018**") against the Company, CCL and all the directors of the Company (apart from those whose duties have been suspended), which Kwok sought an injunction against the Company and its directors and CCL from disposing CCL's shareholdings in First Credit.[20]

The interim hearing was heard on 22 and 26 June 2018 before Mr. Justice Harris. His Lordship dismissed the application of interim injunction application of Kwok against all the parties involved, with costs on an indemnity basis to be paid forthwith by Kwok to the Company, CCL and its directors.[21]

(k) HCA 2000/2018

On 24 August 2018, the Company and OPSL commenced legal proceedings in the High Court of Hong Kong in HCA 2000 of 2018 against Kwok and Chen in which the Company and OPSL sought the following relief from the Court:

(i) A Declaration that Kwok and/or Chen has/have contravened section 131 of the Securities and Futures Ordinance ("**SFO**"), in that Kwok and/or Chen (acting as associates or otherwise) has/have become and continued to be (purported) substantial shareholder(s) of OPSL, by acquiring and continuing to hold an approximately aggregate of 37.38% shareholding in the Company ("**the 37% Stake**") without the necessary approval to do so from the Securities and Futures Commission ("**SFC**") under section 132 of the SFO.

(ii) A Declaration that Kwok and/or Chen has/have contravened section 131 of the SFO, in that the Kwok and/or Chen has/have purported to exercise the voting rights conferred by the 37% Stake (or any part thereof) which is not exercisable by virtue of section 131(4) of the SFO.

(iii) An injunction order prohibiting Kwok and Chen from exercising the purported voting rights conferred by the 37% Stake, unless and until the SFC approves Kwok and/or Chen to become and continues to be (purported) substantial shareholder(s) of OPSL under section 132 of the SFO.

[18] Announcement 13/04/2018
[19] Announcement 04/11/2019
[20] Announcement 19/06/2018
[21] Announcement 04/07/2018

53. LITIGATION (CONTINUED)

(k) HCA 2000/2018 (CONTINUED)

The relief sought by the Company and OPSL in HCA 2000 of 2018 is expressly made without prejudice to the relief of rescission of the 37% Stake sought by the Company and its subsidiaries in proceedings HCA 2922 of 2017.[22]

On 8 July 2020, the strike out application by Kwok and Chen was heard in the High Court of Hong Kong by Mr. Justice Coleman. On 10 July 2020, Mr. Justice Coleman handed down the decision that HCA2000/2018 be struck out for the reasons that, among other things, it is the SFC which is the relevant person granted the policing powers under the relevant section of the SFO and that it is perfectly open to the Company to lay the same facts before the SFC, and to invite the SFC to exercise the powers given to the SFC under the SFO.[23] The Company and OPSL have subsequently filed an appeal against Mr. Justice Coleman's decision to the Court of Appeal.

(l) HCA 1228/2019

On 9 July 2019, CCL commenced legal proceedings against 8 defendants which include Cho and Hui Ka Wah Ronnie, a former executive director of the Company and Chan, for loss and damage arising from the loans extended to Blue Farm Limited in the sum of HK$19,000,000.[24]

(m) HCA 2416/2019

On 30 December 2019, the Company together with three of its wholly-owned subsidiaries filed a Writ of Summons in the High Court of Hong Kong in High Court Action No. 2416 of 2019 ("**HCA 2416/2019**") against Ernst & Young ("**EY**"), a professional accounting firm. According to the Writ of Summons, the plaintiffs claim EY for losses and damages as a result of, among other matters, breach of contract, breach of duty, negligence, misrepresentation and/or negligent misstatement by EY during the period from 1 January 2013 to 31 December 2013 in connection with or arising out of:

(i) auditing and/or certification of the Plaintiffs' audited and other financial statements; and

(ii) the giving of financial, tax, accounting, auditing, business and/or regulatory advice and services and other advice and services to the Plaintiffs.[25]

On 24 August 2020, the plaintiffs filed and served the Amended Writ of Summons and the Statement of Claim of HCA 2416/2019 with the High Court. According to the Statement of Claim, the plaintiffs claim against EY for losses and damages, inter alia, arising as a result of EY's negligence and breach of its contractual obligations in respect of EY's conduct of the audit of the financial statements of the Plaintiffs for the years ended 31 December 2013, 31 December 2014, 31 December 2015 and 31 December 2016 and seek the following relief:

(i) damages and/or equitable compensation;

(ii) interest calculated on a compound or alternatively, a simple basis, pursuant to Section 48 of the High Court Ordinance (Chapter 4 of the Laws of Hong Kong) or the equitable jurisdiction of the Court, on all sums at such rate and for such period as the Court thinks fit;

(iii) costs; and

(iv) further or alternatively such further or other relief as the Court thinks fit.[26]

22 Announcement 24/09/2018
23 Announcement 31/07/2020
24 Announcement 04/11/2019
25 Announcement 3/2/2020
26 Announcement 27/8/2020 and 30/10/2020

53. LITIGATION (CONTINUED)

(n) HCA 1435 OF 2020

Convoy International Holdings Limited ("**CIHL**"), an indirectly wholly owned subsidiary of the Company, is a shareholder of OJBC Co. Ltd. ("**OJBC**"). OJBC wholly owns Nippon Wealth Limited ("**NWB**"), a company incorporated in Hong Kong which is licensed as a Restricted Licence Bank by the Hong Kong Monetary Authority and licensed to carry out Type 1 (Dealing in Securities) and Type 4 (Advising on Securities) regulated activities by the SFC. It is understood that CIHL's shareholding in OJBC was acquired in or about 2014.

On 25 August 2020, CIHL as plaintiff commenced legal proceedings in the High Court of Hong Kong in High Court Action No.1435 of 2020 suing on behalf of itself and all other shareholders in OJBC (except Shinsei Bank, Limited ("**Shinsei Bank**"), another shareholder of OJBC) and NWB against 7 directors of NWB ("**NWB 7 Directors**") and Shinsei Bank as defendants, by the filing of a Writ of Summons indorsed with a Statement of Claim.

According to the Statement of Claim, CIHL seeks:

(i) a declaration against the NWB 7 Directors that the NWB 7 Directors have acted in breach of their duties in recommending and facilitating the sale of the consumer finance business of NWB (the "**Consumer Finance Business**") to a nominee corporate vehicle of Shinsei Bank ("**Shinsei Bank Nominee**");

(ii) a declaration against the NWB 7 Directors that the sale of the Consumer Finance Business to the Shinsei Bank Nominee was at an gross undervalue and hence, null and void, or has been rescinded or set aside;

(iii) a declaration that the Shinsei Bank Nominee holds the Consumer Finance Business on trust on behalf of NWB for the benefit of NWB;

(iv) an order that the Shinsei Bank Nominee do forthwith return or deliver to NWB the Consumer Finance Business or its fair market value thereof;

(v) an order that the Shinsei Bank Nominee do give a full account for all profits, dividends, income, benefits and/or proceeds derived from the Consumer Finance Business;

(vi) equitable compensation from the NWB 7 Directors, Shinsei Bank and Shinsei Bank Nominee for loss caused by reason of the breach of fiduciary duties by the NWB 7 Directors or dishonest assistance of such breach by Shinsei Bank and Shinsei Bank Nominee;

(vii) account of profits from NWB 7 Directors and Shinsei Bank and the Shinsei Bank Nominee arising from the breach of fiduciary duties by the NWB 7 Directors or dishonest assistance of such breach by Shinsei Bank and Shinsei Bank Nominee;

(viii) Damages, interests, and costs.[27]

[27] Announcement 27/8/2020

53. LITIGATION (CONTINUED)

(o) HCMP 1578 OF 2020

On 28 September 2020, the Company received an originating summons issued by Kwok against the Company in the High Court of Hong Kong under action number HCMP 1578/2020.

On 19 October 2020, the Company made an application to the High Court of Hong Kong to strike out and dismiss the originating summons in HCMP 1578/2020.

On 20 October 2020, Kwok filed an application for an interim injunction against the Company in HCMP 1578/2020.

In a summary, Kwok sought in the interim injunction application, among other matters, an injunction against the Company (whether by itself, its directors, chairman and other officers, agents or otherwise) from interfering with, obstructing, abating, disregarding or howsoever prejudicing the exercise of the (purported) rights over the (purported) shares of Kwok and his agent(s) in the capital of the Company in the Company's extraordinary general meeting scheduled to be held on 26 November 2020, in the absence of an appropriate declaration against Kwok made by a competent court or any court order restraining Kwok and his agent(s) from exercising their respective (purported) rights as (purported) shareholders of the Company.

The injunction application was heard on 12 November before Mr. Justice Coleman. On 13 November 2020, Mr. Justice Coleman handed down his judgment dismissing Kwok's interim injunction application. On 3 December 2020, Mr. Justice Coleman ordered Kwok to pay 50% of the Company's costs on an indemnity basis.

Particulars of Investment properties

Location	Existing use	Tenure	Attributable interest to the Group
15th Floor, Kaiseng Commercial Centre, 4–6 Hankow Road, Tsim Sha Tsui, Kowloon	Commercial	Medium-term lease	100%
Units 1222–113 on 12th Floor, One Island South, 2 Heung Yip Road, Wong Chuk Hang, Hong Kong	Commercial	Medium-term lease	100%

Five Year
Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the respective published audited financial statements, is set out below.

RESULTS

	As at 31 December				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**957,708**	802,739	863,885	1,205,145	604,624
Other income and gains, net	**21,257**	53,886	41,534	7,830	3,202
Commission and advisory expenses	**(757,933)**	(561,821)	(631,423)	(577,541)	(479,441)
Staff costs	**(254,388)**	(294,775)	(297,099)	(236,390)	(165,659)
Depreciation of property, plant and equipment	**(3,834)**	(27,663)	(37,996)	(33,658)	(28,136)
Depreciation of right-of-use assets	**(59,383)**	–	–	–	–
Amortisation of intangible assets	**–**	–	–	–	(544)
Loss/(profit) attributable to non-controlling investors of investment funds	**1,178**	1,609	13,919	1,596	(1,510)
Other expenses	**(393,530)**	(531,432)	(1,224,057)	(377,486)	(388,919)
Finance costs	**(44,159)**	(46,107)	(50,821)	(49,278)	(43,077)
Share of profits/(losses) of associates	**(4,745)**	(11,064)	(95,993)	(3,648)	129
Share of loss of a joint venture	**–**	(1,857)	(4,157)	(1,578)	(372)
LOSS BEFORE TAX	**(537,829)**	(616,485)	(1,422,208)	(65,008)	(499,703)
Income tax credit/(expenses)	**(2,524)**	(5,164)	(29,623)	(39,202)	15,563
LOSS FOR THE YEAR	**(540,353)**	(621,649)	(1,451,831)	(104,210)	(484,140)
Attributable to:					
Owners of the Company	**(540,434)**	(617,802)	(1,435,341)	(95,522)	(467,258)
Non-controlling interests	**81**	(3,847)	(16,490)	(8,688)	(16,882)
	(540,353)	(621,649)	(1,451,831)	(104,210)	(484,140)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**4,633,048**	5,117,363	5,314,785	6,546,724	6,230,718
TOTAL LIABILITIES	**(1,883,329)**	(1,866,318)	(1,761,911)	(1,675,518)	(1,270,122)
NON-CONTROLLING INTERESTS	**24,244**	37,484	39,943	22,023	14,297
	2,773,963	3,288,529	3,592,817	4,893,229	4,974,893

Definitions

In this annual report, unless the context otherwise requires, the following expressions have the following meanings:

"Articles" or "Articles of Association"	means the articles of association of the Company
"Audit Committee"	means the audit committee of the Board
"Board" or "Board of Directors"	means the board of Directors
"CAM"	means OnePlatform Asset Management Limited (formerly known as Convoy Asset Management Limited), a company incorporated in Hong Kong with limited liability
"CCHK"	means Convoy Capital Hong Kong Limited, a company incorporated in Hong Kong with limited liability
"CCL"	means Convoy Collateral Limited, a company incorporated in Hong Kong with limited liability
"CFG"	means Convoy Financial Group Limited, a company incorporated in the British Virgin Islands with limited liability
"CFS"	means Convoy Financial Services Limited, a company incorporated in Hong Kong with limited liability
"CIP"	means OnePlatform International Property Limited (formerly known as Convoy International Property Consulting Company Limited), a company incorporated in Hong Kong with limited liability
"Company" or "our Company"	means Convoy Global Holdings Limited, a company incorporated in the Cayman Islands on 12 March 2010 with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1019)
"CSL"	means OnePlatform Securities Limited (formerly known as CSL Securities Limited), a company incorporated in Hong Kong with limited liability
"Director(s)"	means the director(s) of our Company
"EBITDA"	means earnings or loss before interest, tax, depreciation and amortisation
"Group", "we", "us" or "Convoy"	means the Company and its subsidiaries
"HK$"	means Hong Kong dollars, the lawful currency of Hong Kong
"HK cents"	means Hong Kong cents, the lawful currency of Hong Kong
"HKCC"	means Hong Kong Credit Corporation Limited, a company incorporated in Hong Kong with limited liability
"Hong Kong"	means Hong Kong Special Administrative Region of PRC
"ICO"	means the Insurance Companies Ordinance (Chapter 41 of the Laws of Hong Kong) as amended and supplemented from time to time
"IFA"	means independent financial advisory
"ILAS"	means the acronym for Investment-linked Assurance Scheme, an insurance policy of the "linked long term" class as defined in First Schedule, Part 2 of the ICO
"Independent Third Party(ies)"	means independent third party who is not connected person (as defined in the Listing Rules) of the Company and is independent of and not connected with the connected persons of the Company

"Listing"	means the listing of our Shares on the Main Board
"Listing Rules"	means the Rules Governing the Listing of Securities on the Stock Exchange, as amended and supplemented from time to time
"Macau"	means Macau Special Administrative Region of PRC
"Main Board"	means the main board of the Stock Exchange
"Management" or "Management Team"	means the new management team led by Mr. Johnny Chen and Mr. Ng Wing Fai after the appointment of Mr. Johnny Chen as executive Director on 9 December 2017 and other New Board members
"MOP"	means Macau Pataca, the lawful currency of Macau
"MPF"	means Mandatory Provident Fund
"New Board"	means the significant change of composition of the Board and the Board formed after December 2017 with the appointment of Mr. Johnny Chen, Mr. Yap E Hock and other non-executive Director and independent non-executive Directors
"Nomination Committee"	means the nomination committee of the Board
"PRC"	means the People's Republic of China
"Previous Management"	means the previous board members largely comprised of Dr. Cho Kwai Chee (a former executive Director, who was removed by the New Board on 17 August 2018), Mr. Wong Lee Man (a former executive Director, who was removed at the extraordinary general meeting of the Company on 7 January 2021), Ms. Fong Sut Sam (a former executive Director), Ms. Chan Lai Yee (a former executive Director, who was removed at the extraordinary general meeting of the Company on 7 January 2021) and Mr. Tan Ye Kai, Byron (a former executive Director, resigned on 6 January 2018), together with the management staff operated and managed the Group before 8 December 2017
"Remuneration Committee"	means the remuneration committee of the Board
"Renminbi" or "RMB"	means Renminbi, the lawful currency of PRC
"SFC"	means the Securities and Futures Commission
"SFO"	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and supplemented from time to time
"Share(s)"	means ordinary share(s) with a nominal value of HK$0.10 each in the share capital of our Company
"Stock Exchange"	means The Stock Exchange of Hong Kong Limited
"US$"	means United States dollars, the lawful currency of the United States
"%"	means per cent

In this annual report, the terms "associate", "connected person", "subsidiary" and "substantial shareholder" shall have the meanings ascribed to such terms in the Listing Rules, unless the context otherwise requires. The English names of the companies established in the PRC are for identification purposes only.

CONVOY康宏